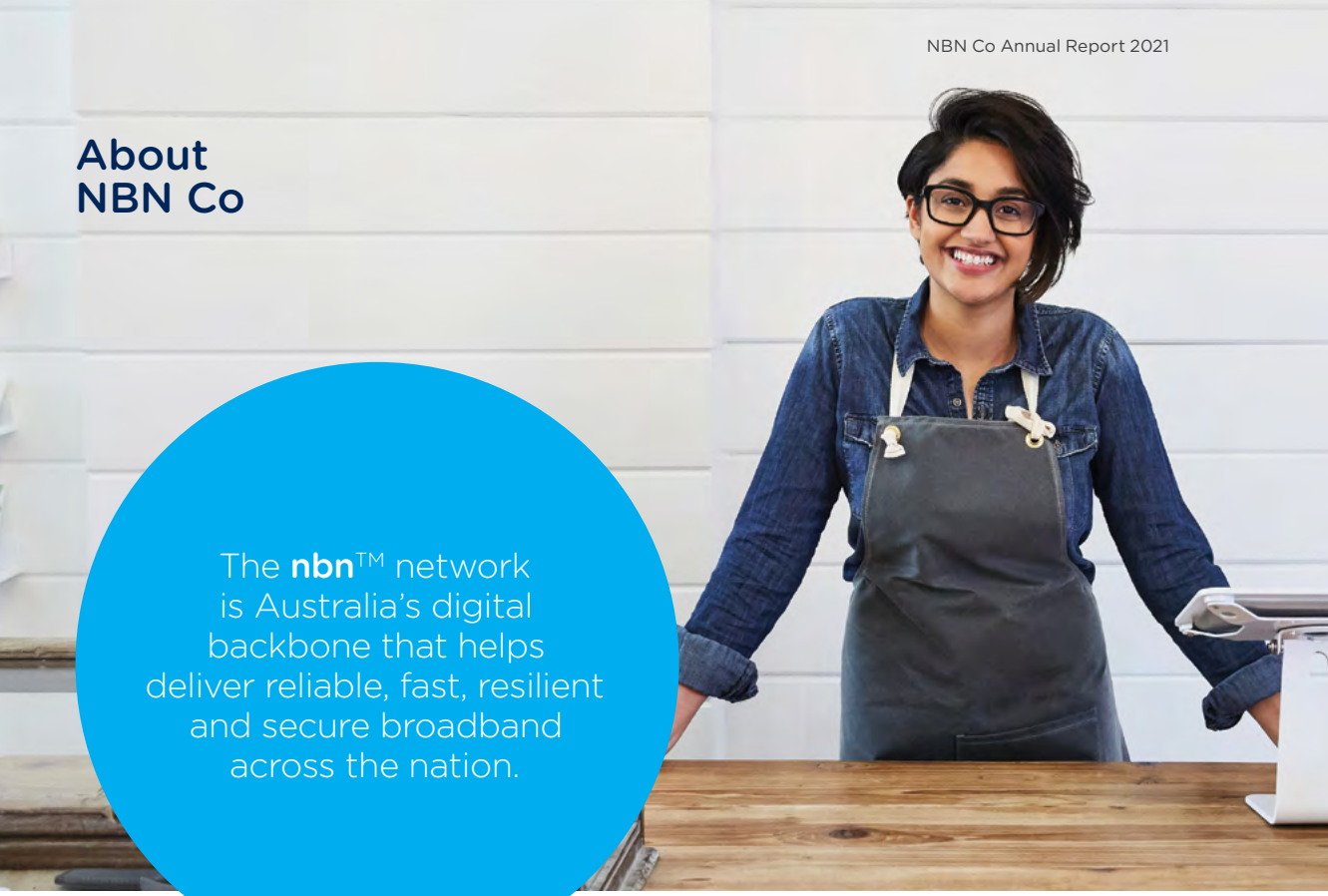




About NBN Co



The **nbn**[™] network is Australia's digital backbone that helps deliver reliable, fast, resilient and secure broadband across the nation.

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 (**nbn**[™] network) in accordance with the Commonwealth Government's Statement of Expectations, 24 August 2016¹.

The Company's key objective is to support Australia's digital economy and enhance social connection by creating opportunities for communities, governments and industry to drive digital adoption and innovation.

In addition to building and operating a network that is reliable, fast, 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.

1. <https://www.nbnco.com.au/corporate-information/about-nbn-co>

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).

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As the nation's main broadband 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 innovation, 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. Working in collaboration with industry partners, NBN Co is committed to connecting Australian homes and businesses so they can access the social and economic benefits that fast broadband enables.



In the spirit of reconciliation NBN Co acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

About this report

Annual Report

This Annual Report is for the year ended 30 June 2021 and provides information about the Company and its subsidiaries it controlled during the year (together referred to as the NBN Co Group or the Group). The Financial Report was authorised for issue by the Directors on 5 August 2021. The Directors have the power to amend and reissue the Financial Report.

Report structure

This Annual 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 the *Corporations Act 2001* and the *Public Governance, Performance and Accountability Act (Cth)*, are covered on pages 12 to 67. Commentary on NBN Co's financial performance specifically is contained on pages 46 to 51, and references information reported in the Financial Report (pages 112 to 171).

The report also includes a detailed Remuneration Report prepared in accordance with RMG 139 *Commonwealth companies, Executive Remuneration Reporting Guide for Annual Reports* on pages 68 to 87 and a Corporate Governance Statement on pages 88 to 110.

Operating and Financial Review [P. 14–55](#)

Remuneration Report [P. 68](#)

Corporate Governance Statement [P. 88](#)

Financial Report [P. 112](#)

Regulatory Report [P. 178](#)

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 operational and 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.

Resources

The IIRF describes six forms of capital (financial, manufactured, intellectual, human, social and relationship, and natural) but encourages organisations to adopt a categorisation and terminology appropriate to their business. In this report, NBN Co has grouped and defined these capitals into the five distinct resources outlined below. Icons are used throughout this report to demonstrate how each resource links to strategy, value creation, risk management and remuneration, and to demonstrate key relationships and trade-offs between business value drivers.



Network



People



Customers & industry



Environment



Financial

Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) are a set of 17 interconnected goals that form a global benchmark for achieving a sustainable future for all. While many of the SDGs intersect with NBN Co's operations, in FY20, NBN Co identified the SDGs most relevant to its operations. This included mapping the supporting targets of the 17 SDGs to the Company's material topics, which are outlined on page 15. Each SDG was then scored based on the mapping to finalise the four 'primary' SDGs which represent where NBN Co can create direct impact and the three 'secondary' SDGs, which represent business activities that support indirect impact creation.

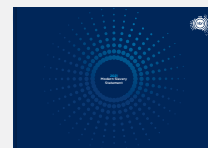
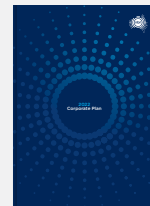
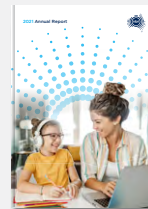
The SDGs most relevant to our business



Forward-looking statements

This report includes information about NBN Co's performance for the period 1 July 2020 to 30 June 2021. Any forward-looking statements are based on NBN Co's current expectations, best estimates and assumptions as at the date of preparation, many of which are beyond NBN Co's control. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, which may cause actual results to differ materially from those expressed in the report. Such forward-looking statements should not be relied on or considered to be a representation of what will happen by any third party. NBN Co does not give any guarantee or assurance that the results, performance or achievements expressed or implied by such forward-looking statements will actually occur.

2021 NBN Co Annual Reporting Suite



[View our reporting
suite online](#)

FY21 Highlights

NBN Co delivered another year of solid operational and financial success across the key resources and relationships it relies on to create value now and into the future for Australian homes and businesses.

Network



12m

Premises Ready to Connect (RTC)

FY20: 11.7m

People



76%

Employee engagement score

FY21 Pulse survey: 79%

99.96%

Average network availability¹

33%

Female representation in management

FY20: 32%

240

Business Fibre Zones created

2.2

Total Recordable Injury Frequency Rate (TRIFR)

FY20: 2.7

1. For further details on average network availability, refer to page 26.
2. Wholesale Broadband Agreement 4.
3. Project for the Company's first renewable power purchase agreement achieved financial close. 80GWh is now equivalent to 19 per cent of NBN Co's forecast national electricity use in FY23 (an increase of 2 per cent from the original forecast published in FY20).
4. Line cards send and receive end customer data traffic.
5. After installing more than 1,000 LED lights across Transit Aggregation Nodes and Depots (TANDs).
6. EBITDA is defined as earnings before interest, tax, other income, depreciation and amortisation.

Customers and industry



8.2m

Homes and businesses
connected

FY20: 7.3m

Environment



80GWh p.a.

Electricity contracted
through renewable power
purchase agreement³

Financial



\$4.6bn

Revenue

FY20: \$3.8bn

75%

Customers on a
wholesale 50Mbps
download plan
or higher

17,000

inactive line cards⁴ turned
off in **nbn™** network, that
will save 2GWh p.a.
in electricity

\$1.35bn

EBITDA⁶

\$2bn improvement

WBA4²

Delivered to serve the
needs of RSPs and
customers

80%

Reduction in energy
consumption for lights
upgraded at network
facilities⁵

\$23.8bn

Debt funding

Chairman and Chief Executive Officer's message

The 2021 financial year was a defining period for NBN Co and its employees as the nation came to depend on broadband connectivity like never before.





NBN Co achieved great financial and operational success in FY21, however, our most important role was supporting the nation through the social and economic disruptions brought on by the COVID-19 pandemic.

Seeing the **nbn™** network perform as it was designed to – as the reliable, fast, resilient and secure network we have built it to be – has been a source of great pride for the people at NBN Co.

Importantly, it has given Australians an insight into the true potential and criticality of this asset to the nation's current and future digital needs. And for us at NBN Co, it has underlined the importance of our purpose to lift the digital capability of Australia.

FY21 Performance

More than 933 thousand additional residential and business premises were activated on the **nbn™** network in the 12 months to 30 June 2021, with 8.2 million premises connected to the network at the end of the financial year.

While the network was declared built and fully operational in December 2020 by Minister for Communications, Urban Infrastructure, Cities and the Arts, the Hon Paul Fletcher MP, the Company continued to roll out its network to business and home premises as new residential communities and business premises were built. This included an additional 233 thousand residential and business premises made Ready to Connect in FY21. The total number of Ready to Connect homes and business premises was almost 12 million at 30 June 2021.

The growth in customers, as well as the continued take-up of higher speed services on the **nbn™** network, helped increase total revenue by 21 per cent to \$4.6 billion in FY21. The Company posted a \$2 billion improvement in EBITDA compared to FY20, to bring its total EBITDA result to \$1.35 billion for FY21. EBITDA before subscriber costs increased by 46 per cent to \$2.6 billion.

The strong rate of customer growth and our record revenue and earnings results meant NBN Co met or exceeded the FY21 operational and financial targets we set in our Corporate Plan 2021. These targets included connecting a total of 8.2 million premises to the **nbn**[™] network by 30 June 2021, and achieving revenue of \$4.5 billion and EBITDA of \$1.3 billion in FY21.

Network investment

With the years of scale construction now a proud part of NBN Co's history, FY21 was the year where we started looking beyond the initial build¹ and to our future.

For us at NBN Co, this is a future where we will continually invest to strengthen the digital backbone of Australia.

In September 2020 we released our Corporate Plan 2021 which unveiled the next evolution of the **nbn**[™] network: a \$4.5 billion investment to advance the capability, reach and value of this critical asset for the nation.

The central component of this plan has involved the enhancement of our fixed-line network to make our highest wholesale speed plans available to up to 75 per cent of households and businesses by 2023. This network investment plan also contains important initiatives and a co-investment fund to help more Australian businesses – particularly those in rural and remote areas – connect to the services and access the opportunities they need to thrive in a digital world.

Working closely with our delivery and industry partners, we immediately commenced work on this plan and in FY21 identified the first 1.1 million premises in the Fibre-to-the-Node (FTTN) network to undergo local fibre network enhancements.

We also commenced our Hybrid Fibre Coaxial (HFC) network enhancement program which has seen the proportion of HFC customers able to access services, via their RSP over NBN Co's fastest wholesale speed tier – **nbn**[™] Home Ultrafast – increase from 7 per cent in May 2020, to 87 per cent at the end of June 2021.

Funding our future

These value-accretive investments not only mark an exciting opportunity for more homes and businesses to access higher **nbn**[™] wholesale speeds, they also represent a turning point for NBN Co as we diversify our funding sources to bring these new investments to life.

In FY21 we secured our inaugural credit ratings, with Moody's Investor Services assigning an 'A1' credit rating, and Fitch Ratings assigning a rating of 'AA', and welcomed a range of debt investors as we begun the first stages of refinancing our Commonwealth loan that is due to mature in 2024.

As at 30 June 2021, the Company had raised in excess of \$14 billion in bank and capital markets debt. This included more than \$8 billion being raised in FY21.

These raisings have allowed us to repay \$6.3 billion of our Commonwealth loan, reducing the outstanding balance to \$13.2 billion as at 30 June 2021.

We look forward to welcoming more investors on board in FY22 as we continue to raise further debt from local and global capital markets over the next three years.

Working with industry

With these funds in place, we remain on track to deliver the key initiatives of our network investment plan by 2023. However, for this plan to succeed, we must also enable our RSP partners to succeed in serving Australia's homes and business with great broadband service.

Our commitment to deep industry collaboration continued throughout FY21 as we worked closely with RSPs, regulators and customers to help ensure Australians' digital needs were met on a daily basis.

This collaboration culminated in the launch of our fourth Wholesale Broadband Agreement (WBA4). This agreement, which underpins the commercial and access terms between us and RSPs, provides lower entry level prices and greater pricing certainty; stronger service delivery and performance rebates; substantial

1. For further details on the initial build, refer to footnote 2 on page 21.

improvements to the fix experience; and new accountabilities that aim to drive better customer experience outcomes.

Importantly, it also aligns incentives for both NBN Co and RSPs so that we work closely together to resolve issues quickly and improve the customer experience.

Throughout FY21 we continued to support industry and customers through the evolution of our pricing constructs. This included our annual wholesale pricing consultation process with the industry, which is helping to deliver more value and certainty to customers and the industry on wholesale and retail pricing of **nbn**™ services.

Together, these proposals are helping to create solutions that deliver predictability and value to the industry and most importantly, to Australian homes and businesses both now and in the long-term, and in both metropolitan areas and the bush.

While our commercial agreements serve an important role in how we work together,

we also recognise that we need to continually improve our internal functions to ensure we remain nimble and responsive to industry needs.

In FY21 we made great strides towards that continual program of improvement through our internal transformation to become a more streamlined, efficient and easier to deal with wholesaler.

Throughout FY21 we made the necessary, and sometimes difficult, changes to simplify our business structure. These changes are allowing us to better integrate technology, architecture, engineering and network functions, so we can heighten our performance and that of our RSP partners.

While the shape and structure of our operations continues to change through this transition, we are steadfastly committed to ensuring our people remain valued so that we can work together to improve customer service and fulfil our purpose to lift the digital capability of Australia.



COVID-19 support

While customer satisfaction levels continued to improve in FY21, it has continued to be a period of incredible challenge for NBN Co and the industry.

The dislocations brought on by COVID-19 continue to impact all Australians. As rolling lockdowns continue across the country, our people continue to work tirelessly to support customers and the telecoms industry to support millions of Australians as they adapt to new modes of work, learning and socialising.

Our entire team continues to work with diligence, determination and great attention to detail to ensure the network can stand up to the challenges and new demands placed on it.

And stand up it has. We monitored and tracked a series of surges in data demand throughout the year, particularly as New South Wales and Victoria went into lockdown, and the network performed exceptionally well to support the nation's needs.

As network demand increased, we have supported the industry so customers can continue to be connected and served by the essential services that broadband enables. We did this by augmenting and increasing capacity on our network, and through the offer of financial relief when it was most needed.

FY21 challenges

While we were able to successfully plan and manage for network demand, we had less control on the global supply chains for key equipment componentry. In February 2021, we made the decision to temporarily stop taking new orders for services on our HFC network following a global shortage of silicon chips used in our cable modems. While this issue did not affect customers already connected to the **nbn**™ network, it delayed some new connections to the HFC network in the second half of FY21.



We also faced challenges in the implementation of a new workforce scheduling system that was used by field technicians to manage the completion of on-site work requests. Despite testing this system across select states, the scheduling system faced process and implementation challenges when we scaled it across the nation's larger states. Although we moved quickly to resolve the issues, customers were unfortunately impacted by unacceptable wait times for new connections and service appointments.

Since encountering those challenges, we have increased appointment availability for new connections and service appointments, increased the scale of the field workforce and modified the field technician system to improve stability and usability.

We still have work to do in this area, but the changes we have introduced - including better scheduling processes, increased communication to industry partners and RSPs, and better processes around data sharing - all indicate we are moving quickly in the right direction.

We apologise for any inconvenience this has caused, but as we have done in the past, we will learn from these experiences so we can quickly fix them and deliver the great service that customers expect from us.

Beyond FY21

How we rise to and respond to these challenges serves as a great reminder of the critical work we do at NBN Co.

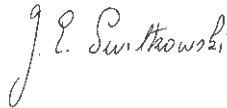
COVID-19 might have challenged the nation like never before, but it also elevated the importance of broadband connectivity and the role it plays in keeping schools, businesses and homes connected and productive.

For us at NBN Co, that is why FY21 will be remembered as a year of incredible growth and challenge.

We reached our eight million connections milestone, we consistently exceeded our financial and network targets, and we embarked on an important evolution to our network capability.

We now enter FY22 in the strongest shape we have ever been in. Our network is performing incredibly well, and our services are in high demand. We have a plan for the future that we are executing, and our people remain as committed as ever to bringing the benefits of high-speed broadband to millions of homes and businesses.

We know there will be more challenges on the horizon as we continue to recover from the COVID-19 pandemic, but we are committed to working in close collaboration with our industry partners so we can continue to lift the digital capability of Australia.



Dr Ziggy Switkowski AO
Chairman



Stephen Rue
Chief Executive
Officer



Directors' Report

The Directors of the Company present their report of NBN Co Limited (NBN Co or the Company) and the subsidiaries it controlled during the year (the Group or the NBN Co Group) together with the Financial Report of the Group for the year ended 30 June 2021 and the auditor's report therein.



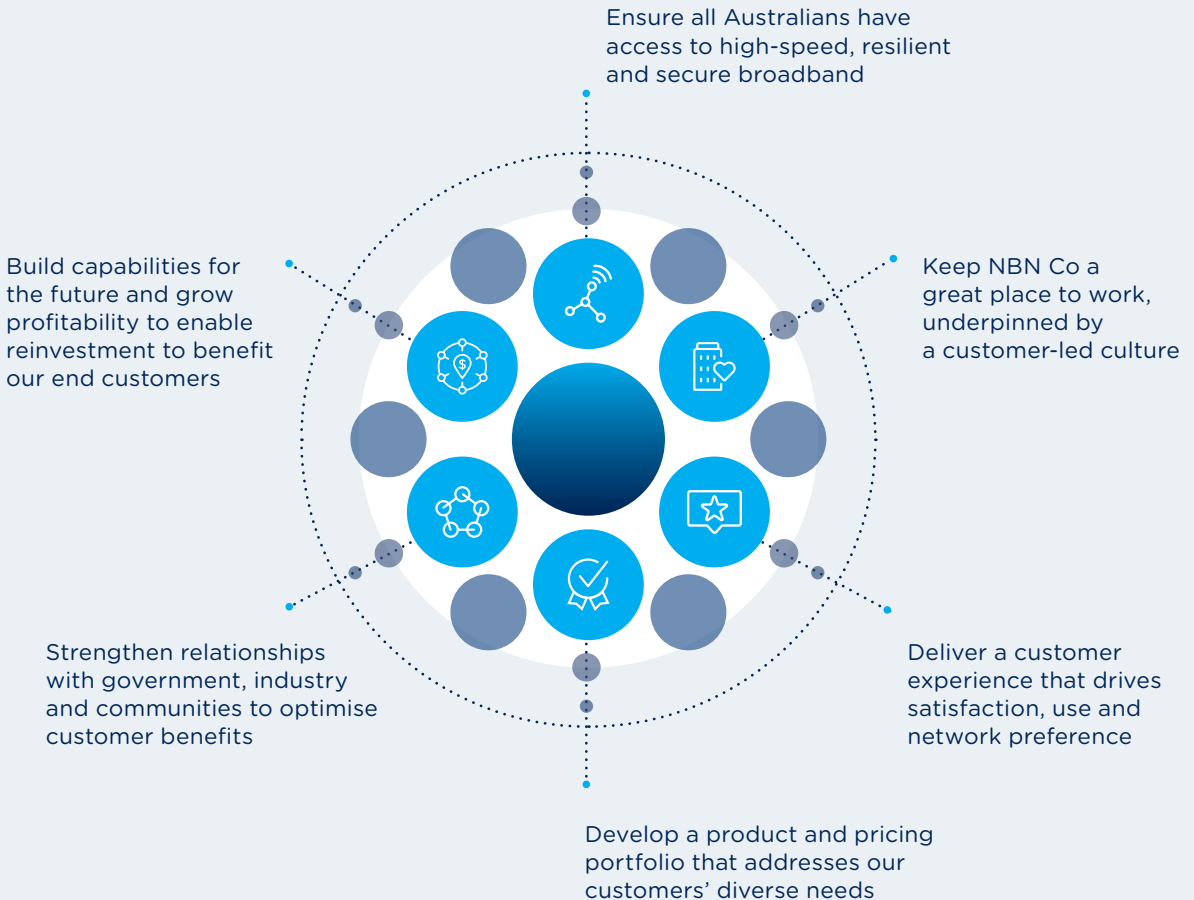


Purpose, strategy and values

Our purpose

To lift the digital capability of Australia.

Our strategy is underpinned by six strategic pillars:



Sustainability

For NBN Co, sustainability is the intersection of social, economic and environmental risks, issues and opportunities impacting the Company and the customers and communities it serves.

By balancing these three aspects of sustainability, NBN Co aims to create long-term social, economic and environmental value.

Sustainability strategy

NBN Co's Sustainability Program and Sustainability Reports are informed by the Company's first sustainability materiality assessment, conducted in FY20. This identified and defined topics and related issues that have a significant impact on NBN Co as well as those that are impacted by the Company's operations.

To responsibly and sustainably achieve its purpose, NBN Co recognises the importance of managing and measuring its material sustainability topics.

NBN Co's six material topics and objectives are:

Social equity – Create social equity through digital inclusion and capability, to maximise the benefits of connectivity for all Australians

Economic contribution – Empower individuals, businesses and communities to stimulate economic productivity and growth

Resilient network – Operate a trusted, secure and reliable network to provide all Australians access to the essential infrastructure they need

Climate action – Reduce emissions and address climate risks to support a more sustainable business, network and low carbon Australia

Diversity and inclusion – Set the example of a diverse, inclusive and healthy workforce, with a strong culture, purpose driven people and high level of engagement

Transparent and accountable business – Demonstrate our values through ethical and sustainable business practices to build trust with Australians.

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

How we create value

Our resources

What we do



Our network

A reliable, fast, resilient and secure wholesale 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 customers and industry

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



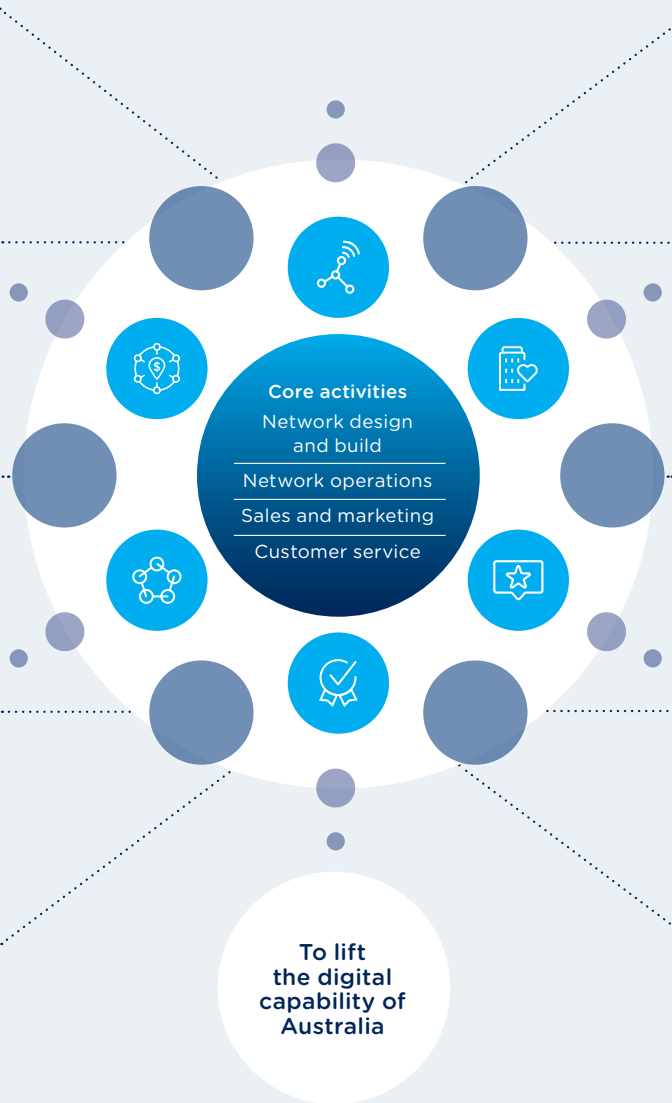
Our environment

Natural resources to build and operate the network



Our financial resources

Capital from our shareholders and lenders



To lift the digital capability of Australia

Our purpose

The value we create

Australia's digital backbone

As Australia's digital backbone, the **nbn**TM network is enabling greater productivity, economic prosperity, social connectivity and digital inclusion

A safe, inclusive and engaged workforce

A safe, inclusive and engaged workplace where people feel valued and can become the best they can be

Customer experience and industry enablement

Enabling excellent customer experience and driving industry sustainability by working collaboratively with RSPs, the industry and the communities we serve

Environmental responsibility

An efficient, low carbon and climate resilient network and business, which protects the natural environment and areas of cultural heritage significance

Sustainable financial growth

Long-term ethical and sustainable financial growth to enable reinvestment in the network to benefit Australians

UN SDGs most relevant to NBN Co's business and operations



Quality education



Gender equality



Decent work and economic growth



Climate action



Industry, innovation and infrastructure



Sustainable cities and communities



Responsible consumption and production

How we measure value

Key inputs



Network

As the operator of Australia's major communications infrastructure, NBN Co's network is the key driver of value for the Company. By operating a world-class, reliable, fast, resilient, and secure network, NBN Co helps unlock the social and economic value that access to broadband enables. With a network spanning the continent of Australia, NBN Co is helping connect Australia to become a smarter, more digitally-enabled nation.



People

NBN Co's people, their diversity and knowledge, are core to how the Company creates value. NBN Co's people take enormous pride in working together to lift the digital capability for all Australians. This enables the Company to attract and retain great talent. NBN Co values its people for their high-performing work ethic, being inclusive, commercially minded, leading through complexity and embracing innovation to overcome challenges.



Customers and industry

NBN Co's ability to create value depends on the experience of its customers and the success and sustainability of the telecommunications industry. By working together, NBN Co and the nation's RSPs are creating value by connecting customers, businesses and communities with the tools and services they need to succeed in a digital world.



Environment

The efficient use of natural resources and protecting the environment and communities in which NBN Co operates are crucial to ensuring the Company can sustainably create value. Sound management of climate risks also enables the creation of value through greater cost efficiencies and operational resilience. NBN Co monitors and manages its environmental impact to ensure its network and business can continue to operate in a responsible and resilient manner.



Financial

NBN Co's financial resources are capital provided by its shareholders and lenders. Well-governed management of capital from the Company's shareholders and lenders underpins NBN Co's ability to deliver long-term sustainable financial growth. Long-term revenue, EBITDA and free cash flow growth are essential to enable reinvestment in the network to benefit Australians, to execute the Company's capital management strategy, and to generate a modest return on the Australian taxpayers' investment.

Value drivers

- Network scale
- Network investments
- Economic, social and community benefits
- Network performance

- Employee engagement
- Diversity and inclusion
- Health and safety

- Connecting homes and businesses
- Customer experience
- Industry engagement

- Resource efficiency
- Climate resilience
- Environmental and cultural heritage protection

- Financial performance
- Capital management
- Corporate governance

How we measure value

- Total premises Ready to Connect (RTC)
- Network investment plan progress
- Economic, social and community benefits delivered
- Network performance metrics.

- Employee engagement score
- Female representation in management
- Incident and injury metrics.

- Total premises connected
- Customer speed tier mix
- Customer and industry advocacy.

- Carbon reduction plan progress
- Scope 1 and 2 emissions
- Energy use.

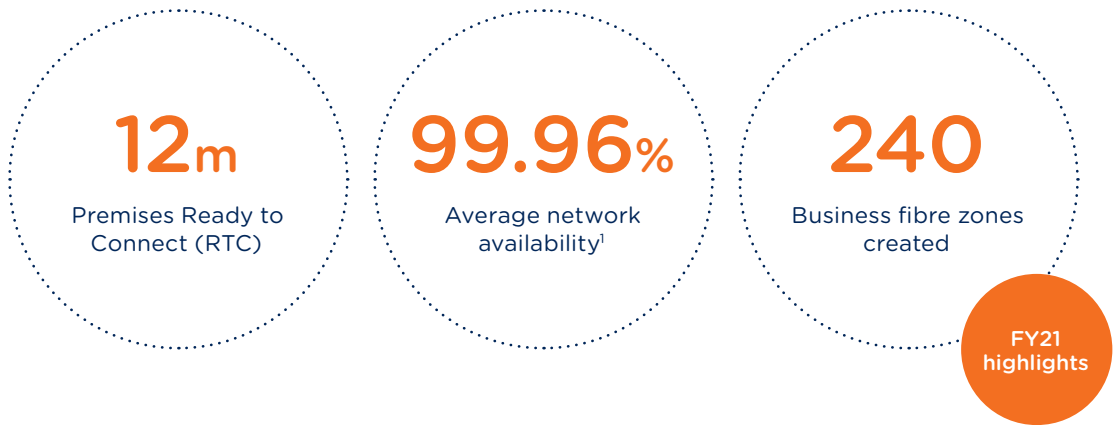
- Revenue growth
- EBITDA performance
- Liquidity performance.



Australia's digital backbone

The **nbn**[™] network is creating long-term value for Australians by enabling greater productivity, economic prosperity, social connectivity and digital inclusion.





As Australia’s digital backbone, the **nbn™** network provides the infrastructure and services to enable Australian homes and businesses to participate in the many social and economic benefits that fast broadband enables.

After completing the initial build² of the **nbn™** network in FY20, the Company passed the important milestone of being declared built and fully operational by Minister for Communications, Urban Infrastructure, Cities and the Arts, the Hon Paul Fletcher MP, in December 2020.

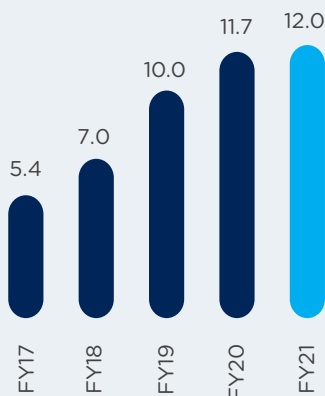
While the network is accessible to almost 12 million premises with 8.2 million active customers, the Company continues to roll

out its infrastructure to homes and businesses as new premises are built around Australia and new customers connect to the network.

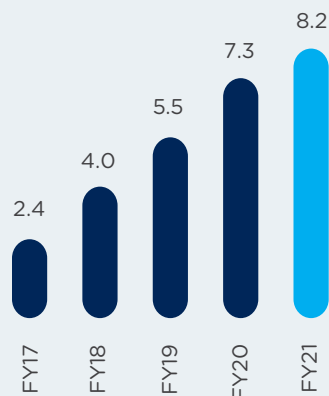
NBN Co also remains committed to connecting the remaining 11,000 complex installations. These premises include difficult to reach homes and businesses, new development sites, and heritage and culturally significant sites.

1. For further details on average network availability, refer to page 26.
2. 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 Custodians, and where network construction to allow such premises to connect will be an ongoing activity of NBN Co.

Cumulative RTC premises (million)



Homes and businesses connected (million)



To ensure Australian homes and businesses can access the social and economic benefits that are enabled by broadband access, NBN Co remains focused on:

- evolving the **nbn™** network to meet growing demand
- providing a reliable, fast, resilient and secure wholesale broadband service
- supporting regional, rural and remote Australia with digital connectivity solutions.

Network investments

Throughout FY21 and beyond, NBN Co continues to invest in the **nbn™** network to increase the nation’s access to the technologies and infrastructure that will underpin Australia’s transition to a smarter, digitally-enabled economy.

In September 2020, the Company unveiled the next evolution of the **nbn™** network: a \$4.5 billion investment to advance the capability, reach and value of this critical asset for the nation.

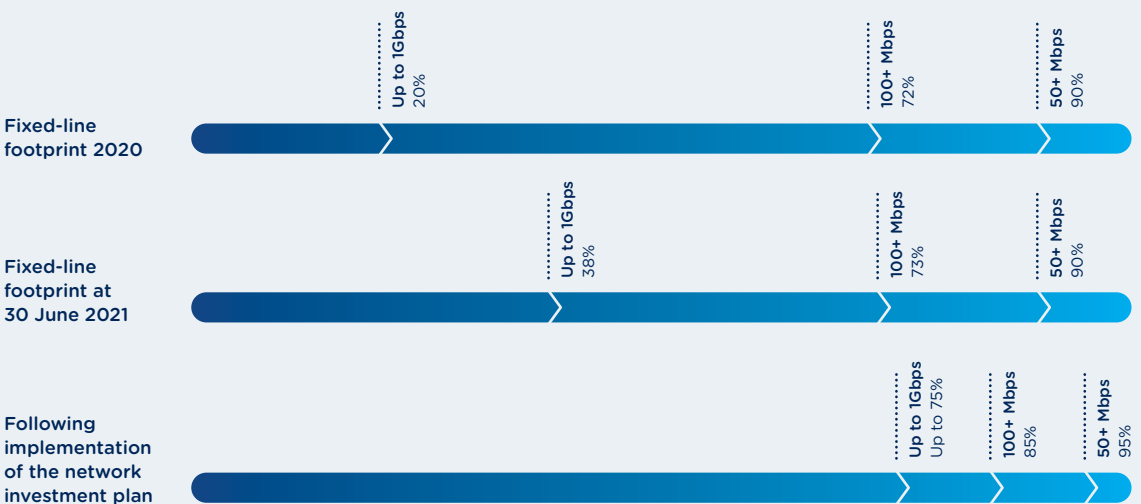
The central component of this plan has involved the enhancement of NBN Co’s fixed-line network to make its higher wholesale speed plans available to up to 75 per cent of households and businesses by 2023 (and up to 68 per cent in the total network). This network investment plan also contains important initiatives and a co-investment fund to help more Australian businesses – particularly those in rural and remote areas – connect to the services and opportunities they need to thrive in a digital world.

Investment plan progress

In FY21, NBN Co made great progress in advancing its network initiatives to ensure the Company remains on track to deliver its network investment plan.

Following its announcement, the Company immediately commenced work on this plan and identified the first 1.1 million premises in the Fibre-to-the-Node (FTTN) network to undergo local fibre network enhancements. This will allow these premises to become

Total **nbn™** fixed-line premises in Australia – Download speeds potentially available



eligible for Fibre-to-the-Premises (FTTP) services, and access higher speed services on demand.

NBN Co also commenced its HFC network enhancement program in FY21. This program has increased the proportion of HFC customers able to access NBN Co's higher wholesale speed plan – **nbn™** Home Ultrafast. As at 30 June 2021, all of the 2.5 million premises in the HFC footprint could access wholesale download speed tiers of up to 250Mbps, and 87 per cent of HFC premises could access **nbn™** Home Ultrafast.

The Company also implemented new plans to deliver its highest wholesale speed tiers in the FTTC footprint through on-demand FTTP upgrades. Using FTTP as the upgrade path for higher speeds in the FTTC footprint will provide a range of advantages when considering long-term costs, operational cost savings through IT simplification, and consistency with the Company's objective to deepen fibre deployment across its network.

These investments will increase the Company's ability to better serve industries, businesses, schools and health services so they too can transform and deliver better service, be more productive and create new sources of value for society.

The targeted and demand-driven nature of these investments is expected to drive a commercially attractive return on investment, building on the network investments that NBN Co has made to date.

These investments will also enhance network performance, customer satisfaction and improve long-term cost efficiencies to enable further reinvestment in the future.

These investments are also helping stimulate job creation and retention through new build activities that would otherwise have scaled down at the end of NBN Co's initial build¹.

According to analysis by economics firm AlphaBeta, commissioned by NBN Co, these network investments will help create an estimated 25,000 direct, indirect and induced jobs over the coming years. The investments are also estimated to add \$6.4 billion annually to the economy from 2024, of which \$1.5 billion will flow into Australia's regional economies.

Investment plan progress summary

During FY21, NBN Co made the following progress on its network investment plan:

- identified the first 1.1 million FTTN premises eligible for on-demand FTTP connections. Of these identified premises, some 465 thousand homes and businesses are in the design phase and more than 100 thousand have been released for construction work
- made **nbn™** Home Ultrafast plans available to 87 per cent of premises within the HFC footprint
- created 240 **nbn™** Business Fibre Zones enabling access to CBD pricing by RSPs for business-grade broadband services
- opened the application process to local and state governments seeking to co-invest in regional broadband upgrades benefiting residents, businesses and communities in their states
- engaged RSPs on products, pricing, service levels and co-design of processes for high-speed tiers to ensure industry support
- selected Delivery Partners following a tender process to perform the network build, focused on process innovation, quality outcomes and cost efficiencies.

1. For further details on the initial build, refer to footnote 2 on page 21.

Lifting the digital capability of Australian businesses

Throughout FY21, NBN Co worked in partnership with RSPs to launch a range of initiatives to support business innovation, productivity and growth.

The centrepiece of these initiatives was the establishment of 240 **nbn™** Business Fibre Zones, covering more than 750,000 business premises across Australia.

These zones, which include 85 regional centres, allow businesses to access symmetrical download and upload speeds on NBN Co's Enterprise Ethernet product, through their RSPs at prices that were

traditionally reserved for the nation's major, central business districts. Additionally, if RSPs sign up for a three-year Enterprise Ethernet plan, there is a \$0 upfront connection cost¹.

This initiative is helping to level the business playing field so small and medium businesses can access the advantages of bandwidth-intensive applications such as online collaboration and cloud-based tools.

In addition to the 240 established zones, NBN Co has also created a \$50 million co-investment fund to engage state governments and local councils to create future Business Fibre Zones.

1. NBN Co is a wholesaler and does not control costs charged by RSPs. Customers should contact their preferred RSP to ask about availability, and any fees and charges that may be applicable. These pricing offers are not available for most premises in the **nbn™** Fixed Wireless or Satellite footprints, or for most premises which have complex connections – further costs are likely to apply to these premises.



CASE STUDY

Tourism's triple threat: bed, breakfast and broadband

How stronger connectivity with business **nbn™** Enterprise Ethernet is helping BIG4 Easts Beach Holiday Park stay ahead of its guests' needs.



Scan the QR code to find out more

Supporting regional and remote Australia

NBN Co continues to support rural and remote Australia by providing connectivity into these regions so they can participate in, and benefit from, Australia's digital economy.

The Company's Regional Development and Engagement (RDE) business unit continues to solely focus on meeting customer needs and raising the digital capability of these communities across Australia.

In FY21 RDE continued to play a critical role in enabling the economic and social opportunities that broadband access can make possible for regional Australia.



CASE STUDY

The Commonwealth's Regional Connectivity Program is helping to provide people in regional Australia access to improved broadband services and data delivering fast, affordable and reliable connectivity.

Read on to find out how 16 of these new projects - co-funded by NBN Co, Government and business - will help enhance connectivity across the country.



Scan the QR code to find out more

NBN Co continues to dedicate significant resources and capital with the aim of meeting the connectivity needs of homes and businesses in rural and remote Australia. Highlights in FY21 include:

- in September 2020 NBN Co established its \$300 million Regional Co-investment Fund to further enhance broadband services for rural and regional households, businesses and communities. The Fund aims to:
 - improve broadband services for Australia's regional, rural and remote communities
 - strengthen relationships with government, industry and communities to optimise customer benefits
 - provide immediate economic stimulus through infrastructure enhancements
 - help regional and rural communities realise the socioeconomic benefits that access to high-speed broadband can unlock.
- in December 2020 NBN Co secured funding as part of the Commonwealth Government's Strengthening Telecommunications Against Natural Disasters (STAND) package to increase the number of temporary emergency network services across the nation
- in March 2021 NBN Co announced that the satellite beams for its business **nbn™** Satellite Service (BSS) would expand coverage to 100 per cent of the Australian mainland and surrounding large islands. This will help RSPs deliver business-grade services to businesses with hard to reach remote operations
- in June 2021 NBN Co was named as a successful applicant for the Commonwealth Government's Regional Connectivity Program (RCP). Sixteen NBN Co projects aimed at solving local connectivity issues have been approved for almost \$28 million in RCP funding.

Network resilience

The **nbn**[™] network plays a critical role in keeping communities connected, schools active, businesses operational, and the nation productive.

This role is never more important than when the nation faces the challenges of bushfires, floods, cyclones, and in the case of COVID-19, a pandemic.

COVID-19 and extreme weather events have tested the **nbn**[™] network like never before but the network has met these challenges and performed incredibly well.

The **nbn**[™] network is built to a design availability target of 99.90 per cent and has been demonstrated to be highly resilient in the face of challenges.

During FY21, network availability remained consistently high at an average of 99.96%, despite challenges such as COVID-19, extreme weather events and incidents of mains power loss. NBN Co sets a target of 99.90% availability for each 12-month period, however the Company manages the **nbn**[™] network to an internal stretch target of 99.95% as it recognises the inherent link between network availability and customer satisfaction.

Throughout FY21, the reliability and resilience of the **nbn**[™] network has meant schools, homes and businesses have been able to continue to access the vital telecommunications services they need to stay connected with their friends, families and communities.

It is only through ongoing investment in the **nbn**[™] network that the Company can ensure normal operations continue in the face of these challenges.

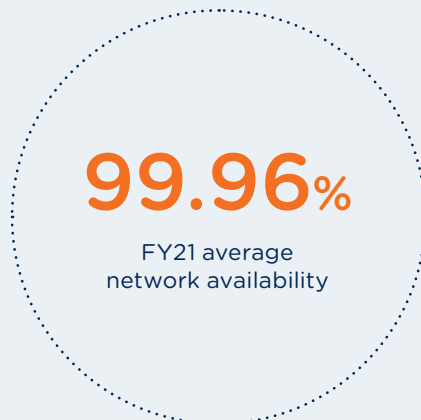
Investing in resilience

During FY21, NBN Co established a Network Resilience framework to deliver proactive resilience programs and ensure the health of the network is maintained.

This framework has been designed to define and measure network resilience, identify and proactively treat network breakpoints, and help inform ongoing network investment.

The Company regularly assesses how to make its networks more resilient, and how it can better support emergency services and communities in times of need.

Network availability



Network availability is defined as the percentage of time the **nbn**[™] access network is available and operating. For this measure, the network is considered 'unavailable' during the time NBN Co is restoring services following the raising of a fault. It does not include periods where the network is unavailable due to operational outages for matters such as network upgrades and improvements or events beyond NBN Co's control. This metric has been rounded to the nearest two decimal places.

Emergency response and community communications

Events associated with climate change are likely to expose the **nbn**[™] network, business, supply chain and workers, to more frequent extreme weather events, such as floods, cyclones and bushfires.

While the bushfires of December 2019 and January 2020 remain in the nation's memory, the past 12 months have seen Australia exposed to other natural extremes as floods severely impacted NSW and Southern Queensland, and Tropical Cyclone Seroja lashed Western Australia.

Restoring and providing the essential communication services that families rely on to stay in contact with each other and emergency services during these natural disasters will always remain the Company's highest priority during these times.

To ensure NBN Co can continue to support communities in times of need, the Company continues to invest in its resilience and preparedness activities, including:

- investing in temporary network infrastructure to expedite network recovery
- satellite network infrastructure redundancy to support customers affected by significant power outages.

Cyber security

The **nbn**[™] network is a critical piece of national communications infrastructure, and ensuring it remains secure and resilient at all times remains the Company's highest priority. NBN Co has a dedicated Chief Security Officer and Security Group that works closely with Australia's national security agencies including the ACSC (Australian Cyber Security Centre) and ASD (Australian Signals Directorate) to prepare against any potential security threats.

NBN Co's dedicated and experienced cyber security team works closely with all the Company's business units in terms of security practices, planning and resourcing. As part of this, every NBN Co employee is made aware of their individual responsibility to uphold cyber security best practice.

The team pursues an aggressive threat identification and mitigation program to protect against external actors. The Company remains ever vigilant, constantly monitoring and seeking to improve our threat prediction, detection and protection levels. Company-wide cyber education and training is a key element in ensuring that all NBN Co employees understand their individual responsibility in protecting this critically important asset.





Supporting local communities in their time of need

Through Western Australia's Tropical Cyclone Seroja, and the devastating floods that impacted the east coast of Australia, NBN Co supported communities and worked closely with emergency services, Australian Defence Force, power utility providers, and RSPs.

nbn™ Local – the community engagement arm of NBN Co's Regional Development & Engagement (RDE) business unit – continues to play a critical role in supporting local communities and ensuring they can get the broadband connectivity they need to stay connected to the online world.

During times of disaster **nbn™ Local** teams were deployed in satellite-enabled Road Muster trucks to provide affected communities access to broadband, charging facilities for mobile phones, information on weather, bushfire warnings and news, along with entertainment for children of displaced families.

In many cases, these measures provided the only connectivity available for affected communities to access critical information and get in contact with loved ones in the immediate aftermath of these disasters.

The important role NBN Co plays in keeping communities connected in times of disaster was recognised in December 2020 when the Company secured funding provided by the Australian Government's Strengthening Telecommunications Against Natural Disasters (STAND) package to increase the number of temporary emergency network services.

NBN Co, in partnership with the Government and participating RSPs, has now deployed five Road Muster trucks and 12 transportable, fly-away satellite kits, and plans to deploy up to 2,000 community Wi-Fi or business **nbn™ Satellite Services** at nominated evacuation centres and emergency services organisations across the nation.

This included the launch of the first **nbn™ Disaster Satellite Service** in Namadgi, Australian Capital Territory, boosting the support offered to communities and emergency services personnel during and in the aftermath of emergency events, such as bushfires and floods.

This service will be expanded to other areas and provides a back-up communications connection using satellite technology during an emergency event, providing free full satellite broadband functionality, including Wi-Fi and video streaming.

Support through COVID-19

The enduring effects of COVID-19 have led to a major change in the way homes consume and use their broadband connection.

With more people working and learning from home, there has been an increased reliance on telecommunications operators to ensure their networks remain resilient, secure, and engineered to meet future demand.

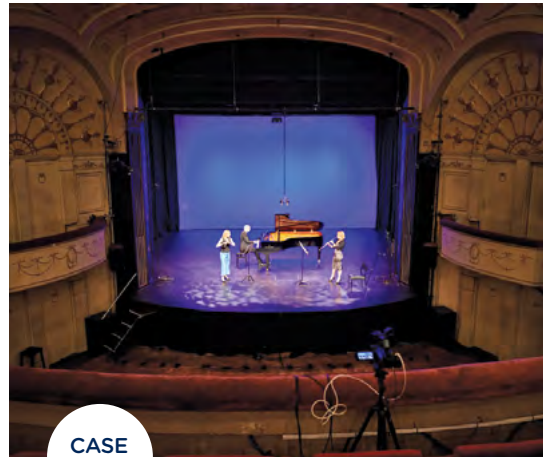
The ongoing impacts of COVID-19 – including continued state lockdowns – have seen NBN Co continue to provide sustained assistance and significant financial relief to customers and the broader telecommunications industry.

The Company's collaborative work with the telecommunications industry to support Australians through the impacts of COVID-19 has reinforced the Company's purpose to lift the digital capability of Australia and was an important reminder of the critical role that broadband services play in supporting the nation's prosperity and productivity.

NBN Co provided three main support measures in FY21 to respond to the challenges presented by COVID-19:

1. offering up to 40 per cent additional Connectivity Virtual Circuit (CVC) capacity to RSPs at no additional charge.
2. doubling the average data download limits on Sky Muster™ Satellite services to help those in rural and regional Australia stay connected.
3. financial assistance packages 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 **nbn**™ network continued to perform incredibly well in FY21 as, more than ever, Australians depended on broadband connectivity for their online needs.



CASE STUDY

An online star is born: Melbourne Digital Concert Hall

When COVID-19 decimated the live music scene and the livelihoods of performers, two enterprising Melburnians helped their industry pivot from onstage to online.



Scan the QR code to find out more



FUTURE FOCUS

- Deliver higher speed capability to more Australian homes and businesses
- Continue to operate a fast, reliable, resilient and secure network
- Minimise technological complexity and reduce cost to build



A safe, inclusive and engaged workforce

NBN Co's
people are central
to how the Company
delivers its strategy to
create long-term
sustainable value
for Australians.



76%

Employee
engagement score

33%

Female representation
in management

2.2

Total Recordable Injury
Frequency Rate (TRIFR)FY21
highlights

NBN Co is committed to ensuring it remains a great place to work by providing a safe and inclusive working environment that respects and supports the diverse backgrounds and perspectives of all people.

NBN Co is focused on creating an environment where it is safe to speak up, where teams work together to solve problems and innovate to achieve the Company's purpose to lift the digital capability of Australia.

NBN Co continues to invest in building the skills of its workforce in technical areas such as security, network and software technologies, while enabling the workforce to lead change and use data to deliver balanced commercial and social outcomes.

The Company remains focused on ensuring that the backgrounds, skills and experience of NBN Co's people reflect the diversity of the customers and communities it serves.

Employee engagement

NBN Co's employees have always felt great pride in what they do, and the Company's efforts to support the nation through natural disasters and the COVID-19 pandemic have

reinforced the Company's purpose and vision, which was reflected in a strong employee engagement score.

NBN Co's 2021 employee engagement survey, conducted in June 2021, achieved a participation rate of 91 per cent and an engagement score of 76 per cent. A significant achievement given the complexity of leading a transformation process and workforce change during the COVID-19 pandemic.

Response to COVID-19

NBN Co's response to the COVID-19 pandemic included changes to where and how the Company's people work. During times of lockdowns and health orders, NBN Co staff continued to work from home, in the office when possible, and in the field to keep the network and all services operating as normal. From February 2021 a hybrid work model where people were offered the opportunity to work from a combination of home and the office/field was implemented. The Company continues to explore ways to optimise the productive and flexible working practices established throughout the pandemic with the benefits of collaboration and connection that come from working in offices around Australia.

Diversity and inclusion

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

A diverse and inclusive workplace allows the Company to leverage different perspectives for enhanced outcomes and in turn, deliver better solutions for communities and customers.

This culture of inclusion helps the Company to attract the highest calibre employees from the widest talent pool available, and to get the best from this talent through leveraging their diverse thinking, backgrounds and experience. The Company continually strives to promote a workplace in which all their people feel safe and encouraged to contribute, have a sense of belonging, a connection to purpose, and a commitment to living the NBN Co values.

NBN Co's Executive Committee has overall accountability for the Diversity and Inclusion strategy, policy and underpinning initiatives, with a number of the Executive Committee (ExCo) team holding sponsorship roles for key demographic focus areas.

During FY21, NBN Co's diversity and inclusion objectives focused on a more sustainable leader-led approach. The Company has ensured that inclusion, both as a skill and a behaviour, is built into its core leadership practices and through the organisational values and behaviours of employees. There has also been a strong focus on building inclusive leadership capability through education in order to weave inclusion through the company's DNA. In addition to fostering a culture of inclusion, the Company is also focused on the following five key areas of demographic diversity.



Gender Equality

Over the past year the Company has continued to focus on gender equality. The Company reached 33 per cent female representation in management roles at 30 June 2021, and remains committed to increasing the participation of women in the workforce and achieving 40 per cent female representation in management by 2025. NBN Co's gender equality objectives also include:

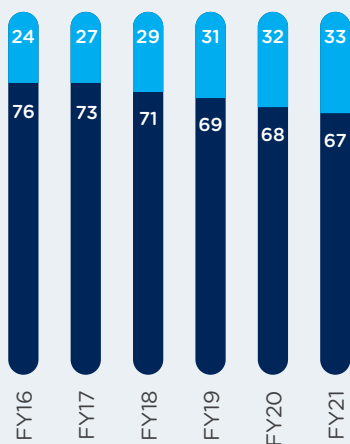
- providing a fair and equitable workplace in which all men, women, transgender individuals, and those who identify as non-binary have equal access to opportunities, and to develop and succeed in their career at NBN Co
- promoting NBN Co as an employer of choice for women
- building external relationships and partnerships that support the Company's 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 a focus during FY21:

- leveraging **nbn™** Equals to support the gender equality agenda. **nbn™** Equals, which was launched in FY20, is a company-wide network for employees to connect, learn, share experiences and lead the conversation on gender equality priorities. It proved a particularly valuable vehicle for providing support to employees during COVID-19 lockdowns by offering education, skill building and discussion forums, mentoring opportunities, and a means to connect with others across the company. It also acts as a valuable feedback loop into leadership on how the Company is advancing its gender equality aspirations
- providing a flexible and supportive hybrid workplace model as the Company returned to premises post-COVID-19 lockdowns
- providing an inclusive, safe and supportive working environment through a range of policies including Flexible Work, Parental Leave, Domestic and Family Violence Support, Code of Conduct, and Gender Affirmation Policies, all of which were reviewed in the reporting year to ensure they are as inclusive as possible
- targeted programs for leaders on inclusion, and in building inclusive leadership capability, particularly in leading a hybrid workforce
- ongoing 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, resulting in a pay gap of less than one per cent.

Gender diversity – NBN Co leadership

● Female ● Male



During FY21, the subject of safe and respectful workplaces across Australia has been a prevalent issue. NBN Co has responded to this by conducting a review of existing policy, governance, and response frameworks focusing on the recommendations in the Respect@Work report of the National Inquiry to Sexual Harassment in Australian Workplaces 2020. The Company will incorporate sexual harassment into a health and safety risk assessment to identify and assess risks of sexual harassment.

Accessibility

NBN Co aims to provide an inclusive workplace free from barriers where people with disability can feel safe, welcome and empowered. To support the inclusion of people with a disability, the Company 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. In FY21, key achievements include:

- trebling participation in the Accessibility Committee and engagement in the internal conversation activity and events
- participating in Positive Action towards Career Engagement (PACE) mentoring and Stepping Into internship programs for students with accessibility needs
- conducting an accessibility survey for a feedback loop on lived experiences and awareness levels of disability at NBN Co

- creating a dedicated role to drive delivery against the IT systems elements of the Accessibility and Inclusion Plan.

Cultural Diversity

NBN Co seeks to create an inclusive environment for its people to express the uniqueness of their cultural identity and an appreciation of, and respect for, the range of cultural differences that exist across the organisation.

In FY21 the cultural diversity activities included:

- expanding the Cultural Diversity Committee and establishing a formal governance structure
- publishing regular “Humans of **nbn**” profile articles to share how NBN Co employees celebrate a range of diverse cultural and faith-based events
- hosting a range of highly successful virtual events for days of cultural significance including Harmony Day, and Cultural Diversity Day (with attendance reaching 750 employees).



CASE STUDY

Making cultural connections through innovation

Discover how Jason Davis from WUNA (HoldAccess) is helping Indigenous Australians stay connected to their culture and identity with help from **nbn**™ connectivity.



Scan the QR code to find out more

LGBTIQ+ Pride

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

NBN Co was awarded Gold employer status for the first time at the Australian Workplace Equality Index Awards in 2021. This places NBN Co in the top 10 per cent of reporting employers, and represents a huge step up from the Bronze status achieved in 2020.

LGBTIQ+ Pride achievements in FY21 included:

- ensuring updates were made across 12 different NBN Co policies and processes for best practice LGBTIQ+ inclusion, including the introduction of 20 days paid Gender Affirmation Leave and celebrating LGBTIQ+ days of significance such as International Day Against Homophobia, Biphobia & Transphobia, and Wear it Purple Day. These events focused on highlighting the broad and intersectional nature of diversity through showcasing First Peoples and transgender speakers
- continuing to drive stronger relationships with the industry community, through sharing events with some of the Company's strategic partners
- delivering LGBTIQ+ ally education sessions internally, and LGBTIQ+ awareness training for the Talent Acquisition team.

First Peoples

NBN Co's vision for reconciliation is focused 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**TM network for all Australians.

NBN Co completed the delivery of all its key initiatives and actions committed in the Company's third Reconciliation Action Plan (RAP) in October 2020. The Company launched its fourth Reconciliation Action Plan on 10 November 2020, as part of NAIDOC Week celebrations, after the annual event that normally takes place in July was postponed due to COVID-19 restrictions.

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

FY21 key initiatives included:

- connecting over 50 remote communities where there is a First Peoples presence to enable ongoing connectivity and provide access to vital services such as telehealth during COVID-19 restrictions
- collaborating with key government and peak industry bodies to improve telehealth capabilities and digital capability for indigenous arts centres
- launching Liakukana Connect, an internal network to bring NBN Co's First Peoples' employees together and support mentoring and leadership growth opportunities
- launching the LAKUN team, which consists of internal action owners and champions from different Business Units, to build awareness around the NBN Co's reconciliation journey and support the Company in delivering on its First Peoples strategy and RAP actions
- celebrating NAIDOC and National Reconciliation week with daily events, including the launch of the Company's fourth RAP and an inaugural Welcome to Country performed at NBN Co's North Sydney offices
- focusing on hiring First Peoples employees and using Indigenous suppliers through NBN Co Delivery Partners.



FUTURE FOCUS

- 40 per cent female representation in management roles by 2025
- Best in market for policies, practices and culture

Health and safety

At NBN Co, the health and safety of its people is the Company’s first priority, and in FY21 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 Health, Safety and Environment (HSE) team, as a second-line risk management function, works with and supports the Company’s Business Units and Delivery Partners to manage health and safety risks, through the provision of strategy, processes, systems, advice, assurance, and programs. This aims to:

- ensure the safety of everyone every day, and the safety of the **nbn™** network and associated infrastructure
- enhance the physical health and mental wellbeing of NBN Co’s people.

The HSE Policy describes the Company’s approach to achieving safe workplaces and is implemented through the HSE Management System. In FY21, NBN Co’s HSE Management System successfully transitioned its certification to ISO 45001: Occupational Health and Safety Management Systems.

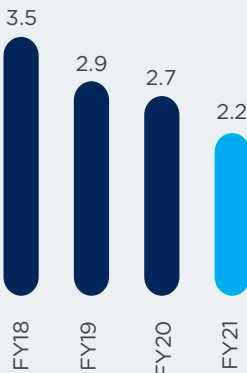
Performance

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

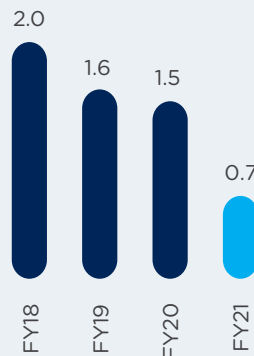
- total recordable injury frequency rate (TRIFR) for employees and contractors declines over time
- frequency of HSE incidents with the potential to cause serious harm to people decreases over time
- employees and contractors maintain compliance with applicable HSE Critical Risk Controls whilst working in the field
- actions from health and safety incidents, hazards and audits are closed in an appropriate and reasonable timeframe.

As outlined in the graphs below, in FY21 there was a reduction in the TRIFR¹ for employees and contractors (combined), and in the frequency of HSE incidents with the potential to cause serious harm². Injury trends were similar to previous years, with musculoskeletal injuries and lacerations continuing to be the most common types of injuries. Underground and concealed services strikes, and driving and remote work incidents, were the most

NBN Co overall TRIFR¹



NBN Co overall frequency of HSE incidents with the potential to cause serious harm²



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.

common type of incidents with the potential to cause serious harm. Compliance rates with HSE Critical Risk Controls remained consistently high across the Delivery Partners and internal workforce. No serious harm HSE incidents occurred in FY21.

Although the Company has seen a favourable trend in its employee and contractor combined TRIFR from FY20 to FY21, challenges still exist. The most significant of these includes the scale, geographic dispersion, and complexity of work activities.

To address these challenges in FY21, the Company has:

- strengthened Delivery Partner Governance through implementation of initiatives such as the introduction of the HSE Confidence Score as a contractual key performance indicator on all strategic contracts to drive consistency and comparability in monitoring HSE performance across Delivery Partners
- implemented a new audit program and requirements which require Delivery Partners to develop, submit, execute and report to NBN Co on detailed HSE audit and inspection programs for all NBN Co related work
- implemented injury awareness and prevention campaigns
- launched new safe work procedures, health and safety training, and skills assessments for internal staff
- continued to focus on the psychological health and safety of employees, with company-wide policies, training, support mechanisms and awareness campaigns
- continued to monitor the impact of, and implement controls to protect against, COVID-19 for both office and field-based employees.

Supporting the wellbeing and mental health of NBN Co's people

The changing nature of NBN Co's work activities and the world we live in has made how the Company supports the wellbeing and mental health of its people more important than ever.

In FY21, to support employees through the challenges of COVID-19 and organisational change, the Company delivered a number of wellbeing initiatives including:

- releasing a Mentally Healthy Workplace Strategy, outlining the approach for creating and maintaining a mentally healthy workplace
- releasing two specially designed learning modules aligned with the Mentally Healthy Workplace Strategy, aimed at equipping people leaders with strategies to enable a mentally healthy workplace, and increasing mental health awareness across NBN Co's employees
- increasing promotion of the employee assistance program and the wide range of services available. The program saw significant take-up rates throughout the year
- running several virtual events during the Company's Mindful May program, covering mindfulness and resilience to support the mental health of employees
- ongoing ergonomic assessments and support for employees working from home.



FUTURE FOCUS

- Further collaboration with Delivery Partners to reduce incidents and injuries in the field
- New and expanded initiatives designed to prevent psychosocial hazards in the workplace
- Review of NBN Co's certified HSE Management System to further simplify so it remains user centred and meets the operational requirements of NBN Co



Customer experience and industry enablement

NBN Co's ability to create value for Australians is underpinned by the strong and collaborative relationships it has with its customers, the industry and the communities it serves.



8.2m

Homes and businesses
connected

75%

Customers on a
wholesale 50Mbps
download plan
or higherWBA4¹Delivered to serve the
needs of RSPs and
customersFY21
highlights

NBN Co has built one of the world's largest and ubiquitous broadband networks with almost 12 million premises made Ready to Connect throughout regional, remote and metropolitan areas. With 8.2 million residential and business premises now activated throughout Australia, the **nbn**TM network is servicing an estimated 17 million Australians.

With the major construction component of the **nbn**TM network complete, the Company's role to deliver the best possible customer experience it can has never been more important.

A successful and sustainable NBN Co depends on a telecommunications industry that can connect with customers and provide the services they need to thrive in a digital economy.

NBN Co remains focused on its customer experience strategy of improving access, value and use for all Australians on the **nbn**TM network.

Throughout FY21 NBN Co has continued to pursue a range of key initiatives, in collaboration with industry and regulators, to ensure Australian homes and businesses can get the best service and experience from their **nbn**TM connection.

The Company's Focus on Fast campaign was the highlight of these initiatives, as it helped internet retailers encourage more customers to take-up higher speed plans aimed at delivering a better home internet experience.

The success of this campaign saw the proportion of customers on wholesale download speed tiers of 100Mbps and above increase from 9 per cent at the start of FY21, to 17 per cent at 30 June 2021.

Furthermore, during FY21, demand for higher speeds has continued to grow with 75 per cent of all customers now on wholesale speed plans of 50Mbps or higher.

Wholesale Broadband Agreement

In FY21 NBN Co continued its deep and detailed collaboration with RSPs with the launch of its fourth Wholesale Broadband Agreement (WBA4).

The fourth iteration of the WBA has been designed to provide enhanced customer service commitments with clearer accountabilities between NBN Co and RSPs, as well as greater price certainty for retailers and value to customers.

Sixty-five RSPs have signed up to WBA4 which delivers more than 70 changes to the previous Wholesale Broadband Agreement

1. Wholesale Broadband Agreement 4.

(WBA3). This is helping to drive substantial improvements for retailers and creating better customer experience outcomes. WBA4 is also helping to deliver shared value amongst all industry participants and residential and business customers based on the current and evolving capabilities of the **nbn™** network.

The key service enhancements in WBA4 include:

- lower entry-level prices and greater pricing certainty and simplicity for RSPs
- stronger service delivery and performance rebates that will flow through to affected customers in many cases
- substantial improvements to the fix experience, including new commitments to fix key speed and stability issues
- new accountabilities – for NBN Co and for RSPs – that aim to drive better customer experience outcomes
- better support for RSPs where they need NBN Co's help to manage their customers
- removal of costs and complexities from the NBN Co supply chain.

Pricing evolution and industry collaboration

As part of NBN Co's ongoing commitment to industry collaboration, the Company conducted its 2021 Pricing Review Consultation, which was open to all RSPs.

As a result of these consultations, NBN Co added more value to the two-year Bundles Roadmap, increased Connectivity Virtual Circuit (CVC) inclusions across most wholesale bundles discounts and brought forward inclusions for the 250/100 Mbps speed tier.

In light of the industry's request to implement future changes to pricing construct as soon as possible and the ACCC's preference to engage directly with retailers and other stakeholders on a sustainable, long-term pricing framework, NBN Co initiated a Special Access Undertaking (SAU) variation process that is also serving as the vehicle for further consultation on long-term pricing reform.

The SAU is part of the regulatory framework that underpins sustainable investment in the **nbn™** access network, and a competitive telecommunications industry.

NBN Co's proposed Variation covers three areas:

1. To enable NBN Co to implement long-term pricing options that respond to feedback from RSPs in the 2021 Pricing Review.
2. The inclusion of Multi-Technology-Mix technologies not included in the 2013 SAU – FTTC, FTTN, FTTB and HFC.
3. Targeted modification to other terms in the SAU.

Responding to industry feedback for greater cost certainty, simplicity and value, NBN Co is proposing three long-term pricing options for consideration, of which two include 'Access Virtual Circuits (AVC)-only' wholesale pricing constructs. One option is a flat 'AVC-only' pricing model, while the other proposes the removal of the CVC charges for wholesale speed tiers offering download speeds of 100 Mbps and above. The third option includes a 25 per cent reduction in the CVC overage rate from \$8 to \$6 per Mbps and some rebalancing from variable charges to fixed charges.

All three options substantially address many of the concerns that have been expressed by RSPs and provide a pathway to delivering a sustainable long-term pricing framework that supports the industry and meets the future digital needs of Australians.

Industry partnerships

To help understand and incorporate emerging technologies and network improvements in its investment planning, NBN Co has an active program of innovation, technology investigations and collaboration partnerships with universities, global network operators, the CSIRO, key network and systems suppliers, and global technology standards bodies.

These partnerships greatly extend NBN Co's ability to explore emerging technologies, and their long-term applicability to the **nbn™** network.

Examples of this in FY21 include hosting the Broadband Forum conference in December 2020, contributing to global industry standards on next-generation optical access technologies, and setting new industry benchmarks for 5G mmWave distance and speed in the Fixed Wireless network.

Partnering with the CSIRO through a formal collaboration agreement has provided 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, as well as studying longer-term, environmental factors that impact the resilience of NBN Co's external infrastructure.

Challenges

While customer satisfaction levels continued to improve over FY21, the period was not without its challenges.

The impacts from COVID-19 continued to present challenges to the Company, including impacts on global supply chains for key equipment componentry. In February 2021, NBN Co made the decision to temporarily stop taking new orders for services on its HFC network following a global shortage of silicon chips used in its cable modems. While this issue did not affect current customers already connected to the **nbn**TM network, it delayed some new connections to the HFC network in the second half of FY21.

The Company also faced challenges in the implementation of a new workforce scheduling system that was used by field technicians to manage the completion of on-site work requests.

While the system was tested before deployment in select states, NBN Co encountered a number of process and implementation issues with the system when it was scaled across the nation's larger states. The Company moved quickly to resolve the issues but wait times for new connections and service fault appointments were negatively impacted between May and July 2021.

Since encountering those challenges, NBN Co has increased appointment availability for new connections and service fault appointments, increased the scale of the field workforce and modified its field technician mobile app to improve stability and usability.

NBN Co's capacity to complete requests for new connections returned to more normal levels of work in progress by early July 2021. The company continued to focus

on reducing pending orders for requests to resolve service faults at individual premises, and by the end of July 2021 pending trouble tickets across Australia had also been returned to normal levels.



CASE STUDY

Connected work and play in Potts Point

With more than 30 connected devices at home, Luke Donkin and his partner Tom rely on **nbn**TM connectivity to help power their lives online for both work and play.

While FY21 may forever be known as the year of working from home, for inner Sydney resident Luke Donkin, it was a case of 'business as usual'.



Scan the
QR code
to find
out more



FUTURE FOCUS

- Being a highly efficient wholesaler that is easy to deal with
- Increase collaboration with RSPs to deliver excellent customer experience, reduce cost and drive industry sustainability
- Develop products and pricing that are more modular, flexible and simple to meet the diverse needs of all customers



Environmental responsibility

NBN Co's capacity to create value is built on an efficient and resilient network that aims to minimise the Company's environmental footprint and promote responsible use of natural resources.





80 GWh p.a.

Electricity contracted through renewable power purchase agreement¹



17,000

inactive line cards² turned off in **nbn**TM network, that will save 2GWh p.a. in electricity



80%

Reduction in energy consumption for lights upgraded at network facilities³

FY21
highlights

Protecting the environment and cultural heritage

NBN Co aims to minimise environmental harm, reduce the Company's overall energy consumption, greenhouse gas emissions and waste to landfill, and preserve sites of cultural heritage significance.

Through its integrated HSE Management System, which in FY21 maintained certification to ISO 14001:2015 Environmental Management Systems, NBN Co is committed to implementing principles that include:

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

These principles are further supported by NBN Co's Sustainability Program which focuses on six material topics across environmental, social and governance considerations, including climate action.

Performance

NBN Co has lead and lag metrics tracked against targets to measure environmental performance and help ensure:

- there is progress to achieve a carbon emissions reduction target
- the proportion 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 FY21, as the volume of network construction decreased, the overall number of incidents fell. The most common types of incidents related to release of waste from work activities. There were no notable environmental or cultural heritage incidents recorded in FY21.

1. Project for the Company's first renewable power purchase agreement achieved financial close. 80GWh is now equivalent to 19 per cent of NBN Co's forecast national electricity use in FY23 (an increase of 2 per cent from the original forecast published in FY20).

2. Line cards send and receive end customer data traffic.

3. After installing more than 1,000 LED lights across Transit Aggregation Nodes and Depots (TANDs).

Waste audits conducted in FY21 identified opportunities to improve the proportion of waste diverted from landfill to different recycling streams, and e-waste collection services in corporate offices were established.

To support protection and management of cultural heritage, NBN Co released new land access, cultural heritage, and stakeholder engagement training programs to internal field employees and Delivery Partners.

Managing energy use and emissions impact

NBN Co’s energy use and greenhouse gas emissions, which have increased as the **nbn™** network has been built across Australia, are material environmental issues to the Company.

To support the management of the Company’s energy use and emissions impact, in FY20 a program was established 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.

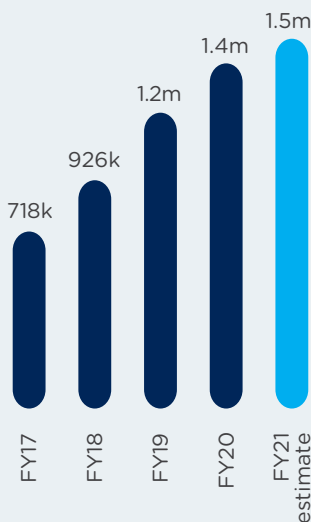
A total of eight initiatives are included in the three-year carbon reduction program, of which seven have been completed or are nearing completion.

In FY21, NBN Co delivered the following as part of its carbon reduction program:

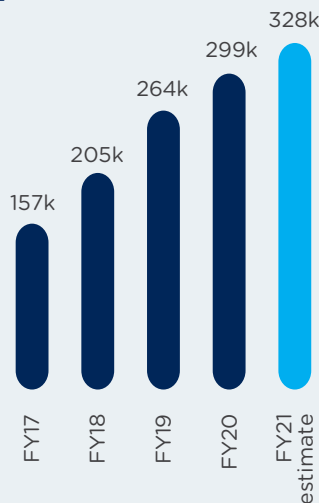
- achieving financial close on the Company’s first renewable power purchase agreement, which will see a new solar farm built in New South Wales. NBN Co has committed to 51 per cent of the electricity generated by this solar farm, which equates to approximately 80 GWhs per year
- turning off more than 17,000 inactive line cards (that send and receive end customer data traffic) in the **nbn™** network, saving over 2GWh of electricity use per annum
- installing more than 1,000 LED lights across Transit Aggregation Notes and Depots (TANDs)
- installing additional solar panels at several NBN Co facilities.

Historical growth in energy use and emissions

Energy use (GJ)



Total Scope 1 and 2 emissions (tCO₂-e)



NBN Co's emissions profile

NBN Co has reported its emissions under the *National Greenhouse and Energy Reporting Act 2007* (Cth) (NGER) since FY15. Over that time, energy use has grown steadily with the network build and customer connections. The evolution of the **nbn**TM network, through the network investment plan, is expected to further increase energy use, before enabling long-term reductions in power demand.

The Company's emissions come primarily from electricity use, the majority of which is related to the **nbn**TM network itself. NBN Co uses electricity across the country, drawing directly from the electricity grid or via property owners.

Direct fuel emissions are much smaller and mostly attributable to diesel use by NBN Co's fleet of leased vehicles. Non-reportable sources of indirect emissions arise from **nbn**TM network equipment at customer premises, waste generation and supply chain.

Managing climate change risks

NBN Co is committed to understanding and proactively managing the impact of physical and transitional climate-related risks, including increased frequency of extreme weather events, to the Company.

As part of NBN Co's Sustainability Program, the Company aims to align climate risk management processes and reporting with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In FY21, this included:

- establishing oversight from the executive-led Sustainability Governance Committee on the Sustainability Program, including actions to address climate risks
- commencing a company-wide climate risk assessment
- continuing to focus on resilience and responding to extreme weather risks to the network, including commencing development of Cross Dependency Initiative (XDI) national capability, to support the management of physical climate change risks

- disclosing the Company's energy use and emissions profile in NBN Co's inaugural Sustainability Report that was released in January 2021
- progressing development of a new long-term carbon reduction strategy and plan.

In FY21, NBN Co also responded to the challenges of climate change and to improve the resilience of the network, including:

- trialling a wind turbine at a Fixed Wireless site. The learnings from this project will inform further development and deployment of the technology
- deploying mobile TNI during extreme weather emergencies. The Multi Tech Trailer (MTT) deployed during the New South Wales floods in March 2021, allowed customers to be reconnected in a timely manner to the **nbn**TM network while damaged FTTN cabinets were rebuilt or repaired. The MTT reduces diesel fuel consumption with the inclusion of a solar and DC generator along with sodium batteries.



FUTURE FOCUS

Development and implementation of a new, long-term carbon reduction strategy and plan, that includes:

- further addressing energy efficiency in the **nbn**TM network
- furthering renewable energy purchasing opportunities.



Sustainable financial growth

Well-governed management of capital from NBN Co's shareholders and lenders underpins the Company's ability to deliver long-term sustainable financial growth through ethical business practices.



\$4.6bn

Revenue

FY20: \$3.8bn**\$1.35bn**EBITDA¹**\$2bn improvement****\$23.8bn**

Debt Funding

**FY21
highlights**

For the year ended 30 June	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 \$m
Total revenue	4,629	3,837	2,825	1,978	1,001
Operating expenses	(2,048)	(2,071)	(2,217)	(2,081)	(1,827)
EBITDA ¹ before subscriber costs	2,581	1,766	608	(103)	(826)
Subscriber costs	(1,226)	(2,414)	(1,903)	(1,948)	(1,573)
EBITDA ¹	1,355	(648)	(1,295)	(2,051)	(2,399)
Depreciation and amortisation expense	(3,596)	(3,154)	(2,614)	(2,167)	(1,488)
Net finance costs	(1,621)	(1,460)	(993)	(580)	(368)
Loss for the year	(3,837)	(5,239)	(4,878)	(4,780)	(4,244)
Capital expenditure ²	2,764	5,038	5,905	5,713	5,838
Total assets	35,738	36,850	32,757	28,203	24,127
Debt	23,818	20,458	13,053	5,531	-
Lease liabilities	10,819	10,860	8,553	7,198	5,889
Contributed equity	29,500	29,500	29,500	29,500	27,465
Operating cash flows ³	2,767	1,692	587	(27)	(692)

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.

3. Net cash flows provided by/(used in) operating activities (excluding subscriber costs).

NBN Co's ability to generate sustainable and long-term financial growth plays a crucial role in fulfilling the Company's purpose to lift the digital capability of Australia. Sustainable long-term financial growth is essential to enable reinvestment in the network to meet future customer demand; to meet debt and contractual lease obligations; and to generate a modest return on the Australian taxpayers' investment in the Company.

NBN Co is focused on growing profitability, generating free cash flow and targeting value accretive investments that enhance network and business performance for the benefit of customers.

When measuring financial performance NBN Co is focused on growing revenue, EBITDA and free cash flows.

FY21 Financial performance

The Company's results for FY21 reflect strong financial growth and performance with the Company meeting or exceeding its key financial targets outlined in its 2021 Corporate Plan.

NBN Co recorded full year revenue of \$4.6 billion, up 21 per cent on the prior year. With total operating expenses relatively flat year-on-year, revenue growth resulted in a 46 per cent increase in underlying EBITDA before subscriber costs to \$2.6 billion. The significant increase in revenue, coupled with the 49 per cent decline in subscriber costs, resulted in EBITDA exceeding \$1.35 billion, an improvement of \$2 billion on the prior year.

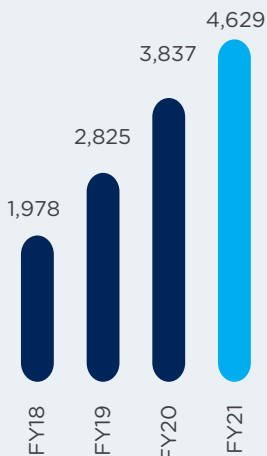
Statutory net profit after tax (NPAT) was a loss of \$3.8 billion for the year, which is a 27 per cent improvement on the prior year loss of \$5.2 billion. This improvement is in line with management expectations and reflects the current stage of the Company's lifecycle.

Revenue

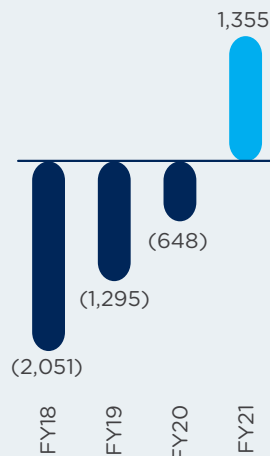
Revenue growth in FY21 was driven primarily by an additional 933 thousand customers connecting to the **nbn**TM network with 8.2 million homes and businesses now connected to the **nbn**TM network. Total revenue for FY21 consisted of telecommunications revenue of \$4.45 billion and other revenue of \$181 million.

Telecommunications revenue includes residential and business segment revenue. Residential telecommunications revenue was \$3.6 billion, up 21 per cent, and

Revenue
\$m



EBITDA
\$m



telecommunications revenue from the business segment was \$840 million, up 26 per cent. Other revenue includes revenue from developers, commercial works activities and the Technology Choice Program, as well as licensing income.

Notwithstanding significant industry and customer COVID-19 support, Residential Average Revenue per User (ARPU) remained steady at \$45 during the period. Offsetting the impact of COVID-19 support measures and higher data inclusions across the product portfolio was the increased customer demand for higher speeds with 75 per cent of customers now on plans based on wholesale speed tiers of 50Mbps or above.

Operating expenditure

Total operating costs (excluding subscriber costs) were down 1 per cent to \$2 billion. Direct network costs were \$666 million, up 4 per cent due to higher assurance and maintenance costs as a result of the expansion of the network footprint and the significant increase in the number of customers connected to the **nbn**TM network. Employee related expenditure fell by 5 per cent to \$829 million, driven by the number of full-time equivalent employees (FTEs) decreasing from approximately 5,900 to 4,800 during the year.

This reduction in FTEs follows the completion of the initial build¹ in June 2020. Offsetting the cost savings associated with the decline in FTEs were higher restructuring costs and lower capitalisation levels. Other operating expenses of \$553 million have remained flat year-on-year.

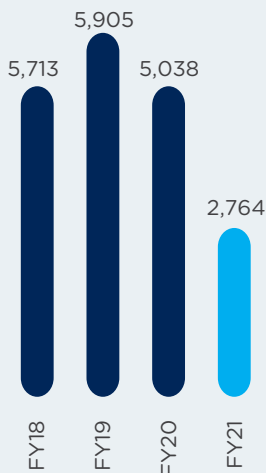
In line with expectations, subscriber costs have decreased by 49 per cent to \$1.2 billion due to the declining payments to Telstra for the disconnection of existing services and to Optus for the migration of subscribers to services over the **nbn**TM network. These costs had peaked in FY20 in line with the progression of the network rollout and are expected to virtually cease by FY23.

Capital expenditure

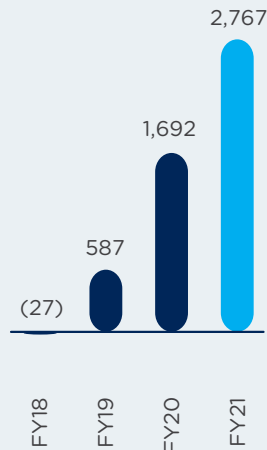
During FY21, the Company continued to invest in connecting customers, upgrading the network and transforming its business. Following the completion of the initial build¹ in June 2020, capital expenditure in FY21 was \$2.8 billion, down 45 per cent on the prior year. Capital expenditure during FY21 includes build costs for an additional 233 thousand premises added to the network footprint and the costs of connecting over 933 thousand new customers.

1. For further details on the initial build, refer to footnote 2 on page 21.

Capital expenditure \$m



Operating cash flows (before subscriber costs) \$m



Significant investments continued in customer experience initiatives to raise the quality and performance of the network. Specifically, targeted investments in capacity upgrades across the network were executed to cater for Australia's growing data demand, which accelerated as a result of COVID-19 restrictions and various lockdowns.

Progress is being made on the \$4.5 billion network investment initiatives announced in September 2020. These initiatives aim to deliver NBN Co's highest speed plans to up to 75 per cent of premises within the fixed-line network by 2023. During the year, work has commenced to deploy fibre deeper into communities currently served by the FTTN and FTTC networks. Upgrade work on the HFC network has also continued to enable more customers served by the HFC network to access NBN Co's higher wholesale broadband speed plans.

Finance costs

Net finance costs grew by 11 per cent in line with the increase in total debt to \$23.8 billion. These costs relate to interest on the Commonwealth loan and bank and capital markets debt, as well as finance charges relating to the accounting for assets under a right of use arrangement under AASB 16.

Operating and free cash flow

Net cash flows provided by operating activities increased by 64 per cent to \$2.8 billion due to the significant growth in revenue and strong cash conversion.

Payments for subscriber costs fell by 40 per cent to \$1.5 billion, reflecting the expected decline in first-time activations and associated cash payments after the peak of rollout activity in FY20.

Capital expenditure payments decreased by 41 per cent to \$3.1 billion due to lower build and activation costs post the completion of the initial build¹.

Lease payments increased by 14 per cent to \$912 million, primarily due to an increase in the volume of network infrastructure supplied by Telstra.

Interest payments on borrowings and other financial liabilities have increased by 16 per cent to \$750 million. This is due to the higher level of borrowings during the year.

In line with expectations, free cash flow has improved by 53 per cent compared to last year to a net outflow of \$3.6 billion. The significant improvement in free cash flow is due to the growth in operating cash flows coupled with lower capital expenditure and subscriber payments as the Company continues to transition from a build to operate model.

Capital management

Until recently, NBN Co's capital structure was a combination of equity and debt funding from the Commonwealth Government in the form of \$29.5 billion of equity and a \$19.5 billion loan. As the Company continues to evolve into a mature, customer-led operating business, it has started to diversify its sources of funding. In order to finance the repayment of the Commonwealth loan by 30 June 2024 and to execute network upgrade investments, the Company is planning to raise a total of approximately \$27.5 billion of external debt by June 2024.

In FY21, NBN Co secured its inaugural credit ratings, with Moody's Investor Service assigning an 'A1' credit rating and Fitch ratings assigning a rating of 'AA'. These ratings have assisted the Company to confidently enter negotiations with debt markets as it progresses its refinancing strategy.

As at 30 June 2021, the Company had raised in excess of \$14 billion from debt capital markets and bank facilities, with \$8 billion of this raised in FY21. This included the Company's inaugural Australian Medium Term Note (AMTN), and US144A/RegS bond issuances, which enabled the Company to secure a total of \$4.7 billion in capital markets debt during FY21, establishing a strong platform for future bond raisings in both the Australian and offshore markets.

1. For further details on the initial build, refer to footnote 2 on page 21.

These raisings have enabled the Company to repay \$6.3 billion of the Commonwealth loan, reducing the outstanding balance to \$13.2 billion. In addition, the diversification of its funding sources has enabled the Company to reduce its weighted average cost of drawn debt to 2.79 per cent (FY20: 3.96 per cent) with the average tenor increasing from 3.8 years in FY20 to 5.7 years in FY21.

To complete the remaining financing task by FY24, NBN Co will look to raise further debt from domestic and international capital markets over the next three years. NBN Co expects this funding task to be achievable based on its strong investment grade credit rating, the outcomes in recent financing transactions and overall favourable debt capital market conditions for infrastructure borrowers like NBN Co.

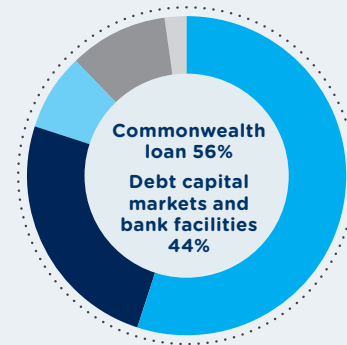
Debt overview

As at 30 June	2020	2021
Group debt (\$ million)	20,458	23,766
Weighted average cost of drawn debt (%)	3.96	2.79
Fixed interest ratio ¹ (%)	95	88
Average duration of drawn debt (years)	3.8	5.7 ²
Available liquidity (\$ million)	6,342	3,679
Fitch/Moody's credit rating	-	AA/A1

1. Percentage comprises fixed rate debt and floating rate debt that has been hedged and has a remaining interest period of greater than twelve months, as a proportion of total debt.

2. Excluding the Commonwealth loan.

Summary of borrowings as at 30 June 2021 (\$ billion)



- Commonwealth loan \$13.2bn
- Bank debt facilities \$5.8bn
- AMTN¹ \$2.0bn
- US144A notes \$2.6bn
- Private placements \$0.2bn

1. AMTN refers to Australian Medium-Term Note.



FUTURE FOCUS

- Deliver FY22 revenue and EBITDA growth in line with guidance
- Maintain strong asset position
- Lengthen debt maturity profile and further diversify NBN Co's investor base
- Deliver targeted network upgrade investments within budget

Risk management

As a critical infrastructure owner, operator and GBE, NBN Co is committed to implementing a robust risk management framework to allow for the proactive identification, assessment, and management of its key business risks. This enables the Company to meet its purpose to lift the digital capability of Australia, allowing Australians to have access to a fast, reliable broadband network, at least possible cost to the taxpayer. This commitment to risk management has been outlined in its Board approved Risk Management Policy.

NBN Co's Risk Management Standard underpins and supports the implementation of NBN Co's Risk Management Policy by defining the approach, methodology and processes enabling NBN Co to manage the risk (or uncertainty) to achieving its business objectives. NBN Co's Risk Management Policy and Risk Management Standard have been developed in accordance with ISO 31000:2018 Risk Management Guidelines. NBN Co's Board have approved the Company's risk appetite statement, which is a key element of NBN Co's Risk Management Policy.


NBN Co's risk management approach is aligned to the principles of Three Lines of Defence (3LOD). The underlying premise being a coordinated and layered approach towards risk management, providing a holistic enterprise approach to managing risk. Roles, responsibilities, and accountabilities for managing risk are documented in NBN Co's Risk Management Standard and executed and delivered through the risk operating model.



Underpinning NBN Co's policy, standard and processes is a positive risk culture as well as ethical and principle led behaviours that are consistent with the Company's overall values.

Overview of risks for FY21

As the Company continues the evolution from network builder to be a customer-led wholesaler with a competitive cost base, digitally-enabled processes and simplified technology environment, the risks have evolved to focus on topics central to being an operating business. These topics include health, safety and engagement of NBN Co's people, investing and evolving the network to meet the needs of Australians, maintaining a positive customer experience and preserving public trust and social license to operate.

Key corporate risks for the financial year:

	Risk name	Description
Network 	Ensuring the security of NBN Co's people, information and critical infrastructure	NBN Co must manage exposure to cyber and physical threats that could compromise the security of critical network infrastructure and assets, the welfare and safety of staff and contractors and the confidentiality, integrity and availability of sensitive information. Globally, the growth in cyber security threats has increased and given the criticality of the Company's services to Australia, managing these threats is paramount. NBN Co operates a best practice and converged security model with aligned security structures, processes and systems and continues to enhance and update its threat capabilities with evolving industry practice and capabilities.
	Maintaining network performance and stability while augmenting and scaling the network to support a digitally dependent future	NBN Co must balance future network investment with current commercial considerations and stakeholder expectations in relation to network stability, capacity, availability, and reliability. Extensive data analytics and performance monitoring tools are used with industry research to inform network forecasts and planning. In order to meet the future broadband demands of all Australians as digital dependency and data consumption accelerates in a post pandemic future, the Company must continue to invest, augment and scale the network. The Company's network investment plan is key to evolving the network to meet the growing needs of NBN Co's customers. Given the large-scale nature of this program, cross-company governance is in place with regular reporting to ensure the program risks are well managed and result in successful execution.
	Ensuring resilience of NBN Co's network, business operations and systems	NBN Co, as an owner and operator of critical national communications infrastructure, must design resilience into its network, IT systems and business operations to safeguard people, assets, systems and processes against adverse events, including extreme weather, and to support the continued wellbeing of the community and economy. A business resilience framework is adopted to manage the impact of adverse events, which includes robust business continuity, incident management and crisis management structures. Following the 2019/2020 bushfires, the Company further enhanced its readiness capabilities including deploying several disaster response solutions to ensure communications and power resiliency across the country. The strength of resilience capability has been stress tested over COVID-19 as well as responding to several weather events this year, including 1 in 100 years flood event in NSW in March 2021, cyclones in Western Australia, and supply chain disruptions.

	Risk name	Description
People 	Managing the health and safety of employees, contractors, customers and public while continuing to ensure NBN Co remains a great place to work	<p>NBN Co and its partners must operate in a manner that prioritises the health, safety and wellbeing of its staff, contractors, customers, and the public. The health and safety risks from COVID-19 continue to be monitored and managed through enhanced COVID safe practices both in the field and in the Company offices. Health and safety policies, procedures and controls are managed through a risk based HSE management system with regular testing of partner and internal practices.</p> <p>Protecting the welfare of customers is NBN Co's priority. Well established process controls and industry agreements are in place to manage migration activities and ensure the reliability of the network particularly for those vulnerable customers for whom it is critical to have reliable continuous connectivity.</p> <p>The wellbeing and engagement of staff and the attraction, retention and development of talent is a key focus area. NBN Co continues to ensure the workplace is safe and inclusive and continues to invest in building the skills of the workforce.</p>
Customer 	Managing relationships and dependencies with channel partners to enable a positive customer experience and uplift sentiment in the market	<p>NBN Co has a dependency on its RSPs to help achieve the right outcomes for customers, so working collaboratively and in partnership with RSPs is a key component in managing this risk. A number of customer experience focused initiatives are underway including 'Focus on Fix'. In addition, research and data analytics is undertaken to obtain insights to inform customer experience initiatives and improve operational performance.</p>
	Responding to infrastructure competition and wireless substitution (incl. 5G) with competitive products	<p>NBN Co must actively manage the impact of alternative infrastructure competition including wireless substitution (5G) and competitive mass market offerings for business and residential segments through competitive products and pricing constructs that generate positive brand awareness in the market. The network investment plan will allow the Company to meet increasing demand for higher-speed services, especially in FTTN, HFC and FTTC access technologies. External threats and opportunities are actively monitored, and product strategies adjusted accordingly.</p>

	Risk name	Description
	Managing expanding regulatory obligations that may impact cost base and underlying revenue	NBN Co operates in a highly regulated environment and appreciates that there will always be a need for regulators to focus on the Company's activities, pricing, service levels and customer experience. In order to ensure that NBN Co continues to operate within these parameters, strong relationships with key regulatory and government stakeholders are maintained, with an emphasis on proactive engagement, while material obligations are actively managed through the Company's compliance management framework.
	A conduct, governance or compliance failure impacting customer, community and stakeholder trust and social license to operate	As a GBE and an ethical and sustainable critical Infrastructure owner and operator, NBN Co must conduct its affairs and operate in accordance with the highest standards of governance to meet public and stakeholder expectations and maintain the Company's social license to operate. NBN Co manages stakeholder trust through its governance and compliance standards, frameworks, and training as well as through transparent disclosure and reporting.
	Responding to continued global supply shocks impacting on NBN Co's supply chain and its ability to forecast accurately	NBN Co will need to continue to manage the risk of supply chain disruption as the supply chain remains vulnerable to global supply shocks, geopolitical uncertainty, and severe climate events. While the Company is gradually recovering from the supply shortages generated from the global chipset shortage, the supply risk remains for other supplies and raw materials. These risks are being managed through increasing inventory holdings as safety stock, supplier continuity reviews and reviewing longer term sourcing strategies.
	Executing company-wide transformation while 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 in a simplified and modern technology environment while minimising impact to customer experience, operations and financial commitments. Transformation efforts are governed and coordinated through a central transformation office who manage the risks associated with the large-scale transformation.
		Securing, optimising and managing financing arrangements

Board of Directors

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



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

Term of Office

Dr Switkowski was first appointed Executive Chairman of NBN Co effective 3 October 2013, and reverted to the role of Non-Executive Chairman from 2 April 2014 following the appointment of Mr 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 Financing Committee, Nominations Committee, People and Remuneration Committee, and attends NBN Co's Audit and Risk Committee.



Mr Drew Clarke AO PSM FTSE

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 2023.

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, Chair of AEMO Services Ltd and a Non-Executive Director of the CSIRO.

Other Current Appointments

Member, Australian Government Technology Investment Advisory Council.

Board Committee Memberships

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



Mr Andrew Dix

Non-Executive Director

Term of Office

Mr Dix was appointed as a Director effective 7 April 2021. His current term will expire on 6 April 2024.

Skills, Experience and Qualifications

Mr Dix brings deep industry experience to the position following a 35 year career working in telecommunications, infrastructure, utilities, technology and manufacturing.

Mr Dix has considerable experience in finance, IT, assurance, risk and governance. Prior to embarking on his Non-Executive career in 2013, he was the Executive Director responsible for Risk Management and Internal Audit at Telstra where he also previously held roles as the Chief Financial Officer for a number of Telstra's major operating business units.

Mr Dix has a Bachelor of Commerce from the University of Melbourne and is a Fellow of the Institute of Chartered Accountants, a Certified Member of the Institute of Internal Auditors and a Graduate of the Australian Institute of Company Directors.

Current Company Directorships

Mr Dix is a Non-Executive Director of Swinburne University of Technology, Western Leisure Services Pty Ltd and Victorian Farmers Federation.

Other Current Appointments

Mr Dix serves on the Audit and Risk Committees of Services Australia, Bureau of Meteorology, Manningham and Monash Councils, Anglicare Victoria and the Victorian Planning Authority.

Board Committee Memberships

Mr Dix is a member of NBN Co's Audit and Risk Committee, and Nominations 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 and Northern Star Resources Limited, a Council member of the Australian Institute of Company Directors (WA) and, an Advisory Board member of the SMART Infrastructure Facility (University of Wollongong).

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

Current Company Directorships

Ms In't Veld is a Non-Executive Director of APA Group, Venturex Resources Ltd and Alumina Ltd.

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 (as a founder and Chair). Mr Malone has received a number of prestigious industry recognitions including 2012 Australian Entrepreneur of the Year, Communications Alliance Ambassador, and the Telecommunications Society's Charles Todd Medal. Mr Malone is 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, Downunder Geosolutions Ltd, Speedcast International Ltd, and the Axicom Group.

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 has significant corporate governance experience. Before joining the Board of NBN Co, she was on the Board of Allianz for 8 years, Foxtel for 4 years, Sydney Water, Reach, CSL and WorkCover.

Prior to embarking on her corporate governance career Ms McKenzie was Chief Executive Officer of Chorus, a publicly listed New Zealand telecommunications company and prior to that she spent 12 years as a senior executive of Telstra where her final role was as Chief Operating Officer with a team of 30,000 staff and an operating budget of \$7 billion. Ms McKenzie also had an extensive career in the public sector where she was Chief Executive Officer of the New South Wales Department of Commerce, Chief Executive Officer of WorkCover and was involved in a range of micro-economic reform initiatives.

She has a passion for innovation and technology, and for building great cultures and teams as well as delivering growth, productivity and change management.

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 AMP Limited, Healius Limited and Stockland Corporation Limited.

Other Current Appointments

Nil

Board Committee Memberships

Ms McKenzie is a member of NBN Co's Audit and Risk Committee, Financing 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 September 2021.

Skills, Experience and Qualifications

Ms McKenzie is an independent board director and strategic and commercial business adviser.

Over 25 years, her career has spanned professional services including the law, education, communications and culture with experience in Australia as well as living and working offshore (France and Germany).

In addition to her role as Non-Executive Director of NBN Co, Ms McKenzie is a Board Member of the Australia Council of the Arts and Advisory Board Member of the French Australian Chamber of Commerce, Australian British Chamber of Commerce Trade Policy Committee, Melbourne University Humanities Foundation Board and the National Careers Institute.

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, as well as growing and emerging bilateral economic relationships. Previously, Ms McKenzie has served in senior policy roles in education, international affairs, tourism, trade and foreign investment, the legal system, and communications, and as a senior lawyer practising in industrial relations, employment, equal opportunity and privacy law.

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, Financing 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. She is also Chair of Roads Retained Interest Pty Ltd which owns 49% of WestConnex motorway and is a Director of WestConnex Group of companies.

Other Current Appointments

Dr Schott is a member of Aware (formerly 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 Financing Committee, and Nominations Committee.

Board and Committee meetings

The number of Board and Committee meetings held during FY21 and the attendance by Directors at those meetings is shown below.

	Board		Audit and Risk Committee		Financing Committee		Nominations Committee		People and Remuneration Committee	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Mr Drew Clarke AO	11	11	-	-	-	-	02	02	07	07
Mr Andrew Dix ¹	02	02	01	01	-	-	01	01	-	-
Ms Shirley In't Veld	11	09	05	05	-	-	02	01	-	-
Ms Kate McKenzie	11	11	05	05	10	10	02	02	07	07
Ms Zoe McKenzie	11	11	05	05	-	-	02	02	-	-
Mr Michael Malone	11	10	-	-	-	-	02	02	07	07
Mr Stephen Rue ²	11	11	05	05	10	09	02	02	07	07
Dr Kerry Schott AO	11	11	05	05	10	10	02	02	-	-
Dr Ziggy Switkowski AO ³	11	11	05	05	10	10	02	02	07	07

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

(b) Number of meetings attended.

The Financing Committee was established at the Board meeting held on 5 November 2020.

1. Mr Andrew Dix was appointed as a Non-Executive Director of the Board effective 7 April 2021. As a Non-Executive Director, Mr Dix also automatically became a member of the Nominations Committee effective 7 April 2021. He was appointed as a member of the Audit and Risk Committee effective 18 May 2021.

Mr Dix attended the Audit and Risk Committee meeting held on 6 May 2021 as a guest prior to being appointed as a member of the Committee on 18 May 2021.

2. Mr Stephen Rue, Managing Director and Chief Executive Officer attended Audit and Risk Committee, Financing Committee, Nominations Committee and People and Remuneration Committee meetings ex officio.

3. Dr Ziggy Switkowski AO FAA FTSE FAICD attended Audit and Risk Committee meetings ex officio.

Executive committee

Members of
the Executive
Committee include:



Mr Stephen Rue

Appointed in July 2014

Chief Executive Officer

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 60.



Ms Kathrine Dyer

Appointed in July 2017

Chief Operations Officer

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

Ms Dyer joined NBN Co in November 2010 after 17 years at Telstra. Between 2010 and 2017, Ms Dyer led NBN Co teams across New Developments, Construction Planning, and Network Engineering and Deployment, drawing on her vast experience in urban development, network design, construction, deployment of fibre optics in new residential estates and business parks and Greenfields strategic planning.

As Chief Operations Officer, Ms Dyer is responsible for designing, building and maintaining the **nbn**[™] access network, connecting and assuring services accessing the **nbn**[™] access network, supply management, and managing contact centres and self-serve portals Retail Service Providers.

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



Mr Will Irving

Appointed in October 2019

Chief Strategy &
Transformation Officer

Mr Irving is responsible for NBN Co's Strategy, Transformation, Data and Analytics, Strategic Partnerships, Legal, Regulatory, Risk and Company Secretariat functions.

Prior to joining NBN Co, Mr Irving was the Interim CEO of Telstra InfraCo and the Group Executive of Telstra Wholesale from 2016 to 2018. From 2011 to 2016 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 to 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 to 1997.

Mr Irving holds a Bachelor of Law (Honours) and Bachelor of Commerce from Melbourne University.



Ms Sally Kincaid

Appointed in May 2019

Chief People and Culture
Officer

Ms Kincaid joined NBN Co in May 2019 with responsibility for the People and Culture strategy. She is responsible for identifying and implementing the key strategic capabilities and people strategies that are critical for a high-performing workforce, transforming to new ways of working and creating an inclusive and safe workplace focused on caring for the health and safety of employees. Ms Kincaid has responsibility for the direction and management of Sustainability across the Company, and for NBN Co's customers, partners, and the communities it serves.

Ms Kincaid has over 25 years' experience leading HR functions across New Zealand, the UK, as well as Australia. Before joining NBN Co, Ms Kincaid held senior HR roles in a number of global organisations including QBE, ING and Citigroup, and directorships in NZ.

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

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

Mr Parkin began his appointment as Chief Engineering Officer on 3 August 2020.

In his role of Chief Engineering Officer, Mr Parkin leads the accountability for the technology, engineering, security, management and performance of the **nbn™** network.

Mr Parkin joined NBN Co in August 2018 initially to lead customer field operations before taking over as Chief for Network, Engineering and Operations from November 2019.

Mr Parkin has international telecommunications experience in network and service delivery operations having worked for national telecommunication carriers including, British Telecom (UK), Telecom New Zealand (NZ) and Telstra (Australia). This has also included extensive commercial and strategic experience gained from working with international business partners in India, Malaysia and the Philippines.



Ms Felicity Ross

Appointed in July 2018
Chief Corporate Affairs Officer

Ms Ross joined NBN Co in July 2018 as Chief Corporate Affairs Officer. She leads all aspects of media and government relations, and employee communications.

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 is a Graduate of the Australian Institute of Company Directors and holds a Postgraduate 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

Ms Taylor joined NBN Co in 2014 and was appointed as the Chief Information Officer in January 2019 following her role as the Executive General Manager of Technology Design and Delivery.

Prior to joining NBN Co, Ms Taylor held leadership roles at PwC and Vodafone. Ms Taylor has more than 30 years' experience in the technology and telecommunications industries, leading teams to successfully define and deliver large and complex IT and network transformation projects utilising modern technology, tools and techniques including big data, analytics, machine learning and cloud.

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

Mr Whitcomb was appointed to the role of Chief Customer Officer on 1 July 2020 and is responsible for relationships with our Retail Service Providers, Service Experience, Product Development, Marketing and Commercial modelling across all segments.

Previously he held two positions at NBN Co as Chief Culture and Transformation Officer and Chief Strategy and Transformation Officer.

Mr Whitcomb has extensive experience across the telecommunications and technology sectors holding multi leadership positions spanning Strategy, Product Development, Marketing, Sales, and Business Transformation.

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

Mr Williams was appointed Chief Development Officer Regional & Remote in October 2019, bringing more than six years' experience at NBN Co and 30 years' experience within the telecommunication industry across Australia.

Mr Williams has held leadership roles spanning 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 and Regulatory 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 14-55 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 FY21.

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 2021, no material claims have been made.

During FY21, 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 other matter or circumstance has arisen since 30 June 2021 to the date of signing of this report, other than those listed below, 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.

For the avoidance of doubt, all of the events listed below are considered to be non-adjusting events as they are a result of conditions that arose after the reporting date.

Borrowings after the reporting date

In July 2021, NBN Co drew down a further \$950 million from existing bank facilities. In addition, during July 2021, NBN Co conducted private placement issuances to the equivalent of AUD\$509 million at various fixed rates and tenors, repayable in full at the end of the contract period.

Repayment of related party borrowings

During July 2021, NBN Co made prepayments against the Commonwealth loan totalling \$1 billion.

Interest rate and foreign currency risk management

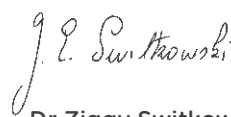
NBN Co manages its interest rate and foreign currency risk on its borrowings by entering into derivative financial instruments.

Since 30 June 2021, NBN Co has entered into interest rate swaps and cross-currency interest rate swaps to hedge \$2.5 billion and AUD\$259 million respectively of its current and forecast debt portfolio.


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
5 August 2021

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.

FY21 was another successful year for NBN Co with some important achievements:

- Supporting Australian families and businesses from the ongoing impact of COVID-19 through the provision of secure and resilient broadband access in conjunction with the Telecommunications industry. Through the services NBN Co provides, Australians were able to successfully work from home, educate their children, receive access to online healthcare, connect with friends and family and be entertained.
- Activated premises continued to grow, reaching 8.2 million households and businesses.
- In September, NBN Co announced an additional investment of \$4.5 billion over three years to upgrade fixed-line networks to higher speeds, provide business-grade services (particularly to small and medium enterprises across Australia), and to co-invest with State Government in regional and remote areas of Australia to uplift digital capability. By year end, significant progress has been made in delivery of these benefits to Australians.
- Building on last year, NBN Co continued to secure long-term debt from a range of institutional banks, and domestic and international bond holders. These funds were obtained at competitive interest rates with varying lengths of tenure; were secured without government guarantee; and enabled over \$6 billion of government borrowings to be repaid to the Commonwealth.
- Ongoing collaboration within the telecommunications industry in providing financial relief to retailers and their customers arising from the impact of COVID-19, the successful negotiation with retailers of a more customer-friendly Wholesale Broadband Agreement, and continued evolution of wholesale pricing constructs for the benefit of Australians.
- Support for the community during adverse weather events from cyclones in the western part of the nation to floods and storms in the east and south.

1.
**Attract and
retain high
calibre
executives**

2.
**Foster
exceptional
talent and
performance**

3.
**Responsibly
reward key
management
personnel**

2020/21 Letter from the Chair of the People and Remuneration Committee

The NBN Co Board is pleased to present our 2020/21 Remuneration Report summarising NBN Co's achievements of the past year and the associated remuneration outcomes for eligible staff including Key Management Personnel, and the fee arrangements for our Board members.

Remuneration oversight

The oversight of staff and executive remuneration is a key responsibility of the Board and its People and Remuneration Committee. The Board and the Committee periodically consider NBN Co's approach to remuneration to ensure that it appropriately recognises and rewards staff performance in the context of the Corporate Plan, reflects individual accountability, and reinforces alignment with the Company values.

The NBN Co's staff and executive remuneration 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 People and Remuneration Committee, and then the full Board, reviews and endorses a Balanced Scorecard which contains key measures of performance and summarises how at-risk pay will be allocated at year end for those participating in the Short Term Incentive (STI) program.

To date, the key performance indicators have covered construction of the broadband network, customer experience, financial results, employee engagement and progress of certain strategic programs.

The Board considers the current framework to be appropriate although the key metrics used to judge performance are now evolving as we move from the build phase to the operating phase of the Company.

There was no increase in base pay for NBN Co staff for the year 2020/21. For the year ahead, there is an increase of 1.5 per cent including the uplift in the Superannuation Guarantee Contribution.

Performance in 2020/21

The company began the year strongly as COVID-19 driven demand continued to lift for broadband access and bandwidth, and more households subscribed to an increasing number of streaming services.

The network was substantially completed and unexpectedly stress tested as Australians in record numbers organised to work away from the office, manage home schooling and shifted online to access government services, telehealth, and retail.

Throughout the year confidence grew in the resilience of the network, its ubiquity and affordability.

As for most people across Australia, our employees have had their own personal COVID-19 challenges and have had to adapt to different working processes at NBN Co to find ways to deliver on our customer promise to provide a quality internet experience to 8.2 million households and businesses.

The highlights of 2020/21 are described elsewhere in this Annual Report. But the People and Remuneration Committee particularly noted the following:

- Pleasing trends in nbn broadband penetration, shifts to higher speeds, and improved customer service.
- Winning the support of our shareholder ministers to invest a further \$4.5 billion over three years and starting the next phase of network upgrade including additional investments in regional Australia.
- Contributions to national and state strategies to address natural disasters and assure the preparedness and resilience of our piece of critical national infrastructure. NBN Co is a lifeline service to many and mission critical to most everyone.
- Financial outcomes with good revenue and cash flow increases and an encouraging outlook as certain payments to Telstra and Optus cease and costs reduce in the post-construction customer-focused era.

- Excellent progress in refinancing the \$19.5 billion debt to the Commonwealth (of which \$6.3 billion was repaid in 20/21), and the market support for further debt raisings as network investment opportunities arise.
- The continuing proactive and constructive engagement with our retail service providers and regulators which, while not always creating a harmonious environment, are helping establish a set of rules which will serve well NBN Co, its stakeholders, the industry, and end customers.

The Committee also noted, however, that the experience of some customers was affected towards the end of the reporting year by the impact of component shortages as COVID-19 disturbed global supply chains for chips, and by the difficulties which arose from introduction of new work processes and payment rules for NBN Co technicians in the field.

As the new operating year started, these issues had been largely resolved and our customer experience metrics have returned to what we regard as normal levels.

Remuneration outcomes

In determining remuneration payments for 2020/21 performance, the Board is satisfied that the Corporate Objectives gateway for the Short Term Incentive program have been satisfied. These objectives cover the breadth of NBN Co's activities and include occupational health and safety, and financial and operating metrics.

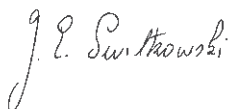
The People and Remuneration Committee characterised NBN Co's performance across its key metrics as 'meeting or exceeding most expectations' although when deciding upon incentive payments to eligible NBN Co personnel this assessment was further moderated to recognise the increasing expectations of outperformance by the Company in the current COVID-19 defined environment.

The Board also observed that the June 2021 exit run rates for key performance measures into 2021/22 are positive. Continuing improvements are evident in service trends, broadband penetration, financial returns, employee engagement and debt refinancing which add confidence in our expectations for a satisfactory year ahead.

The People and Remuneration Committee recommended, and the Board resolved to pay an STI at 80 per cent of target and 59 per cent of maximum. These numbers are below the average STI over the past five years with judgement of outperformance becoming tougher as the business matures.

Payments of the at-risk component, that is the STI, will be made to 3500 employees at a total cost to NBN Co of \$46.5 million representing 5 per cent of NBN Co's wages and salary costs.

It is the Board's view that these payments are fair, balancing reasonable reward for meeting clearly defined objectives, where achievement is genuinely at risk, with industry remuneration benchmarks and community expectations. And that the principles upon which they are based are consistent with the preliminary views of the Government's Morton Review of performance bonuses in GBEs.



Dr Ziggy Switkowski AO

Chair, People and Remuneration Committee

5 August 2021

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 2021. The job titles for KMP reflect their roles during FY21.

Name	Title	FY21 Status	KMP Status
Current Senior Executives deemed to be KMP			
Mr Stephen Rue	Chief Executive Officer (CEO)	Full year	Current
Ms Kathrine Dyer	Chief Operating Officer	Full year	Current
Mr Will Irving	Chief Strategy and Transformation Officer	Full year	Current
Mr Philip Knox	Chief Financial Officer	Full year	Current
Mr John Parkin	Chief Engineering Officer	Full year	Current
Mr Brad Whitcomb	Chief Customer Officer	Full year	Current
Former Senior Executives deemed to be KMP			
Mr Paul Tyler	Chief Customer Officer - Business	Part year	Former
Current Non-Executive Directors			
Mr Drew Clarke AO PSM	Non-Executive Director	Full year	Current
Mr Andrew Dix	Non-Executive Director	Part 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	Full year	Current
Ms Zoe McKenzie	Non-Executive Director	Full year	Current
Dr Kerry Schott AO	Non-Executive Director	Full year	Current
Dr Ziggy Switkowski AO	Non-Executive Chairman	Full year	Current

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

- Mr P Tyler ceased to be KMP on 3 August 2020
- Mr A Dix was appointed as a Non-Executive Director effective 7 April 2021.

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 FY21, NBN Co received external advice in relation to remuneration from Ernst & Young (EY). The advice included market practice, current and emerging trends in executive remuneration design and relevant legislative and regulatory developments.

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

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

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



2

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



3

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



4

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



5

Strengthen relationships with Government, Industry and Community to optimise customer benefits



6

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

...which are reflected in STI Corporate Measures

Network Operating Performance (25%)

Achievement against a series of lead indicators including fault rates, stability, congestion, availability and mean time to restore

Customer Advocacy (15%)

Performance against target for both residential and business customers with regard to DSAT (dissatisfaction) and OSAT (satisfaction)

Service Delivery (10%)

Achievement against a series of lead indicators including right first time, distressed tickets, mean times to connect/repair, and satisfaction with technician performance

Strategic Imperatives (25%)

Delivery against a range of initiatives linked to each of the six strategic imperatives

Financial Performance (25%)

Achievement against corporate plan targets for revenue and EBIT (before subscriber costs) as defined in NBN Co's Management Accounts¹

...and NBN Co's actual performance

Network Operating Performance

The majority of metrics are ahead of target despite ongoing challenges of COVID-19 and weather events

Customer Advocacy

Residential targets were exceeded during the year but business DSAT targets were not achieved

Service Delivery

Targets for mean time to connect and technician satisfaction were met. Other targets were not achieved

Strategic Imperatives

The majority of initiatives were delivered

Financial Performance

Very strong performance with revenue 3% ahead of target and EBIT (before subscriber costs) 17% ahead of target

...and directly impacts Senior Executive remuneration

Total Fixed Remuneration

Fixed Remuneration increases of 1.5% (inclusive of superannuation guarantee contribution rate change) for FY22 arising from the annual review of Senior Executive Remuneration

CEO STI Outcome

Awarded at 59% of maximum

Average Senior Executive STI Outcome

Awarded at 59% of maximum

1. NBN Co's management accounts treat all leasing arrangements as operating expenditure but are otherwise prepared in accordance with Australian GAAP.

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 ¹	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.

1. No deferral applies to the CEO STI award.

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 FY21, the Target STI opportunity for the Chief Executive Officer (CEO) was 50 per cent of TFR and for Senior Executives during FY21 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 FY21 has been provided in the Performance outcomes for FY21 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 FY21.

Total fixed remuneration

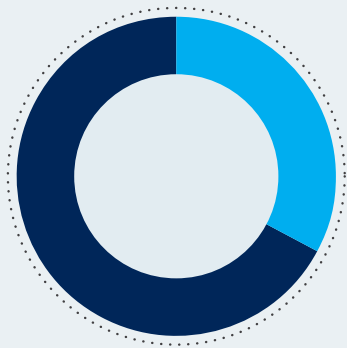
Base salary, superannuation contributions and non-cash benefits comprise a Senior Executive's TFR. Factors taken into account when setting the appropriate TFR for any Senior Executive include:

- 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.

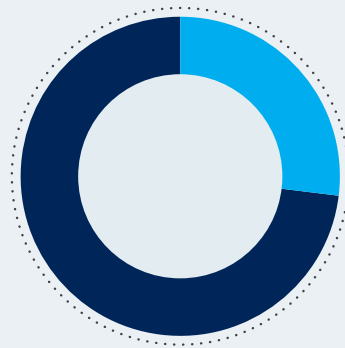
Remuneration mix

Chief Executive Officer



- Target STI (33%)
- TFR (67%)

Executive Committee



- Target STI (27%)
- TFR (73%)

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:

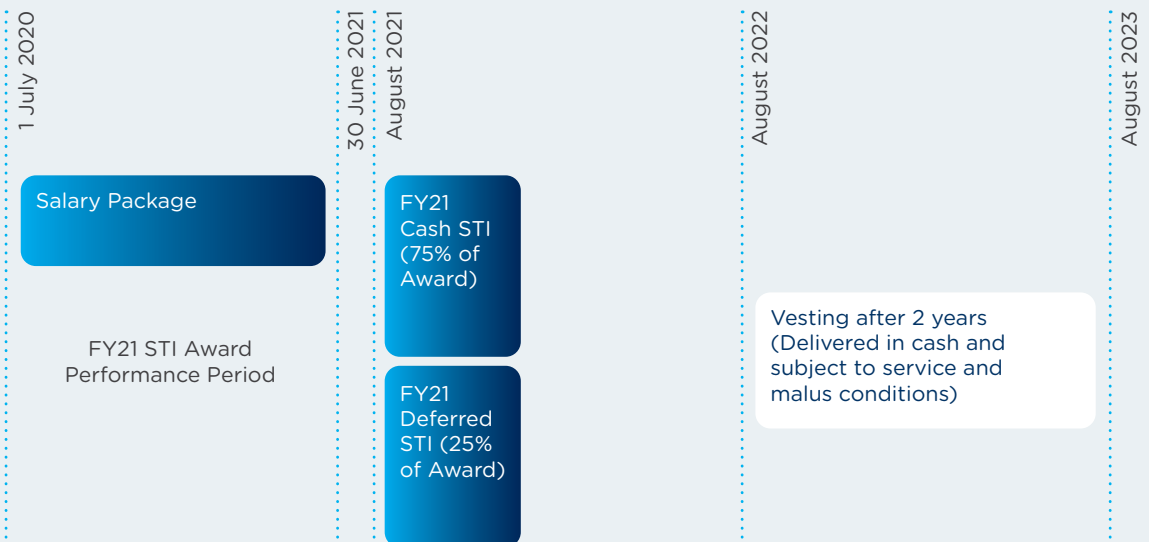
- reward Senior Executives who contribute to NBN Co's success during the performance year
- ensure a portion of total remuneration is linked to the achievement of corporate performance
- through its STI funding approach, provide NBN Co with the flexibility to manage the overall cost of the program in 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.

STI deferral



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.

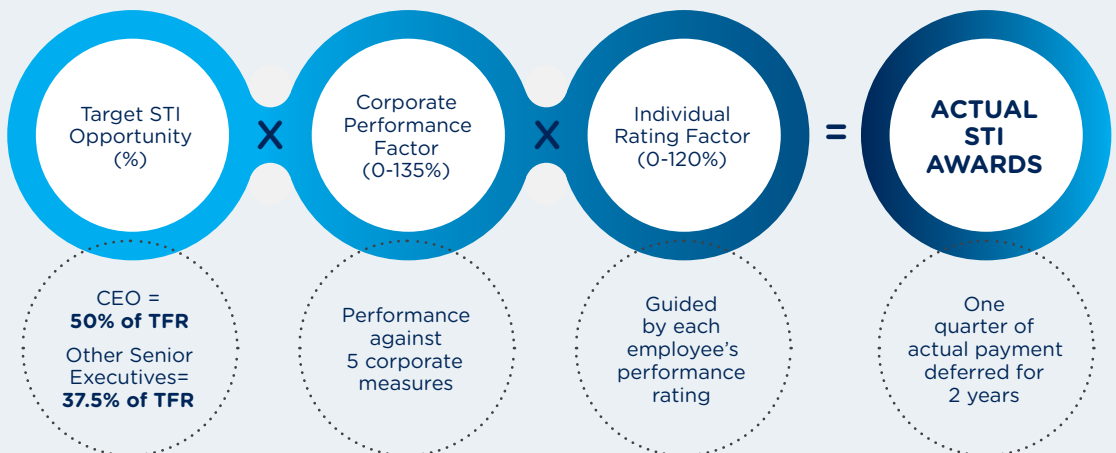
The P&RC annually reviews the remuneration arrangements of each Senior Executive to ensure that they appropriately reflect, individual and company performance and market conditions.

Role of the People and Remuneration Committee (P&RC)

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 FY21, 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 FY21.

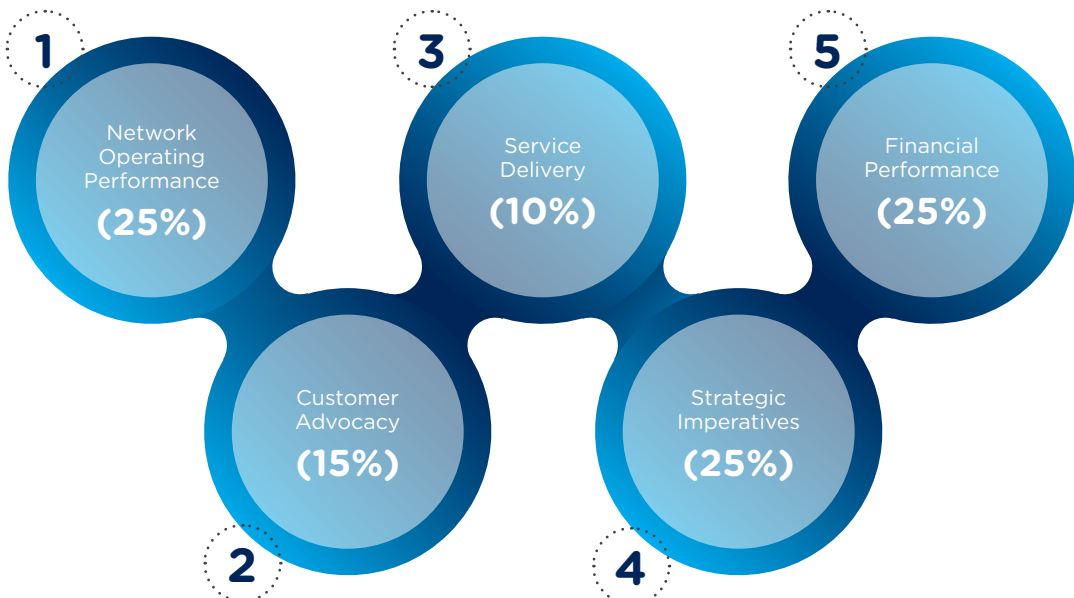
If the gateway measures are satisfied during the performance period, the P&RC then determines whether to adjust the target STI pool up or down (by a range between zero per cent and 135 per cent of the target STI pool) based on achievement of corporate objectives, resulting in an actual STI award pool. 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 77.

For FY21, NBN Co's performance was assessed against five corporate measures that included:



Performance outcomes and STI award pool funding for FY21

For FY21, 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 FY21 with TRIFR materially below target.

Overall it was a successful year for NBN Co, supporting Australians through natural disasters and COVID-19 related restrictions, adding almost 1 million more customers to the network, commencing upgrades on the fixed-line network enabling higher speeds to be ordered by customers and securing debt facilities to both retire government debt and to secure ongoing funding for the business.

Of the five performance metrics listed above NBN Co significantly overachieved in network operating performance and financial performance. The majority of the initiatives against the strategic imperatives were met and residential DSAT and OSAT targets were overachieved. However, below par outcomes were incurred for both business DSAT and some but not all service delivery targets.

The Board accordingly arrived at a figure of 59 per cent of maximum for the short-term incentives for KMPs. This was equivalent to a STI award pool of \$46.5 million for all eligible participating employees.

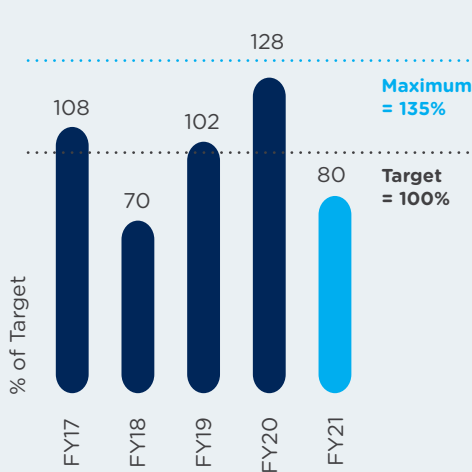
The list of KMP during FY21 disclosed in this report is shown on page 74 and a summary of remuneration received during the financial year is shown on pages 85 to 87.

Historical STI Awards

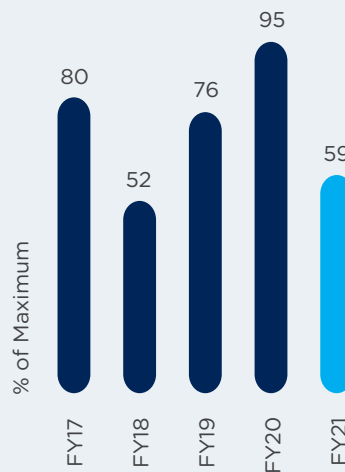
The tables below show the historical STI Awards for NBN Co over the past five years against the Corporate Performance Factor.

Historical STI Awards

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 six 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 2021, 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 2021									
S Rue	2020	1,865,441	1,177,335	21,003	-	-	85,762	-	3,149,541
	2021	1,821,708	734,400	21,694	-	-	70,172	-	2,647,974
K Dyer	2020	777,303	288,563	21,003	-	96,188	9,698	-	1,192,755
	2021	986,489	225,000	21,694	-	75,000	72,615	-	1,380,798
W Irving ⁴	2020	656,846	248,432	15,752	-	82,811	1,112	-	1,004,953
	2021	932,304	207,000	21,694	-	69,000	3,608	-	1,233,606
P Knox	2020	876,378	310,205	21,003	-	103,402	2,914	-	1,313,902
	2021	849,217	193,500	21,694	-	64,500	7,204	-	1,136,115
J Parkin ⁴	2020	366,643	132,056	13,085	-	44,019	1,795	-	557,598
	2021	567,143	135,000	21,694	-	45,000	6,593	-	775,430
B Whitcomb	2020	923,213	318,573	21,003	-	106,191	33,305	-	1,402,285
	2021	927,608	211,500	21,694	-	70,500	45,840	-	1,277,142
Former Executives deemed to be KMP									
JB	2020	263,759	-	7,001	-	-	58,081	691,600	1,020,441
Rousselot ⁶	2021	-	-	-	-	-	-	-	-
P Ryan	2020	512,549	-	10,501	-	-	(99,049)	-	424,001
	2021	-	-	-	-	-	-	-	-
P Tyler ⁵	2020	894,399	435,104	21,003	-	-	8,032	-	1,358,538
	2021	155,424	-	3,616	-	-	(11,239)	608,933	756,734
Total⁴	2020	7,136,531	2,910,268	151,354	-	432,611	101,650	691,600	11,424,014
	2021	6,239,893	1,706,400	133,780	-	324,000	194,793	608,933	9,207,799

Notes

- 2021 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 2021, with one quarter of the STI award relating to FY21 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 FY20 KMP appointments of Mr W Irving (1 October 2019) and (Acting) Mr J Parkin (16 November 2019).
- Mr P Tyler's FY21 base salary and superannuation include amounts paid until his termination on 31 August 2020, however he ceased to be KMP on 3 August 2020. The FY20 STI for Mr P Tyler does not include a deferred component. Terminations benefits for Mr P Tyler are in accordance with contractual commitments.
- 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 FY22. 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 FY21 and FY20.

Board position	2020-21 annual entitlement from 1 July 2020	2019-20 annual entitlement from 1 July 2019
Chair	\$226,930	\$226,930
Non-Executive Directors	\$113,520	\$113,520

Remuneration of Non-Executive Directors

Remuneration for Non-Executive Directors for FY21 and FY20 is shown in the table below:

		Short-term benefits	Post- employment	Total remuneration
		Director fees \$	Super- annuation contri- butions \$	\$
Non-Executive Directors				
D Clarke AO PSM	2020	113,520	10,784	124,304
	2021	113,520	10,784	124,304
A Dix ¹	2020	-	-	-
	2021	26,660	2,533	29,193
P Flannigan ²	2020	40,543	3,852	44,395
	2021	-	-	-
S In't Veld	2020	113,520	10,784	124,304
	2021	113,520	10,784	124,304
M Malone	2020	113,520	10,784	124,304
	2021	113,520	10,784	124,304
K McKenzie ³	2020	66,220	6,291	72,511
	2021	113,520	10,784	124,304
Z McKenzie	2020	113,520	10,784	124,304
	2021	113,520	10,784	124,304
J Milne ⁴	2020	40,543	3,852	44,395
	2021	-	-	-
K Schott AO	2020	113,520	10,784	124,304
	2021	113,520	10,784	124,304
Z Switkowski AO	2020	226,930	21,003	247,933
	2021	226,930	21,558	248,488
Total	2020	941,836	88,918	1,030,754
	2021	934,710	88,797	1,023,507

Notes

1. Mr A Dix was appointed as a Non-Executive Director effective 7 April 2021.
2. Mr P Flannigan ceased to be a Non-Executive Director effective 10 November 2019.
3. Ms K McKenzie was appointed as a Non-Executive Director effective 1 December 2019.
4. Mr J Milne ceased to be a Non-Executive Director effective 10 November 2019.

Corporate Governance Statement

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





The NBN Co Board and Executive Committee are committed to excellence and continued improvement in corporate governance and aspire to the highest standards of conduct and disclosure. To support this aspiration, the Board and the Executive Committee have embedded a framework that enhances corporate performance and protects the interests of all key stakeholders. The Board and its Committees have overall responsibility for corporate governance and are collectively focused on the long-term success of the Company. Areas of specific responsibility include financial performance, setting strategy and overseeing its implementation, providing leadership and direction on workforce culture and values, and agreeing and overseeing the risk framework and risk appetite. The Board regularly reviews its corporate governance policies and processes to ensure they are appropriate and align with Government, regulatory and legislative requirements, and market practice. Going forward, the Company will continue to focus on organisational culture by encouraging an environment where people and stakeholders feel comfortable raising issues and ensuring the Board and management are kept informed of incidents that may impact the business. In addition, the Company will continue its voluntary adoption of those ASX Corporate Governance principles and recommendations, which are relevant to NBN Co.

Corporate structure and governing legislation

This statement, which was approved by the Board on 5 August 2021, 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 were overseen by its own Board of Directors. These Boards comprised 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 relevant to the Company. NBN Co'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 objects and purposes of NBN Co, Australian Government policy communicated to NBN Co from time to time and as set out in 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):
 - 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. From time to time, 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 2021 strategic planning meeting is expected to be held in the second half of the 2021 calendar year.

NBN Co's Executive Committee (ExCo)

ExCo comprises the CEO and Executives. Further details about ExCo are outlined on pages 62 to 65.

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

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

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 next annual Board performance review will be undertaken in the second half of calendar year 2021.

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 FY21 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 78 to 85.

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 66.

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 continues to build capability, diversity, and a values-led company culture to deliver on NBN Co's purpose to lift the digital capability of Australia.

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 reinforced NBN Co's purpose, which is reflected in a strong employee engagement score.

NBN Co's 2021 employee engagement survey achieved a participation rate of 91 per cent, and an engagement score of 76 percentage points. A significant achievement given the complexity of leading through a transformation including workforce change during the COVID-19 global pandemic.

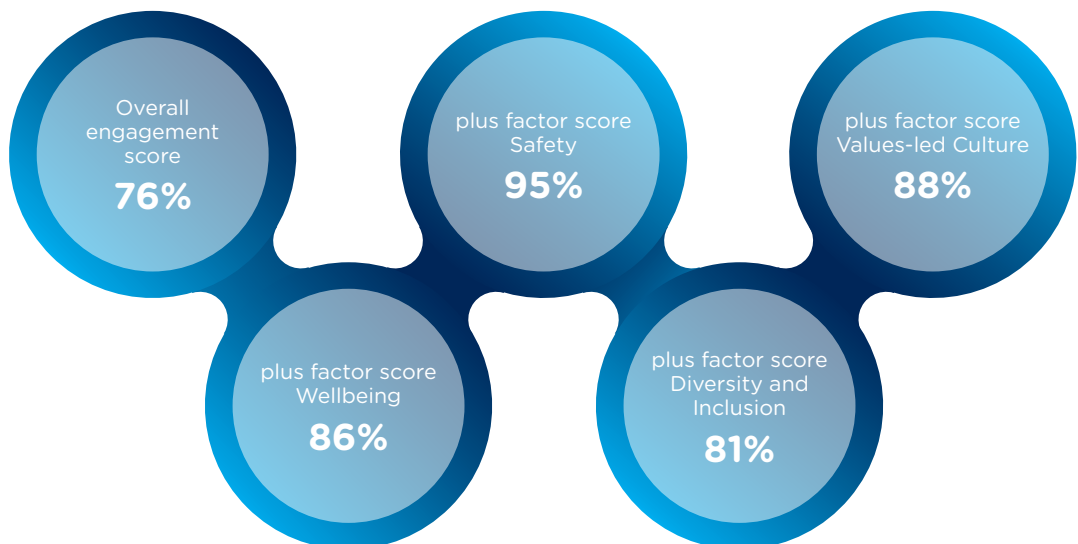
NBN Co continues to invest in strategic workforce planning including external benchmarking to identify critical future skills including cyber security, network and software technologies, whilst enabling the

workforce to lead and effectively use data to deliver balanced commercial and social outcomes. The Company is also providing career pathways to support both leaders and technical specialists, recognising partnerships with education and training providers may also enable NBN Co to scale and tailor skill development for its people.

NBN Co continues to explore ways to optimise the productive and flexible working practices established throughout the pandemic, with the benefits of collaboration and connection that come from working in our offices located around Australia. The company is focused on ensuring NBN Co remains a great place to work, ensuring the skills and experience of our people reflect the diversity of our customers and the communities we serve.

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 it's safe to speak up and our teams work together, to solve problems and innovate.

Overall engagement remains strong. FY21 highlights include safety and wellbeing, diversity and inclusion, and a values-led culture.



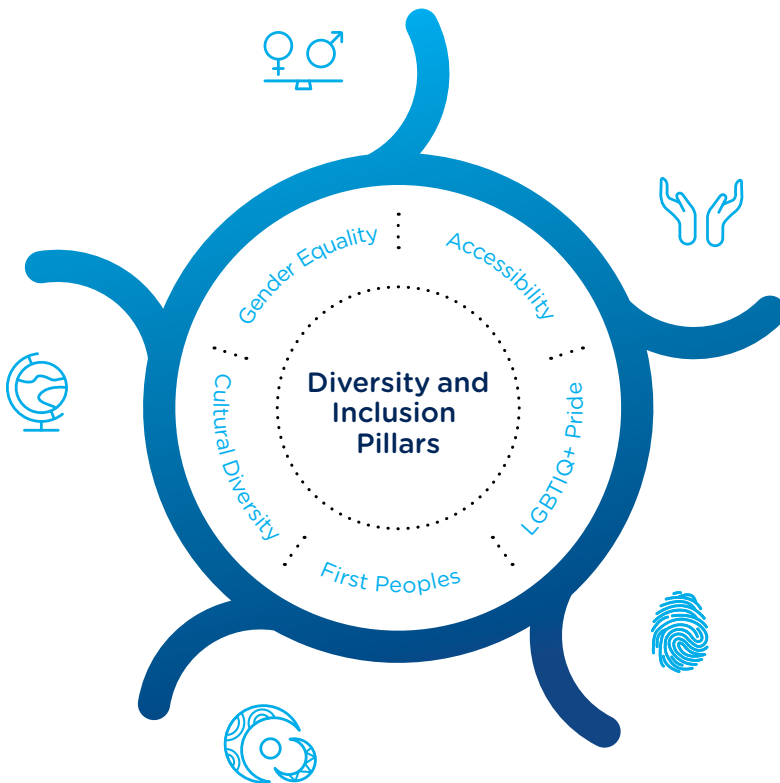
Diversity and inclusion

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

A diverse and inclusive workplace allows the Company to leverage different perspectives for enhanced outcomes and in turn, deliver better solutions for our communities and customers. It helps to drive a culture of inclusion 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. This culture of inclusion helps the Company to attract the highest calibre of employees from the widest talent pool available and to get the best from this talent through leveraging their diverse thinking, backgrounds and experience. The Company continually strives to promote a workplace in which all their people feel safe and encouraged to contribute, have a sense of belonging, a connection to purpose and a commitment to living the company values.

Strength in diversity opportunity through inclusion



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 2021):

Role	Percentage
Non-Executive Directors	50%
Executive Committee	40%
Senior Management	37%
Middle Management	32%
Total Women in Management	33%

Health, Safety and Environment (HSE)

NBN Co is committed to providing a safe and healthy working environment for workers and minimising environmental harm.

NBN Co's first-line management and staff are responsible for identifying, assessing and managing their operational risks, including those related to health, safety and environment (HSE). The HSE team, as a second-line risk management function, works with and supports the Company's Business Units and Delivery Partners to manage HSE risks, through the provision of strategy, processes, systems, advice, assurance and programs.

This approach is underpinned by an integrated Health, Safety and Environment (HSE) Management System and HSE Critical Controls. NBN Co's HSE Statement of Commitment and HSE Policy (reviewed by the Board in November 2020) are operationalised in the business through the HSE Management System.

HSE data analytics and reporting is provided by the HSE team to support decision making in risk and performance management.

This includes weekly Executive Committee review of safety results, quarterly Executive Committee deep dive into performance and monthly Board updates.

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

Principle: Structure the Board to add value

(based on ASX Principle 2)

The Board

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

Membership of the Board as at the signing date comprises:

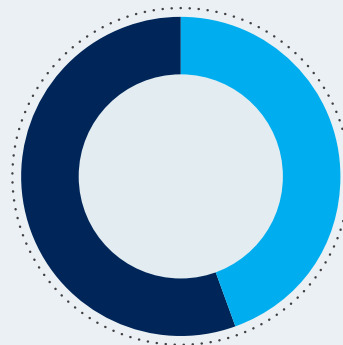
- Dr Ziggy Switkowski AO, Chairman (Non-Executive Director) appointed as Executive Chairman of NBN Co effective 3 October 2013 who reverted to the role of Non-Executive Chairman from 2 April 2014 following the appointment of Mr William Morrow as CEO
- Mr Drew Clarke AO PSM, appointed as a Non-Executive Director effective 22 August 2017
- Mr Andrew Dix, appointed as a Non-Executive Director effective 7 April 2021
- 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 Mr Dix, the above-named Directors were in office for the full period from 1 July 2020 to 30 June 2021.

Full details of current Directors including names, appointment dates, term expiration dates, qualifications, experience and remuneration are included in the Directors' Report on pages 56 to 60 and Remuneration Report on pages 86 to 87.

Board diversity

Gender



● Females (4)

● Males (5)

Board diversity

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

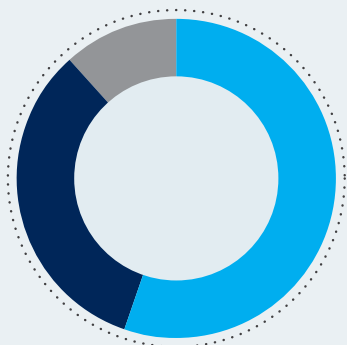
Meetings

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

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

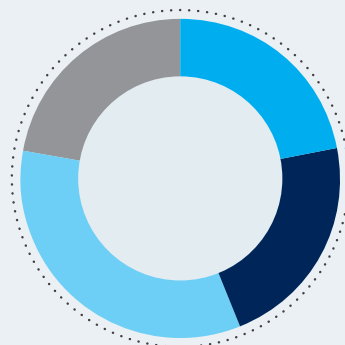
The Board met 11 times during the period from 1 July 2020 to 30 June 2021. Directors' attendances are set out on page 61.

Age



- 61 or over (5)
- 51-60 (3)
- 40-50 (1)

Tenure



- >6 years (2)
- 4 to <6 years (2)
- 2 to <4 years (3)
- 0 to <2 years (2)

Standing Committees – an overview

To assist in the performance of its responsibilities, the Board currently has four 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	Financing Committee	Nominations Committee	People and Remuneration Committee
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NBN Co Board and Committee membership:

	Board	Audit and Risk Committee	Financing Committee	Nominations Committee	People and Remuneration Committee
Mr Drew Clarke AO PSM	●	–	–	●	●
Mr Andrew Dix ¹	●	●	–	●	–
Ms Shirley In't Veld	●	●	–	●	–
Ms Kate McKenzie	●	●	●	●	●
Ms Zoe McKenzie	●	●	–	●	–
Mr Michael Malone	●	–	–	●	●
Mr Stephen Rue	●	●	●	●	●
Dr Kerry Schott AO	●	●	●	●	–
Dr Ziggy Switkowski AO	●	●	●	●	●

● Board or Committee chair

● Board or Committee member

● Attends Board or Committee ex officio

1. Mr Andrew Dix was appointed as a Non-Executive Director of the Board effective 7 April 2021. As a Non-Executive Director, Mr Dix also automatically became a member of the Nominations Committee effective 7 April 2021. He was appointed as a member of the Audit and Risk Committee effective 18 May 2021.

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 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 2021, the Committee comprised:

- Dr Kerry Schott AO
(Chair appointed effective 12 November 2013)
- Mr Andrew Dix
(appointed effective 18 May 2021)
- 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.

Refer to pages 56 to 60 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 2020 to 30 June 2021 are set out in the Directors' Report on page 61.

Directors appointed as a member of the Audit and Risk Committee are not remunerated for such an appointment.

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 2020 to 30 June 2021.

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>

Financing Committee

The Financing Committee was established on 5 November 2020 and assists the Board by considering and approving matters relating to funding arrangements and Debt Capital Markets.

The Committee is to consist of at least three members at least one of whom is to have financial expertise in large scale corporate financing. 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 2021 the Committee comprised:

- Dr Ziggy Switkowski AO
(Chairman and Chair)
(appointed effective 5 November 2020)
- Ms Kate McKenzie
(appointed effective 5 November 2020)
- Dr Kerry Schott AO
(appointed effective 5 November 2020).

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 2021 the Committee comprised:

- Dr Ziggy Switkowski AO
(Chairman and Chair)
(appointed effective 24 March 2015)
- Mr Drew Clarke AO PSM
(appointed effective 22 August 2017)
- Mr Andrew Dix
(appointed effective 7 April 2021)
- 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.

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 2020 to 30 June 2021 are set out in the Directors' Report on page 61.

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, contractual employment obligations 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 2021 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.

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 2020 to 30 June 2021 are set out in the Directors' Report on page 61.

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, to the extent possible, 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 to the Shareholder Ministers in the form of a Board Plan.

A review of the Directors' skills matrix was undertaken by the Nominations Committee and the Board in 2021. Each Director's skills, experience and performance as a member of the Board is considered as part of NBN Co's Board performance review.

Based on the most recent review of the Director skill matrix in June 2021, collectively the Board's high level of skills and expertise are in the following areas:

Skill	Average rating out of 5*
Corporate Governance	4
Customer Focus	4
Executive Leadership	4
Financial Acumen and Capital Management	4
Government Stakeholder Relations and Public Policy	4
Health, Safety and Environment	4
Human Relations/Workplace Relations	4
IT	3
Legal and Regulatory	4
Marketing Products and Services	4
Regional and Rural	3
Reputation	4
Remuneration	4
Risk Management and Compliance	4
Strategy	4
Technology	3
Telecommunications	4

* Rounded to the nearest whole number.

Personal skills considered as part of the skills matrix review were:

Skill	Average rating out of 5*
Board Dynamics and Communication	4
Board Experience	4
Business Judgement	4
Commitment and Engagement	5
Ethics and Integrity	5
Issues Management	4
Leadership	4
Negotiations	4

Legend for Level of Skills & Experience:

- 0 No skills/experience
 - 1 Basic skills/experience
 - 2 Somewhat skilled/experienced
 - 3 Sufficient skills/experience
 - 4 Extensive skills, experience and knowledge
 - 5 Expert skills and experience
- * Rounded to the nearest whole number.

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 15) 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 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 into 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 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

NBN Co operates in competitive markets and supplies into competitive markets. A key focus for NBN Co is therefore to comply with its obligations under general competition law. In addition, there are specific competition law obligations imposed on the telecommunications industry including some that apply only to NBN Co, including:

- supplying carriage services on a fully transparent, wholesale-only basis
- not discriminating between access seekers in supplying carriage services and engaging in related activities
- complying with NBN Co's Special Access Undertaking (SAU) accepted by the Australian Competition and Consumer Commission

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.

Sustainability

NBN Co's purpose is closely linked to creating long-term social equity and economic opportunities and a smaller environmental footprint for all Australians.

To responsibly and sustainably achieve this purpose, NBN Co recognises the importance of managing and measuring its material sustainability topics; social equity, economic contribution, resilient network, climate action, diversity and inclusion and transparent and accountable business.

The Company's sustainability objectives are to:

- create social equity through digital inclusion and capability, to maximise the benefits of connectivity for all Australians
- empower individuals, businesses and communities to stimulate economic productivity and growth
- operate a trusted, secure and reliable network to provide all Australians access to the essential infrastructure they need
- reduce emissions and address climate risks to support a more sustainable business, network and low carbon Australia
- achieve a diverse, inclusive and healthy workforce, with a strong culture, purpose driven people and high level of engagement
- demonstrate our values through ethical and sustainable business practices.

To support these objectives, in FY21 NBN Co developed a company-wide Sustainability Program. This included undertaking the Company's first sustainability materiality assessment and identifying the United Nations Sustainable Development Goals (UN SDGs) most relevant to NBN Co. NBN Co's Sustainability Program reinforces existing actions and identifies opportunities to evolve NBN Co's sustainability practices through additional areas of focus. The Sustainability Program also aims to improve NBN Co's sustainability reporting processes and ESG (Environmental, Social and Governance) disclosures to enhance sustainability into business planning decisions.

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 99 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, Tax Transparency Report and Sustainability Report.

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 2021, 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.

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 updates 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, which outlines the key risks to NBN Co. In addition, NBN Co provides regular reporting to the Shareholder Ministers of risks, mitigations, and trends.

NBN Co's Risk Management Policy, Risk Appetite Statement and Risk Management Standard communicate objectives, approach and responsibilities with regard to risk management throughout NBN Co. The policy also communicates NBN Co's commitment to support the development of a sound risk management culture.

NBN Co's Board and Management are committed to proactive identification, assessment, management and monitoring of material risks. 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 has an enterprise risk operating model that involves active management of business risks by line management and staff, with regular reporting of material strategic, operational and emerging risks to the Executive Committee, the Audit and Risk Committee, and the Board.

In FY20, NBN Co developed a company-wide Sustainability Program. This included undertaking the Company's first sustainability materiality assessment and identifying the United Nations Sustainable Development Goals (UN SDGs) most relevant to NBN Co. Six material topics were identified; social equity, economic contribution, resilient network, climate action, diversity and inclusion and transparent and accountable business. These topics cover several ESG (Environmental, Social and Governance) risks, issues and opportunities relating to NBN Co's customers and communities, network, people, business practices and the environment in which it operates. To support the management of these risks, issues and opportunities, NBN Co's Sustainability Program reinforces existing actions and identifies opportunities to evolve NBN Co's sustainability practices through additional areas of focus including but not limited to, undertaking an NBN Co-wide climate change risk assessment and improving ethical supply chain management practices.

A summary of NBN Co's material business risks is set out on pages 52 to 55.

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.

The Treasury Policy provides clear guidelines for managing treasury risks and making investment and hedging decisions.

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, contractual employment obligations and current business norms.

Refer to page 100 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 86 to 87.

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 78 to 85.

Auditor's independence declaration



Auditor-General for Australia



5 August 2021

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

**NBN CO LIMITED FINANCIAL REPORT 2020–21
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 2021, 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.

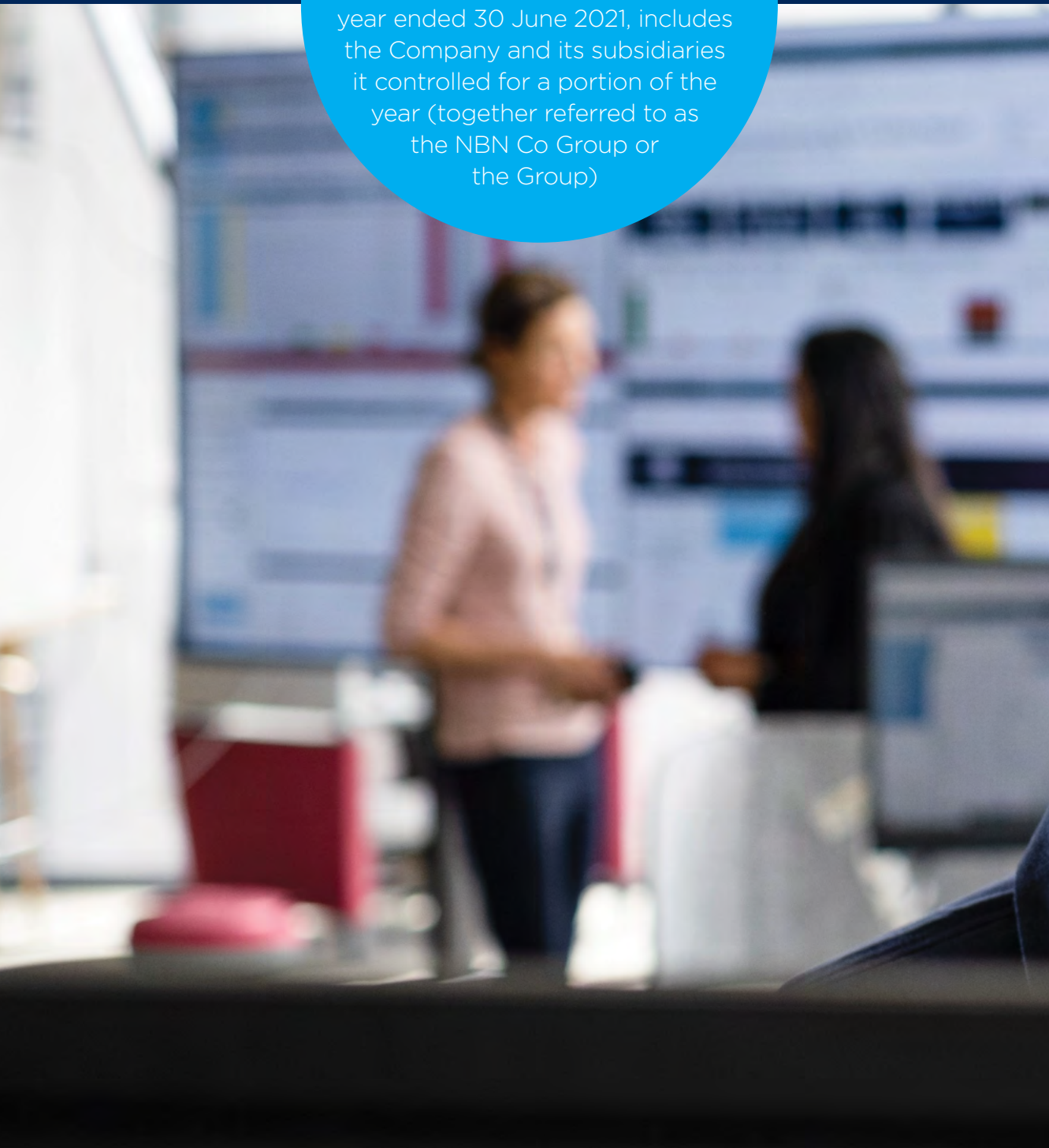
Australian National Audit Office

A handwritten signature in black ink, appearing to read 'Grant Hehir'.

Grant Hehir

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 2021, includes the Company and its subsidiaries it controlled for a portion of the year (together referred to as the NBN Co Group or the Group)





Statement of profit or loss and other comprehensive income

		NBN Co Group	
		30 June 2021	30 June 2020
For the year ended	Notes	\$m	\$m
Revenue	B1	4,629	3,837
Direct network costs		(666)	(641)
Employee benefits expenses	D1	(829)	(877)
Other operating expenses	B2	(553)	(553)
Subscriber costs		(1,226)	(2,414)
Depreciation and amortisation expense	C3 & C4	(3,596)	(3,154)
Other income	B1	24	24
Net finance costs	C9	(1,621)	(1,460)
Loss before income tax		(3,838)	(5,238)
Income tax benefit/(expense)	H1	1	(1)
Loss for the year		(3,837)	(5,239)
Loss attributable to the shareholder		(3,837)	(5,239)
Other comprehensive (loss)/gain			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges, net of tax	E2	(5)	2
Changes in the value of costs of hedging, net of tax	E2	2	-
Total other comprehensive (loss)/gain for the year, net of tax		(3)	2
Total comprehensive loss for the year		(3,840)	(5,237)
Total comprehensive loss attributable to the shareholder		(3,840)	(5,237)

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

Statement of financial position

		NBN Co Group	
As at	Notes	30 June 2021 \$m	30 June 2020 \$m
Current assets			
Cash and cash equivalents	C1	1	344
Trade and other receivables	C2	450	512
Derivative financial assets	G	9	5
Other current assets		69	129
Total current assets		529	990
Non-current assets			
Property, plant and equipment	C3	33,130	33,738
Intangible assets	C4	1,943	2,093
Derivative financial assets	G	127	-
Other non-current assets		9	29
Total non-current assets		35,209	35,860
Total assets		35,738	36,850
Current liabilities			
Trade and other payables	C6	1,645	2,289
Other liabilities	C7	27	25
Derivative financial liabilities	G	2	-
Lease liabilities	C8	476	415
Borrowings	C9	18	-
Other financial liabilities	C9	-	1,000
Provisions	C10	209	213
Total current liabilities		2,377	3,942
Non-current liabilities			
Trade and other payables	C6	6	1
Other liabilities	C7	878	847
Derivative financial liabilities	G	14	-
Lease liabilities	C8	10,343	10,445
Borrowings	C9	10,600	-
Provisions	C10	60	57
Related party borrowings	C9 & E3	13,200	19,458
Total non-current liabilities		35,101	30,808
Total liabilities		37,478	34,750
Net (liabilities)/assets		(1,740)	2,100
Equity			
Contributed equity	E1	29,500	29,500
Other reserves	E2	6	9
Accumulated losses		(31,246)	(27,409)
Total equity		(1,740)	2,100

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 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
Loss for the year	(3,837)	-	-	(3,837)
Other comprehensive loss	-	-	(3)	(3)
Total comprehensive loss for the year	(3,837)	-	(3)	(3,840)
Balance at 30 June 2021	(31,246)	29,500	6	(1,740)

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

Statement of cash flows

		NBN Co Group	
		30 June 2021	30 June 2020
For the year ended	Notes	\$m	\$m
Cash flows from operating activities			
Receipts from customers		5,080	4,103
Payments to suppliers and employees		(3,847)	(4,962)
Interest received		1	7
Net cash provided by/(used in) operating activities	C1	1,234	(852)
Cash flows from investing activities			
Payments for property, plant and equipment		(2,883)	(4,870)
Payments for intangible assets		(257)	(410)
Net cash used in investing activities		(3,140)	(5,280)
Cash flows from financing activities			
Principal repayment of lease liabilities		(169)	(148)
Interest paid on lease liabilities		(743)	(652)
Net proceeds from borrowings and other financial liabilities	C9	10,943	1,000
Repayment of borrowings and other financial liabilities	C9	(1,460)	-
Proceeds from related party borrowings		42	6,405
Repayment of related party borrowings	H6	(6,300)	-
Interest paid on borrowings and other financial liabilities	C9	(59)	(20)
Interest paid on related party borrowings	C9	(691)	(629)
Net cash provided by financing activities		1,563	5,956
Net decrease in cash and cash equivalents		(343)	(176)
Cash and cash equivalents at the beginning of the year		344	520
Cash and cash equivalents at the end of the year	C1	1	344

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 2021, includes the Company and its subsidiaries it controlled for a portion of the year (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* (Cth) 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, with this factor being the primary consideration in assessing the going concern assumption.

As at 30 June 2021, the Company's current liabilities exceeded its current assets by \$1,848 million and the Company has net liabilities of \$1,740 million. These metrics are in line with expectations given the significant upfront investment in the network in advance of the Company generating free cash flows. The Company's performance in financial year 2021 resulted in NBN Co achieving the stated financial targets as outlined in its Corporate Plan 2021.

Over the last decade, NBN Co has funded its business through a combination of \$29.5 billion equity and \$19.5 billion debt funding from the Commonwealth Government and \$14.2 billion of bank facilities and capital markets debt. During the year \$6.3 billion of external debt has been used to repay the Commonwealth loan with the remaining balance as at 30 June 2021 of \$13.2 billion due to mature in June 2024.

In order to finance the repayment of the Commonwealth loan and to execute the strategic initiatives outlined in its Corporate Plan, NBN Co is planning to raise additional external debt to a total of approximately \$27.5 billion by June 2024, plus additional working capital facilities.

To fund its future strategy, NBN Co has been transacting with the private debt and global capital markets and during the year secured its inaugural credit ratings, with Moody's Investor Services assigning a credit rating of 'A1' and Fitch Ratings assigning a credit rating of 'AA'. These ratings have assisted the Company to confidently enter negotiations with the debt markets as it progresses its financing strategy.

A. About this report continued

Going concern continued

As at 30 June 2021, NBN Co had raised in excess of \$14 billion in bank facilities and capital markets debt. The details of the transactions are disclosed in Note C9.

Going forward, NBN Co will look to raise further debt from the domestic and international markets over the next three years. NBN Co expects its funding strategy to be achievable based on its investment grade credit rating and the outcomes in recent financing transactions.

Notwithstanding the primary consideration in the going concern assessment as outlined above, at the date of signing the Financial Report, it is expected that the remaining undrawn components of the bank facilities of \$3.7 billion and the expected outcomes of the Company's future financing activities will enable the Company to meet its net cash flow forecasts for at least twelve months from the date of this report.

Functional and presentation currency

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

Rounding of amounts

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.

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. Except where otherwise stated, 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.

Operating segment reporting

As a result of the Medium-Term Note issuances during the period, the Group considers that AASB 8 *Operating Segments* is now applicable.

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, for which discrete financial information is available and whose operating results are regularly reviewed by the entity's chief operating decision maker (CODM) to allocate resources and assess the entity's performance.

NBN Co's Chief Executive Officer (CEO) has been identified as the CODM. NBN Co has determined that it operates in a single segment providing wholesale broadband services across Australia.

All NBN Co's operations are provided in Australia, therefore no geographic information is disclosed.

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
Determination of useful lives of intangible assets	C4
Determination of whether a contract contains a lease	C8
Determination of the net present value of a lease	C8
Determination of lease term	C8
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There have been no material changes to the significant accounting estimates and judgements applied as a result of the ongoing impacts of COVID-19.

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

	NBN Co Group	
	30 June 2021 \$m	30 June 2020 \$m
For the year ended		
Telecommunications revenue	4,448	3,645
Other revenue	181	192
Total revenue	4,629	3,837

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 discounts and rebates that are available to all RSPs on an equal basis.

For telecommunications revenue, NBN Co recognises revenue for the amount to which it has a right to invoice and/or the respective performance obligations have been completed.

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. NBN Co transfers control of these products to the RSPs evenly over the period, during which the RSPs are able to obtain value from NBN Co's products. Accordingly, these revenues are recognised over time. The Group invoices the RSPs 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 as there are no further performance obligations associated with these activities.

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 as this represents the transfer of benefits to the customer and an enforceable right to payment exists. Up-front installation fees are recognised as the service is rendered. NBN Co also earns non-telecommunications revenue through the licence of copper and HFC access to Telstra. Under the Revised Definitive Agreements (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 licence back to Telstra for the right to access the **nbn**[™] network and deliver legacy services during the co-existence period. NBN Co charges Telstra recurring licence fees, which are billed quarterly, and one-off upfront installation fees where Telstra orders new licenses from NBN Co.

Recurring licence 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.

Further disaggregation of revenue by timing

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.

Significant customers

The Group offers equivalent terms to all its Retail Service Providers (RSPs). NBN Co's top five customers as at 30 June 2021 were Telstra, TPG Group, Optus, Vocus, and Aussie Broadband. These five RSPs contributed approximately 96% of our total telecommunications revenue (2020: 94%).

B. Our revenue and other operating expenses continued

B1 Revenue and other income continued

Assets and liabilities related to contracts with customers

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

	Notes	NBN Co Group	
		30 June 2021 \$m	30 June 2020 \$m
Trade receivables	C2	428	396
Contract liabilities	C6	132	120

Contract liabilities for deferred revenue are recorded for performance 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.

NBN Co applies the practical expedient in paragraph 121 of AASB 15 *Revenue from Contracts with Customers* 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 2021 \$m	30 June 2020 \$m
Balance at 1 July	120	123
Revenue recognised that was included in the contract liability balance at the beginning of the year	(96)	(91)
Increases due to cash received, excluding amounts recognised as revenue during the year	108	88
Balance at 30 June	132	120

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 five-step approach outlined in AASB 15 *Revenue from Contracts with Customers*.

Other income - gifted assets and government grants

	NBN Co Group	
	30 June 2021 \$m	30 June 2020 \$m
For the year ended		
Other income - gifted assets and government grants	24	24
Total other income	24	24

B2 Other operating expenses

	NBN Co Group	
	30 June 2021 \$m	30 June 2020 \$m
For the year ended		
IT and software expenses	(205)	(199)
Communication and public information expenses	(88)	(83)
Other operating expenditure	(260)	(271)
Total	(553)	(553)

C. Our assets and liabilities

This section provides information relating to NBN Co's 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 2021	30 June 2020
	\$m	\$m
Cash at bank	1	344
Total	1	344

For the purpose of presentation in the Statement of cash flows, cash and cash equivalents includes cash on hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

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

For the year ended	NBN Co Group	
	30 June 2021	30 June 2020
	\$m	\$m
Loss for the year	(3,837)	(5,239)
Add/(less) non-cash/non-operating items		
Depreciation and amortisation	3,596	3,154
Finance charges	1,634	1,480
Other items	(43)	(98)
Income tax expense/(benefit)	(1)	1
(Increase)/decrease in operating assets		
Decrease/(increase) in trade and other receivables	62	(68)
Decrease in inventories	-	39
Decrease/(increase) in other assets	82	(23)
Increase/(decrease) in operating liabilities		
Decrease in trade and other payables	(262)	(150)
Increase in provisions	3	52
Net cash provided by/(used in) operating activities	1,234	(852)

C2 Trade and other receivables

	NBN Co Group	
	30 June 2021 \$m	30 June 2020 \$m
Current		
Trade receivables	428	396
Other receivables	22	44
GST receivable	-	72
Total	450	512

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 2021 (2020: 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 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
Year ended 30 June 2021						
Opening net book value	34	278	16	44	33,366	33,738
Additions ¹	-	14	8	48	2,428	2,498
Reclassification	-	(29)	-	-	29	-
Depreciation	(1)	(72)	(10)	(21)	(3,002)	(3,106)
Net book value	33	191	14	71	32,821	33,130
At 30 June 2021						
Cost	36	426	47	243	44,969	45,721
Accumulated depreciation	(3)	(235)	(33)	(172)	(12,148)	(12,591)
Net book value	33	191	14	71	32,821	33,130

1. 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 2021 \$m	30 June 2020 \$m
Constructed and purchased assets	23,387	23,194
Assets in the course of construction	796	1,150
Right-of-use assets	8,042	8,522
Assets acquired for no consideration and under government grant	905	872
Property, plant and equipment - net book value	33,130	33,738

Assets 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

Right-of-use assets	NBN Co Group					
	Land \$m	Buildings and leasehold improve- ments \$m	Furniture and equipment \$m	Network assets \$m	Licences \$m	Total \$m
Balance at 1 July 2020	17	202	13	8,290	-	8,522
Additions	-	3	5	84	62	154
Remeasurement	-	7	-	(105)	-	(98)
Disposals	-	-	-	-	-	-
Depreciation	(1)	(62)	(8)	(403)	(1)	(475)
Net book value at 30 June 2021	16	150	10	7,866	61	8,103

Assets acquired for no consideration and under government grant

Included within network assets are assets acquired from developers for no consideration and an indefeasible right-of-use arrangement with the Department of 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).

C. Our assets and liabilities continued

C3 Property, plant and equipment continued

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 and other assets, the shorter of the lease term or useful life.

During the period, NBN Co revised the useful lives of certain network assets. This was as a result of updated estimates over the expected period of use for these asset categories which were identified as part of the annual useful life review. The financial impact of these revised estimated useful lives is a decrease in depreciation expense of \$353 million for the year ended 30 June 2021. This year's expense is expected to be the future reduced depreciation charge per annum.

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.

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 2021 \$m	30 June 2020 \$m
Acquisition of assets by means of right-of-use arrangements	154	793
Acquisition of network infrastructure by means of developer contributions or government grants	54	61
Acquisition of assets by non-cash transactions	208	854

C. Our assets and liabilities continued

C4 Intangible assets

	NBN Co Group			
	Software \$m	Licenses \$m	Other \$m	Total \$m
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
Year ended 30 June 2021				
Opening net book value	1,966	34	93	2,093
Additions	261	63	16	340
Amortisation	(449)	(7)	(34)	(490)
Net book value	1,778	90	75	1,943
At 30 June 2021				
Cost	4,144	238	188	4,570
Accumulated amortisation	(2,366)	(148)	(113)	(2,627)
Net book value	1,778	90	75	1,943

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.

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 \$154 million (2020: \$352 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.

C. Our assets and liabilities continued

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.

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

The recoverable amount of an asset is the higher of its fair value less costs of disposal or its value in use. Any reduction in the carrying value 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**[™] 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).

On an annual basis the Group assesses whether there is an indicator of impairment. Where an indicator of impairment is identified, impairment testing is performed using fair value less costs of disposal. The Group has determined fair value less costs of disposal by reference to the depreciated replacement cost of the assets given there is no active market for the **nbn**[™] access network assets. As part of assessing the depreciated replacement cost of the assets, the Group considers the risks of both technological and economic obsolescence. There were no indicators of impairment as at 30 June 2021.

C6 Trade and other payables

	NBN Co Group	
	30 June 2021 \$m	30 June 2020 \$m
Current		
Trade and other payables	228	249
Contract liabilities	126	119
Accruals	1,281	1,921
GST payable	10	-
Total	1,645	2,289

	NBN Co Group	
	30 June 2021 \$m	30 June 2020 \$m
Non-current		
Contract liabilities	6	1
Total	6	1

The accruals balance includes \$498 million (2020: \$875 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 2021 \$m	30 June 2020 \$m
Current		
Deferred gain on developer contributions and government grants	27	25
Total	27	25

	NBN Co Group	
	30 June 2021 \$m	30 June 2020 \$m
Non-current		
Deferred gain on developer contributions and government grants	878	847
Total	878	847

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

C. Our assets and liabilities continued

C7 Other liabilities continued

Recognition and measurement

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.

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.

C8 Lease liabilities

	NBN Co Group	
	30 June 2021	30 June 2020
	\$m	\$m
Current		
Lease liabilities	476	415
Total	476	415

	NBN Co Group	
	30 June 2021	30 June 2020
	\$m	\$m
Non-current		
Lease liabilities	10,343	10,445
Total	10,343	10,445

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 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.

Recognition and measurement 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 2021, \$22 million (2020: \$21 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.

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.

C. Our assets and liabilities continued

C8 Lease liabilities continued

Key estimates and judgements:

Determination of 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, recent 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 licences 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.

C9 Borrowings and other financial liabilities

	NBN Co Group	
	30 June 2021 \$m	30 June 2020 \$m
Current		
Borrowings	18	-
Other financial liabilities	-	1,000
Non-current		
Borrowings	10,600	-
Related party borrowings	13,200	19,458
Total	23,818	20,458

NBN Co's borrowings consist of unsecured bank facilities, Australian Medium-Term Notes (AMTN) issuances, US144A/Reg S bond issuances, private placements and related party borrowings issued under the loan with the Commonwealth Government. In the prior year, the Group entered into short-term working capital management facilities which were repayable in full within twelve months. These working capital facilities have been fully repaid during the period.

The loan agreement with the Commonwealth Government has a fixed interest rate of 3.96 per cent per annum and had a maximum draw down limit of \$19.5 billion. The full principal amount of the loan is due to be repaid by 30 June 2024. This loan was fully drawn down by August 2020. NBN Co plans to raise further external debt in order to finance the repayment of the Commonwealth loan and execute the additional network investments announced in its 2021 Corporate Plan.

During the period, NBN Co varied the terms of the loan with the Commonwealth Government to allow NBN Co to use proceeds from future debt raisings to make loan prepayments in advance of the maturity date. Once a repayment is made, the facility limit of the loan is reduced by the repaid amount, meaning it cannot be redrawn after being repaid. During the period, NBN Co made prepayments against the Commonwealth loan totalling \$6.3 billion. As at 30 June 2021, the loan from the Commonwealth Government of \$13.2 billion is fully drawn. The Group plans to make further prepayments against the Commonwealth loan as further debt raisings are completed.

The total drawn and undrawn amounts across all available committed borrowings are included below. Facilities are committed for the duration of the facility and the undrawn portion cannot be withdrawn by the lenders, who are major institutional banks. All borrowings are repayable in full at the end of the contracted period.

C. Our assets and liabilities continued

C9 Borrowings and other financial liabilities continued

NBN Co Group

	Interest	Facility Limit \$m	Drawn \$m	Undrawn \$m	Tenor	Maturity
At 30 June 2021						
Commonwealth loan	Fixed	13,200	13,200	-	7.5 years	June 2024
Bank Facilities	Floating	1,000	491	509	5 years	April 2025
Bank Facilities	Floating	2,350	1,000	1,350	5 years	December 2025
Bank Facilities	Floating	550	220	330	6 years	March 2026
Bank Facilities	Floating	4,500	3,710	790	6 years	April 2026
Bank Facilities	Floating	950	400	550	5.3 years	April 2026
Bank Facilities	Floating	50	-	50	7 years	December 2027
AMTN	Fixed	1,200	1,200	-	5 years	December 2025
AMTN	Fixed	350	350	-	7 years	June 2028
AMTN	Fixed	400	400	-	10 years	December 2030
US144A (US\$750m) ⁱ	Fixed	969	969	-	5 years	May 2026
US144A (US\$1,250m) ⁱ	Fixed	1,626	1,626	-	10 years	May 2031
Private placements	Fixed	200	200	-	6 years	June 2027
Overdraft Facility	Floating	100	-	100	Rolling	Rolling
Total		27,445	23,766	3,679		
At 30 June 2020						
Commonwealth loan	Fixed	19,500	19,458	42	7.5 years	June 2024
Bank Facilities ⁱⁱ	Floating	6,100	-	6,100	5 years	April 2025
Working Capital Facility	Floating	1,000	1,000	-	Rolling	Rolling
Overdraft Facility	Floating	200	-	200	Rolling	Rolling
Total		26,800	20,458	6,342		

i Amounts shown reflect the AUD value of the hedged principal amount at inception of the debt. The US144A debt was converted from fixed USD to floating AUD debt via a cross-currency interest rate swap at inception of the debt.

ii The terms of these bank facilities were modified during the period to 30 June 2021, increasing the overall facility limit by \$900 million and extending the tenor of certain facility agreements. In addition, new bank facilities of \$2.4 billion were established in the current year.

The Group's nominal weighted average cost of drawn debt as at 30 June 2021 is 2.79 per cent (2020: 3.96 per cent).

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 draw down 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. Loans that are in a designated fair value hedge relationship are adjusted for fair value movements attributable to the hedged risk. 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.

Borrowings are derecognised when contractual obligations are discharged, cancelled or expired.

Reconciliation of borrowings arising from financing activities

A reconciliation of NBN Co's borrowings arising from financing activities has been shown in the table below. During the period, the Group repaid \$460 million of its bank facilities from a total drawn amount of \$6.3 billion.

NBN Co Group				
	A\$ denomi- nated interest- bearing borrowings \$m	A\$ denomi- nated interest- bearing notes \$m	US\$ denomi- nated interest- bearing notes \$m	Total borrowings from financing activities \$m
At 1 July 2020	20,458	-	-	20,458
Cash flows	(1,437)	2,147	2,592	3,302
Accrued interest	7	2	9	18
Fair value hedge and other adjustments	3	(3)	36	36
Foreign exchange movements	-	-	74	74
Capitalised transaction costs	(52)	(6)	(19)	(77)
Amortisation	6	1	-	7
Total at 30 June 2021	18,985	2,141	2,692	23,818

Net finance costs

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

NBN Co Group			
	Note	30 June 2021 \$m	30 June 2020 \$m
For the year ended			
Finance charges on lease arrangements		(862)	(829)
Unwinding of the discount on other lease-related provisions		(1)	(2)
Interest on drawn external borrowing facilities		(42)	-
Interest on fixed rate bonds		(19)	-
Interest on related party borrowings	E3	(691)	(629)
Interest on working capital facilities		(2)	(15)
Fees on undrawn external borrowing facilities		(15)	(5)
Other finance charges		(2)	-
Other net interest income		13	20
Total		(1,621)	(1,460)

C. Our assets and liabilities continued

C10 Provisions

	NBN Co Group	
	30 June 2021	30 June 2020
	\$m	\$m
Current		
Employee benefits	190	192
Other provisions	19	21
Total	209	213

	NBN Co Group	
	30 June 2021	30 June 2020
	\$m	\$m
Non-current		
Employee benefits	46	45
Other provisions	14	12
Total	60	57

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

	NBN Co Group	
	30 June 2021 \$m	30 June 2020 \$m
For the year ended		
Defined contribution superannuation expense	(71)	(74)
Other employee expenses, net of capital recoveries	(758)	(803)
Total	(829)	(877)

Recognition and measurement

Short-term employee benefit obligations

Short-term employee benefits comprise salaries and wages, including non-monetary benefits, short-term incentives and annual and long service leave that is 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.

D. Our people continued

D1 Employee benefits expenses continued

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 2021 \$	30 June 2020 \$
Short-term employee benefits	8,881,003	10,988,635
Post-employment benefits	222,577	240,272
Long-term employee benefits	518,793	534,261
Termination benefits	608,933	691,600
Total	10,231,306	12,454,768

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 2021 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 and Medium-Term Note issuances with a number of financial institutions and repaid \$6.3 billion of the Commonwealth Government loan. Refer to Note C9 for further details.

E1 Contributed equity

As at 30 June 2021, a total of \$29.5 billion (2020: \$29.5 billion) had been provided to the Company.

	NBN Co Limited		NBN Co Limited	
	30 June 2021 Number of shares	30 June 2020 Number of shares	30 June 2021 \$m	30 June 2020 \$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 disclosed in Note C9 and contributed equity.

Dividends declared

No dividends were declared or paid during the year (2020: nil).

E. Our Funding and capital management continued

E2 Other Reserves

NBN Co Group			
	Cash flow hedging reserve \$m	Cost of hedging reserve \$m	Total reserves \$m
At 30 June 2020			
Change in fair value of hedging instrument recognised in OCI	9	-	9
Reclassified from OCI to profit or loss	1	-	1
Deferred tax	(1)	-	(1)
Total	9	-	9
At 30 June 2021			
Change in fair value of hedging instrument recognised in OCI	(71)	3	(68)
Reclassified from OCI to profit or loss	76	-	76
Deferred tax	(1)	(1)	(2)
Total	4	2	6

The cash flow hedging reserve represents the effective portion of gains or losses on remeasuring the fair value of hedge instruments, where this qualifies for hedge accounting.

The cost of hedging reserve represents changes in the fair value of the Group's derivative financial instruments attributable to movements in the foreign currency basis spread. The Group amortises the foreign currency basis spread to profit and loss over the life of the hedged period.

E3 Related party borrowings

NBN Co Group		
	30 June 2021 \$m	30 June 2020 \$m
Non-current		
Loans from related parties	13,200	19,458
Total	13,200	19,458

As at 30 June 2021, the loan from the Commonwealth Government of \$13.2 billion is fully drawn (refer to Note C9).

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.

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 a Multi-Technology Mix (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.

F. Our significant contractual arrangements and commitments continued

F1 Telstra Revised Definitive Agreements continued

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

Payments to Optus for the migration of customers to the **nbn**[™] access network are expensed as incurred.

F3 Commitments

Capital commitments

Total capital expenditure contracted for at the reporting date but not yet recognised in the Statement of financial position is as follows:

	NBN Co Group	
	30 June 2021 \$m	30 June 2020 \$m
Within one year	830	1,928
Later than one year but not later than five years	90	2
Later than five years	11	1
Total capital commitments	931	1,931

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.

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 tables. The main risks arising from the Group's financial activities 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. Borrowings that are in a designated fair value hedge relationship are adjusted for fair value movements attributable to the hedged risk.

	NBN Co Group	
	30 June 2021	30 June 2020
	\$m	\$m
Financial assets		
Cash and cash equivalents	1	344
Trade and other receivables	450	440
Derivative financial assets	136	5
Carrying amount of financial assets	587	789
Financial liabilities		
Trade and other payables	1,641	2,290
Lease liabilities	10,819	10,860
Other financial liabilities	-	1,000
Derivative financial liabilities	16	-
Borrowings	10,618	-
Related party borrowings	13,200	19,458
Carrying amount of financial liabilities	36,294	33,608

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 2021 was a net expense of \$1,620 million (2020: net expense of \$1,458 million).

Derivatives and hedging activities

The Group uses derivative financial instruments in the normal course of business in order to hedge exposures to fluctuations in interest rates and foreign exchange rates in accordance with the Group's financial risk management policies. The Group's policies allow derivative transactions to be undertaken for the purpose of reducing risk and do not permit speculative trading.

The Group's financial instruments at 30 June 2021 as are follows:

NBN Co Group				
	30 June 2021		30 June 2020	
	Current \$m	Non-current \$m	Current \$m	Non-current \$m
Assets				
Forward exchange contracts	5	-	5	-
Interest rate swaps	-	47	-	-
Cross-currency interest rate swaps	4	80	-	-
Total derivative assets	9	127	5	-
Liabilities				
Forward exchange contracts	1	-	-	-
Interest rate swaps	1	11	-	-
Cross-currency interest rate swaps	-	3	-	-
Total derivative liabilities	2	14	-	-

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 has derivatives which are designated as either:

- cash flow hedges, being hedges of a particular risk associated with cash flows of recognised assets and liabilities and highly probable forecast transactions; or
- fair value hedges, being hedges of the fair value of recognised assets or liabilities or a firm commitment.

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 either the fair value or cash flows of hedged items. When forward contracts are used to hedge forecast transactions, the Group generally designates the entire fair value of the forward contract as the hedging instrument. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months.

G. Our financial risk management continued

Derivatives and hedging activities continued

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included within net finance costs.

Cash flow hedge

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/(expenses) or net finance costs.

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.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss within net finance costs, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within net finance costs.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to profit and loss over the period to maturity using a recalculated effective interest rate.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Hedge ineffectiveness may occur due to:

- the credit value/debit value adjustment on the hedging instrument is not matched by a similar adjustment on the hedged item; and
- differences in critical terms between the hedging instrument and hedged item.

Offsetting financial assets and liabilities

Currently there is no right or basis to present any financial assets or financial liabilities on a net basis, other than interest receivable and payable on derivative financial instruments. As such, no financial assets or financial liabilities, other than those mentioned above, have been presented on a net basis in the Group's statement of financial position at the end of the financial year.

Power Purchase Agreement

The company entered into a solar power purchase agreement (PPA) in July 2020 for a period of ten years from the commencement of commercial production. The solar farm is situated in West Wyalong, NSW.

The PPA is not a physical electricity supply contract. It operates as a "contract for difference" (CfD) which is a derivative financial instrument, hence it is recorded on the balance sheet at fair value with movements recorded in the profit and loss. The CfD will be measured as a level 3 financial instrument as the key inputs, the electricity spot prices, cannot be forecasted (using observable market data) for the duration of the contract. As at 30 June 2021, the solar plant is not operational.

Hedge Accounting

The impact of derivatives and hedging activities on the Group's financial position and performance is as follows:

NBN Co Group				
	Fair value hedges USD CCIRS \$m	Cash flow hedges USD CCIRS \$m	Cash flow hedges AUD IRS \$m	Total \$m
Notional amount	USD 2,000	USD 2,000	AUD 5,600	
Hedge Ratio	1:1	1:1	1:1	
At 30 June 2021				
Carrying amount of hedging instruments				
Assets	36	122	47	205
Liabilities	-	(81)	(11)	(92)
Net excluding accrued interest	36	41	36	113
Fair value hedge adjustment				
Carrying amount of the hedged item recognised in the statement of financial position	(2,692)			(2,692)
Cumulative fair value adjustment on hedged item	(33)			(33)
Hedge effectiveness				
Change in value of hedging instrument used for calculating hedge effectiveness	36	41	36	113
Change in value of hedged item used for calculating hedge effectiveness	(33)	(42)	(37)	(112)
Hedge ineffectiveness recorded in profit and loss				
Ineffectiveness recognised in profit and loss	3	(1)	(1)	1
Movement in cash flow hedge reserve				
Change in value of the hedging instrument recognised in reserves		42	36	78
Amount reclassified from cash flow hedge reserve to profit and loss		(74)	-	(74)
Balance in hedge reserves for continuing hedges		(32)	36	4

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 2021, 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 2021		30 June 2020	
	USD \$m	EUR \$m	USD \$m	EUR \$m
Foreign exchange risk				
Trade payables	63	2	61	3
Borrowings	2,692	-	-	-
Current foreign exchange risk	2,755	2	61	3
Forward exchange contracts				
Buy foreign currency (cash flow hedges)	149	2	84	-
Forward exchange contract risk	149	2	84	-

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.

During the period, the Group has entered into cross-currency interest rate swaps (CCIRS) to mitigate the foreign currency exposure on foreign currency denominated borrowings.

The maturity profile of the Group's cross-currency interest rate swaps is as follows:

NBN Co Group		
Cross currency interest rate swaps	Average AUD/USD FX rate	Notional Maturity Profile
	Hedged Rate	\$m
Within 1 year	-	-
1 to 5 years	0.775	969
Greater than 5 years	0.769	1,626

All cross-currency interest rate swaps were entered into during the period and as such no comparative information has been disclosed.

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.

Sensitivity analysis

Sensitivity analysis to exchange rate movements based on the translation of financial instruments at the end of the period is as follows:

NBN Co Group		
	Impact on post-tax profit and equity 30 June 2021 \$m	Impact on post-tax profit and equity 30 June 2020 \$m
AUD/USD		
+ 10 cents	(15)	-
- 10 cents	20	-

A sensitivity range of plus 10 percent and minus 10 per cent has been selected as a reasonably possible shift in exchange rate movements based on the current and historical level of volatility.

G. Our financial risk management continued

Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate risk. The Group is exposed to interest rate risk due to changes in market interest rates associated with interest-bearing cash and cash equivalents and long-term borrowings. 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 manages its risk by entering into fixed and floating rate borrowings and by entering into interest rate swaps to manage the interest rate exposure in accordance with the Treasury Policy. As at 30 June 2021, the Group had entered into interest rate swaps to hedge \$5.6 billion of its floating rate debt portfolio.

NBN Co Group			
At 30 June 2021	Notional Amount \$m	Notional swapped from floating to fixed \$m	Net exposure to floating interest rate risk \$m
Floating rate debt portfolio	8,416	5,600	2,816
Total	8,416	5,600	2,816

The proportion of net debt exposed to floating rates is 12%.

The maturity profile of the Group's interest rates swaps is as follows:

NBN Co Group		
Interest rate swaps	Average Pay Fixed Hedged Rate	Notional Maturity Profile \$m
Within 1 year	-	-
1 to 5 years	0.509%	4,000
Greater than 5 years	1.343%	1,600

All interest rate swaps were entered into during the period and as such no comparative information has been disclosed.

Sensitivity analysis

Sensitivity analysis to interest rate movements on variable rate borrowings that are not hedged is as follows:

NBN Co Group		
	Impact on post-tax profit and equity 30 June 2021 \$m	Impact on post-tax profit and equity 30 June 2020 \$m
Interest rates +100 basis points*	(20)	-
Interest rates -100 basis points*	20	-

* Holding all other variables constant

A sensitivity range of plus 100 basis points and minus 100 basis points has been selected as a reasonably possible shift in interest rates based on the current level of interest rates and historical volatility.

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. The Group manages its credit risk via Board approved policies that require a formal approval of new counterparties, credit limit monitoring by counterparty and ongoing monitoring and reporting to manage credit risk exposure. 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 does not expect any significant losses from non-performance by any of these counterparties.

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.

G. Our financial risk management continued

Credit risk exposure continued

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 2021 \$m	30 June 2020 \$m
Trade receivables		
<i>Counterparties with an external credit rating</i>		
AAA	2	-
AA1	-	4
A1	-	65
A2	182	171
A3	70	-
B2	2	-
<i>Counterparties without an external credit rating¹</i>		
Group 1	8	7
Group 2	161	120
Group 3	3	29
Total	428	396
Cash at bank and short-term bank deposits		
AA-	1	344
Total	1	344
Derivative financial assets		
AA	90	-
AA-	5	5
A	37	-
BBB	4	-
Total	136	5

1. Group 1 – new customers (less than six months).

Group 2 – existing customers (more than six months) with no defaults in the past.

Group 3 – existing customers (more than six 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 2021 (2020: 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's financial liabilities are trade and other payables, finance lease liabilities, and borrowings.

The Group measures and manages liquidity risk through the liquidity ratio and 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 risk of refinancing is reduced by ensuring that the Group's borrowings mature across different periods.

The total drawn and undrawn amounts across all available borrowings are included in Note C9.

Contractual maturities of financial assets and liabilities

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 2021					
Non-derivatives					
Trade and other payables	1,635	6	-	1,641	1,641
Borrowings	126	8,458	2,715	11,299	10,618
Related party borrowings	523	14,245	-	14,768	13,200
Lease liabilities	1,333	4,101	19,818	25,252	10,819
Total	3,617	26,810	22,533	52,960	36,278
Derivatives					
Gross settled (foreign exchange forwards)					
- inflow	153	-	-	153	(5)
- outflow	(149)	-	-	(149)	1
Gross settled (Interest rate swaps)					
- inflow	4	207	93	304	(292)
- outflow	(42)	(161)	(64)	(267)	257
Gross settled (Cross-currency interest rate swaps)					
- inflow	58	1,233	1,886	3,177	(2,888)
- outflow	(33)	(1,200)	(1,928)	(3,161)	2,807
Total	(9)	79	(13)	57	(120)
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
Other financial liabilities	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 (foreign exchange forwards)					
- inflow	85	4	-	89	-
- outflow	(80)	(4)	-	(84)	(5)
Total	5	-	-	5	(5)

G. Our financial risk management continued

Fair value measurement of financial instruments

The Group uses the following fair value hierarchy for determining and disclosing the fair value of financial instruments.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). 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, other than PPA derivatives which are categorised as Level 3.

There has been no transfer between hierarchy levels during the year.

Key estimates and judgements:

Determination of the fair value of derivative assets and liabilities

There are several assumptions used in the determination of the fair value of the Group's derivative assets and liabilities, particularly in relation to the accounting for cross-currency interest rate swaps which use a trifurcation methodology between fair value and cash flow hedges. The fair value of derivatives used for hedging is determined using forward exchange rates at the reporting date and the present value of the estimated future cash flows based on observable yield curves, which if move significantly can cause material movements in the Statement of financial position.

Fair value of other financial instruments (excluding lease liabilities)

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. The Group has determined that the carrying value of the loan from the Commonwealth of Australia is materially consistent with its fair value at the reporting date. The fair value has been estimated using both observable and hypothetical unobservable inputs to determine a hypothetical cost of debt, which includes an estimate of an appropriate execution charge should this be replaced at the reporting date. Other assumptions are consistent with the terms of the loan.

The carrying amounts of the other financial instruments which are not measured at fair value 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	
	30 June 2021 \$m	30 June 2020 \$m
For the year ended		
(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	(3,838)	(5,238)
Tax at the Australian tax rate of 30% (2020: 30%)	1,151	1,571
Current year tax losses not recognised	(1,040)	(1,428)
Temporary differences not recognised	(110)	(144)
Income tax benefit/(expense)	1	(1)
(c) Tax Losses		
Unused tax losses for which no deferred tax asset has been recognised	27,585	24,145
Potential tax benefit at 30%	8,276	7,243
(d) Unrecognised temporary differences		
Deductible temporary differences relating to:		
Property, plant and equipment and Intangible assets	3,281	3,020
Provisions and accruals	319	259
This is offset by:		
Taxable temporary differences (deferred tax liabilities)		
Cash flow hedges	(1)	1
Net temporary differences for which deferred tax assets have not been recognised	3,599	3,280
Unrecognised deferred tax asset relating to the above net deductible and taxable temporary differences	1,080	984

The cumulative amount of unrecognised tax losses of \$27,585 million (2020: \$24,145 million) may be available to offset against future income tax assessments when the Group generates taxable income.

H. Other financial information continued

H1 Income tax expense continued

Effective tax rate

The non-recognition of deferred tax assets for deductible temporary differences and tax losses has led to NBN Co having an Australian accounting effective tax rate (ETR) of 0 per cent. If deferred tax assets had been fully recognised for deductible temporary differences and tax losses, NBN Co's Australian ETR would have been 30 per cent.

The above ETR has been calculated on the basis of income tax expense divided by accounting profit, in accordance with the requirements of the Board of Taxation's Tax Transparency Code.

Tax consolidation legislation

NBN Co de-consolidated its wholly-owned subsidiaries on 2 October 2020 (refer to Note H2). Prior to this date, NBN Co and its wholly-owned subsidiaries formed a tax consolidated group. The head entity, NBN Co Limited, and the subsidiaries in the tax consolidated group accounted for their own current and deferred tax amounts arising from temporary differences. In addition, NBN Co Limited accounted 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 had not entered into tax funding or tax sharing arrangements. As at 30 June 2020, no contributions to subsidiaries' equity accounts had been recognised for subsidiaries' tax losses assumed by the head entity because no amounts of unused tax losses had been recognised as deferred tax assets.

Recognition and measurement

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax expense or benefit is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

H2 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of entity	Country of incorporation	Class of shares	Equity holding as at 30 June 2021	Equity holding as at 30 June 2020
NBN Tasmania Limited	Australia	Ordinary	-	100%
NBN Co Spectrum Pty Ltd	Australia	Ordinary	-	100%

The proportion of ownership interest is equal to the proportion of voting power held.

Changes in controlled entities

NBN Co has liquidated and deregistered NBN Tasmania Limited and NBN Co Spectrum Pty Ltd to simplify the operations of the Company. These wholly-owned subsidiaries ceased to be controlled by the Group on 2 October 2020 when the liquidators were appointed. All assets and liabilities of the subsidiaries were transferred to NBN Co Limited at carrying value. NBN Co has applied to ASIC for both entities to be deregistered.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the parent entity as at 30 June 2021 and the results of all subsidiaries for the period they were subsidiaries during the year ended 30 June 2021.

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

Following the de-consolidation of NBN Co Limited's two subsidiaries, the financial results of NBN Co Limited are materially consistent with the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2021. All assets and liabilities of the subsidiaries were transferred to NBN Co Limited at carrying value and intercompany balances were forgiven.

Details of the comparative period's parent entity disclosures can be found in the 2020 Annual Report.

H4 Deed of cross guarantee

NBN Co Limited and NBN Tasmania Limited (NBN Tasmania) were parties to a deed of cross guarantee under which each company guaranteed the debts for the other. By entering into the deed, the wholly-owned entities were relieved from the requirement to prepare a Financial Report and Directors' Report under the ASIC Corporations (Wholly-owned Companies) Instrument 2016/785. NBN Tasmania was removed as a party to the deed of cross guarantee by a notice of disposal lodged with ASIC on 17 May 2021.

NBN Co Limited and NBN Tasmania Limited represented a 'closed group' for the purpose of the Class Order and as there were no other parties to the deed of cross guarantee, they also represented the 'extended closed group'.

The closed group ceased to exist on 17 May 2021 when NBN Tasmania was removed as a party to the deed of cross guarantee.

Details of the closed group's statement of profit or loss and other comprehensive income, statement of financial position and a summary of movements in accumulated losses for the comparative period can be found in the 2020 Annual Report.

H. Other financial information continued

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:

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 2021, NBN Co had no outstanding legal action that would materially impact the 30 June 2021 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 2021 \$	30 June 2020 \$
Loans from the Commonwealth of Australia			
Balance at 1 July		19,458,078,766	13,053,334,593
Loans advanced during the year		42,000,000	6,405,000,000
Loans paid during the period		(6,300,000,000)	-
Interest charged on government borrowings		690,632,896	628,970,163
Interest paid on government borrowings		(690,711,662)	(629,225,990)
Balance at 30 June	E3	13,200,000,000	19,458,078,766

H. Other financial information continued

H6 Related party transactions continued

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 prior period which required Mr Milne to recuse himself from a Board meeting.

During the period, Mr Malone was a Non-Executive Director of Speedcast International Limited.

NBN Co had contracts with Speedcast Australia Pty Ltd and Speedcast Managed Services Pty Ltd, both subsidiaries of Speedcast International Limited. During the year, the Group purchased certain assets of Speedcast Managed Services Pty Ltd and insourced the services performed by Speedcast Managed Services Pty Ltd on behalf of NBN Co. Mr Malone was not present when matters involving Speedcast were discussed by the Board in either the current or prior year.

The following aggregate payments for goods and services (excluding GST) occurred with the above related parties:

	NBN Co Group	
	30 June 2021 \$	30 June 2020 \$
For the year ended		
Payments for various goods and services (excluding GST) from entities with common key management personnel	18,781,441	107,272,740

During the prior 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 2020, 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	
	30 June 2021 \$	30 June 2020 \$
For the year ended		
Australian National Audit Office		
Audit of annual financial statements	2,626,200	2,331,473
Review of half-year financial statements	883,040	811,000
Audit of NBN Co reporting for Whole of Government financial statements	352,000	398,281
Total remuneration for audit and other assurance services	3,861,240	3,540,754
PwC Australia		
Other assurance related services		
– <i>Regulatory audit and reviews</i>	435,000	425,500
– <i>Non-statutory audit and review in connection with the US debt raising</i>	204,000	–
– <i>Comfort letters issued in connection with the US debt raising</i>	1,451,942	–
– <i>Other services</i>	50,000	168,500
Total remuneration for other assurance related services	2,140,942	594,000
Other services		
– <i>Tax compliance</i>	16,000	16,320
– <i>Risk advisory services</i>	185,808	–
Total remuneration for other services	201,808	16,320
Total auditor's remuneration	6,203,990	4,151,074

The comparative figures of auditor's remuneration have been updated to reflect the additional billings in respect of the work performed by the Australian National Audit Office and their sub-contractors for the year ended 30 June 2020.

H. Other financial information continued

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.

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.

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 accounting policies

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform

The Group has adopted AASB 2019-3: 'Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform' effective from 1 July 2020. The standard provides relief for hedging arrangements directly affected by the interest rate benchmark reform during the period until the existing interest rate benchmark is replaced with an alternative risk-free rate. NBN Co's borrowing and hedging derivatives are exposed to BBSY, BBSW and LIBOR, however, the adoption of the new standard has had no material impact on NBN Co's financial results for the year ended 30 June 2021.

New standards and interpretations available for early adoption

A number of standards, amendments and interpretations, including the revised Conceptual Framework, were applicable for the first time from 1 July 2020. These have not had a significant or immediate impact on the Group's financial statements.

I. Events occurring after the reporting period

No other matter or circumstance has arisen since 30 June 2021 to the date of signing of this report, other than those listed below, 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.

For the avoidance of doubt, all of the events listed below are considered to be non-adjusting events as they are a result of conditions that arose after the reporting date.

Borrowings after the reporting date

In July 2021, NBN Co drew down a further \$950 million from existing bank facilities. In addition, during July 2021, NBN Co conducted private placement issuances to the equivalent of AUD\$509 million at various fixed rates and tenors, repayable in full at the end of the contract period.

Repayment of related party borrowings

During July 2021, NBN Co made prepayments against the Commonwealth loan totalling \$1 billion.

Interest rate and foreign currency risk management

NBN Co manages its interest rate risk and foreign currency risk on its borrowings by entering into derivative financial instruments. Since 30 June 2021, NBN Co has entered into interest rate swaps and cross-currency interest rate swaps to hedge \$2.5 billion and AUD\$259 million respectively of its current and forecast debt portfolio.

Directors' declaration

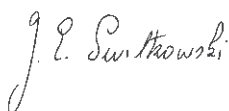
In the Directors' opinion:

- (1) The financial statements and notes set out on pages 114 to 170 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 2021 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.

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
5 August 2021



Mr Stephen Rue

Chief Executive Officer
5 August 2021

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 2021 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 2021 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 2021 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>Accuracy and occurrence of telecommunications revenue</p> <p><i>Refer to Note B1 Revenue and other income</i></p> <p>NBN Co Group reported telecommunications</p>	<p>To audit the accuracy and occurrence of telecommunication revenue, I performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> • evaluated the design and operating effectiveness of relevant manual, automated and IT general

revenue of \$4,448m for the year ended 30 June 2021.

I consider that the recognition of telecommunication revenue is a key audit matter given the following:

- the high volume of transactions; and
- multiple information technology (IT) systems and tools utilised in the initiation, processing and recording of transactions, including the application of product pricing, credits and rebates.
- controls over NBN Co Group's revenue recognition process, including sample testing of the controls over the interface between the key revenue systems and the pricing controls including pricing changes; and
- agreed a sample of telecommunication revenue transactions to supporting documents, such as evidence of ordering, billing and customer payment. As part of this sample test, I recalculated the pricing charged for each transaction tested and agreed it to the Wholesale Broadband Agreement that was in effect at the time of the transaction, including relevant credits and rebates.

Key audit matter

Valuation; presentation and disclosure of borrowings, related party borrowings and derivatives

Refer to Note C9 'Borrowings and other financial liabilities', Note E3 'Related party borrowings' and Note G 'Our financial risk management'

As at 30 June 2021, NBN Co Group had \$10,618 million of borrowings, \$13,200 million of related party borrowings and derivative financial instruments of \$136 million asset and \$16 million liabilities.

During the year, NBN Co Group raised further borrowings, consisting of unsecured private debt facilities and Australian and US medium term notes. The NBN Co Group also entered into derivative financial instruments, specifically interest rate swaps and cross-currency interest rate swaps to hedge exposures to fluctuations in interest rates and foreign exchange rates.

The accounting for borrowings, related party borrowings and derivative financial instruments is considered a key audit matter due to:

- the magnitude of borrowings, including related party borrowings, being the largest non-current liability in the Statement of financial position;
- the range of varying terms across the agreements related to the medium-term notes and private debt facility agreements entered into, including the impact to existing debts;
- the judgements involved in determining the fair value of the derivative financial instruments, including the application of appropriate models and assumptions,

How the audit addressed the matter

In relation to the valuation and presentation and disclosure of borrowings, related party borrowings and derivative financial instruments, I performed the following procedures, amongst others:

- obtained confirmations from third parties for NBN Co Group's borrowings and derivatives or performed suitable alternative procedures to obtain evidence of outstanding balances and key terms at balance date;
- developed an understanding of any changes to key terms of borrowings by examining the new and varied loan agreements to assess the appropriateness of the accounting treatment for these loans;
- developed an understanding of NBN Co Group's policies and methodology in applying hedge accounting and assessed the appropriateness of the methodology against the requirements of the Australian Accounting Standards;
- assessed the appropriateness of the methodology and assumptions adopted by NBN Co Group to assess whether there was any evidence of error or bias in NBN Co Group's calculation of fair value, as well as testing the accuracy of management's calculation of the fair value of derivatives
- evaluated the hedge accounting designations and hedge relationship documentation considering the requirements of the Australian Accounting Standards for a sample of derivatives;
- examined NBN Co Group's assessment of the effectiveness of hedging instruments in offsetting changes in cash flows of hedged items. Where there are ineffective portions of hedging instruments, I have assessed whether

Independent auditor's report continued

such as the forward interest rate curves and credit risks; and

- the significant value of the hedged items and their corresponding derivative financial instruments and the complexity in applying hedge accounting (including the disclosure requirements) under the Australian Accounting Standards.

that was appropriately recognised in the statement of profit and loss; and

- assessed the reasonableness of the presentation of borrowings and derivatives. Where borrowings were classified as non-current, I assessed whether NBN Co Group's classification was consistent with the requirements of the Australian Accounting Standards.
-

Key audit matter**Accuracy and completeness of depreciation and amortisation expense**

Refer to Note C3 'Property, plant and equipment' and Note C4 'Intangible assets'

NBN Co Group's property, plant and equipment and intangible assets combined were the largest balances on the Statement of financial position at year-end of \$35,073 million with depreciation and amortisation expense for the year ended 30 June 2021 of \$3,596 million.

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 judgement and the use of complex manual depreciation models by the NBN Co Group.

How the audit addressed the matter

In relation to the accuracy and completeness of depreciation and amortisation, I performed the following procedures, amongst others:

- considered internal operational information and industry benchmarking to assess the appropriateness of the useful lives of NBN Co Group's assets, including the accounting treatment of those changed during the financial year on a sample basis;
 - assessed the appropriateness of a sample of cost allocations in the manual depreciation calculations by comparison with the historical allocation of asset costs. These models are used to calculate depreciation for assets in use that are not yet transferred to the fixed asset register;
 - re-performed the mathematical calculations for a sample of manual depreciation models; and
 - tested the accuracy of a sample of in-service dates, which determine the commencement of depreciation, to external and internal source documentation showing when construction was completed.
-

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 2021, 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.

Independent auditor's report continued

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NBN Co Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NBN Co Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the NBN Co Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the NBN Co Group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the NBN Co Group audit. I remain solely responsible for my audit opinion.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, 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
5 August 2021

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 188 to 193 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 2021-24, which covers the reporting periods of FY21 to FY24 inclusively, in September 2020. NBN Co has also prepared a draft Corporate Plan for the reporting periods 2022-25.

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 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 customers.

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, Urban Infrastructure, Cities and the Arts, the Hon Paul Fletcher MP, and the Minister for Finance, Senator the Hon Simon Birmingham.

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 updates for stakeholders.

Parliamentary and other Committees

During FY21, NBN Co appeared before the Environment and Communications Legislation Committee for Budget Estimates, Budget Estimates "Spill-over" and Additional Budget Estimates 2020-1 hearings, as well as Budget Estimates 2021-2 hearing (four hearings).

In addition to these hearings, NBN Co provided a private briefing to this Committee.

NBN Co also made one appearance before the Joint Standing Committee on the National Broadband Network, and submitted Questions on Notice to the Senate Select Committee on Job Security, and the Environment and Communications References Committee.

NBN Co lodged 293 Indexed Questions on Notice for FY21 in addition to the questions answered during hearings.

During FY21, 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 FY21 (FY21: nil).

Superannuation Benefits

During FY21, 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 FY21, NBN Co's TRIFR for employees and contractors decreased from 2.7 to 2.2. However the Lost Time Injury Frequency Rate (LTIFR) increased from 0.8 to 0.9 for employees and contractors.

Indicator	FY21	FY20
TRIFR ¹ – employees and contractors	2.2	2.7
TRIFR ¹ – employees	2.4	2.0
TRIFR ¹ – contractors	2.0	2.9

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 FY21, NBN Co notified Comcare of 13 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. Additional quality metrics for Delivery Partner investigations were introduced in FY21.

Refer to pages 30 to 37 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 supported by the Company's Sustainability Program. In FY21 the HSE management system maintained certification to ISO 14001:2015 Environmental Management System.

During FY21, this was demonstrated by:

- evolving, operating and maintaining the **nbn**TM access network that aims to deliver access to high-speed broadband to all Australians. The **nbn**TM access network supports Australia's economic growth and evolution towards a digitised society and economy. Access to faster broadband will help to improve resource efficiency and reduce reliance on travel. The **nbn**TM 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)
- implementing a company-wide Sustainability Program and FY21 Action Plan, focusing on social, economic and environmental considerations across six material topics; social equity, economic contribution, resilient network, climate action, diversity and inclusion and transparent and accountable business. (Integration Principle)

- achieving financial close on a renewable power purchase agreement, in which NBN Co has committed to 51 per cent of the electricity generated by a solar farm to be built in New South Wales (Precautionary Principle)
- implementing energy efficiency projects under the Company's current carbon reduction target, to reduce 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)
- commencing a company-wide climate change risk assessment, to help identify the risks and associated financial costs of climate change impacts. (Precautionary and Valuation Principle)
- simplification of NBN Co's environment and heritage due diligence processes through the introduction of the Constraints and Access Report. This simplified process enables all contractors to fulfil NBN Co requirements more efficiently for identification and mitigation of harm to environment and heritage values. (Biodiversity Principle)

Our Environment Performance

In line with the growth of the **nbn**TM access network, energy usage increased in FY21.

The table below provides an estimate of NBN Co's scope 1 and 2 greenhouse gas emissions and energy consumption for FY21 in comparison with prior years' externally assured data (as reported to the Clean Energy Regulator).

Indicator	FY21 Estimate - rounded to thousands (k) and millions (m)	FY20	FY19	FY18
Scope 1 emissions (tCO ₂ -e)	5k	5k	5k	4k
Scope 2 emissions (tCO ₂ -e)	323k	294k	259k	201k
Total scope 1 and 2 emissions (tCO ₂ -e)	328k	299k	264k	205k
Energy consumed (GJ)	1.5m	1.4m	1.2m	926k

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 FY21 energy and greenhouse gas emissions data to the Clean Energy Regulator in October 2021.

During FY21 NBN Co did not receive any cautions, fines or prosecutions under any environmental or cultural heritage regulations.

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 FY21, NBN Co received 97 new FOI requests, carried forward 15 from FY20, finalised 103 requests under the FOI Act and carried over 9 FOI requests into the next financial year.

Those applications were processed as follows:

Granted in full	7
Granted in part	1
Access refused	7
No documents held	7
Request transferred	0
Application withdrawn	81

The Office of the Australian Information Commissioner (OAIC) did not initiate any reviews concerning any of NBN Co's FOI determinations or FOI processes in FY21.

Five OAIC reviews are still pending, while no other Information Commissioner Reviews were closed in FY21. 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 FY21, 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 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 by classification and gender as at 30 June 2021	Ongoing	Non-Ongoing	Total
Male	3,353	37	3,390
Female	1,528	33	1,561
Indeterminate, Intersex or Unspecified	-	-	-
Total	4,881	70	4,951

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 full-time, part-time status as at 30 June 2021	Ongoing	Non-Ongoing	Total
Full-time	4,795	67	4,862
Part-time	86	3	89
Total	4,881	70	4,951

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

Employment type by location as at 30 June 2021	Ongoing	Non-Ongoing	Total
ACT	30	-	30
NSW	1,748	40	1,788
NT	5	-	5
QLD	381	3	384
SA	103	1	104
TAS	38	-	38
VIC	2,464	25	2,489
WA	112	1	113
Total	4,881	70	4,951

Regulatory reporting requirements index

For the year ended 30 June 2021

Section	Subject	Location	Pages
<i>Public Governance, Performance and Accountability Act 2013 (PGPA Act)</i>			
s. 97	Financial Report	Financial Report	112-171
	Directors' Report	Directors' Report	12-67
	Auditor's report	Independent auditor's report	172-177
<i>Corporations Act 2001</i>			
s. 295	Financial statements	Financial Report	114-117
	Notes to financial statements	Financial Report	118-170
	Directors' declaration	Directors' declaration	171
s. 298 - s. 300	Directors' Report	Directors' Report	12-67
s. 301 and s. 308	Audit of annual report and auditor's report	Independent auditor's report	172-177
<i>Public Governance, Performance and Accountability Rule 2014</i>			
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	180
28E(aa)	The results of a measurement and assessment of the company's performance during the period, including the results of a measurement and assessment of the company's performance against any performance measures and any targets included in the company's corporate plan for the period.	Regulatory Report	12-53
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	181
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	181
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	180
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

Section	Subject	Location	Pages
28E (f)	Information on each director of the company during the period.	Directors' Report	56-60
28E (g)	An outline of the organisational structure of the company (including any subsidiaries of the company).	Financial Report	162
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	186-187
28E (h)	An outline of the location (whether or not in Australia) of major activities or facilities of the company.	Directors' Report	12-67
28E (i)	Information in relation to the main corporate governance practices used by the company during the reporting period.	Corporate Governance Statement	88-110
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	66
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	184-185
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 Regulatory Report	i: 172-177 ii-v: 185

Section	Subject	Location	Pages
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	68–87
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	99
	(b) the name of each member of the audit committee	Corporate Governance Statement	99
	(c) the qualifications, knowledge, skills or experience of each member of the audit committee;	Directors' Report	56–60
	(d) information about each member's attendance at meetings of the audit committee;	Directors' Report	61
	(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	189–193
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	46–51
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	52–55
28F (1)(b)	Information on dividends paid or recommended.	Directors' Report	66
28F (1)(c)	Details of any community service obligations the government business enterprise has including:	Not applicable	Not applicable
	(a) an outline of actions taken to fulfil those obligations; and		
	(b) an assessment of the cost of fulfilling those obligations.		

Section	Subject	Location	Pages
28F (2)	<p>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.</p> <p>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.</p> <p>The annual report must state whether such information has been excluded.</p>	Not applicable	Not applicable
<i>Work Health and Safety Act 2011</i>			
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	36-37 181-184
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	36-37 181-184
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	36-37 181-184
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 Directors' Report and Regulatory Report	36-37 181-184
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	36-37 181-184
<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	182
<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	181

Section	Subject	Location	Pages
<i>The Freedom of Information Act, 1982</i>			
s. 93	Provide information to the Information Commissioner (IC).	Regulatory Report	184
<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 FY21 greenhouse gas emissions, energy consumption and energy production data. Actual FY21 data will be subject to external assurance and will be submitted to the Clean Energy Regulator in October 2021.	183

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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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