



# Annual Report 2017





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The financial report was authorised for issue by the Directors on 10 August 2017. The Directors have the power to amend and reissue the financial report.

## Legal Notice

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Australia

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## Date

This annual report is for the year ended 30 June 2017.

## Glossary

Defined terms within this annual report should be read in conjunction with the Glossary on pages 161 to 165.

# About nbn

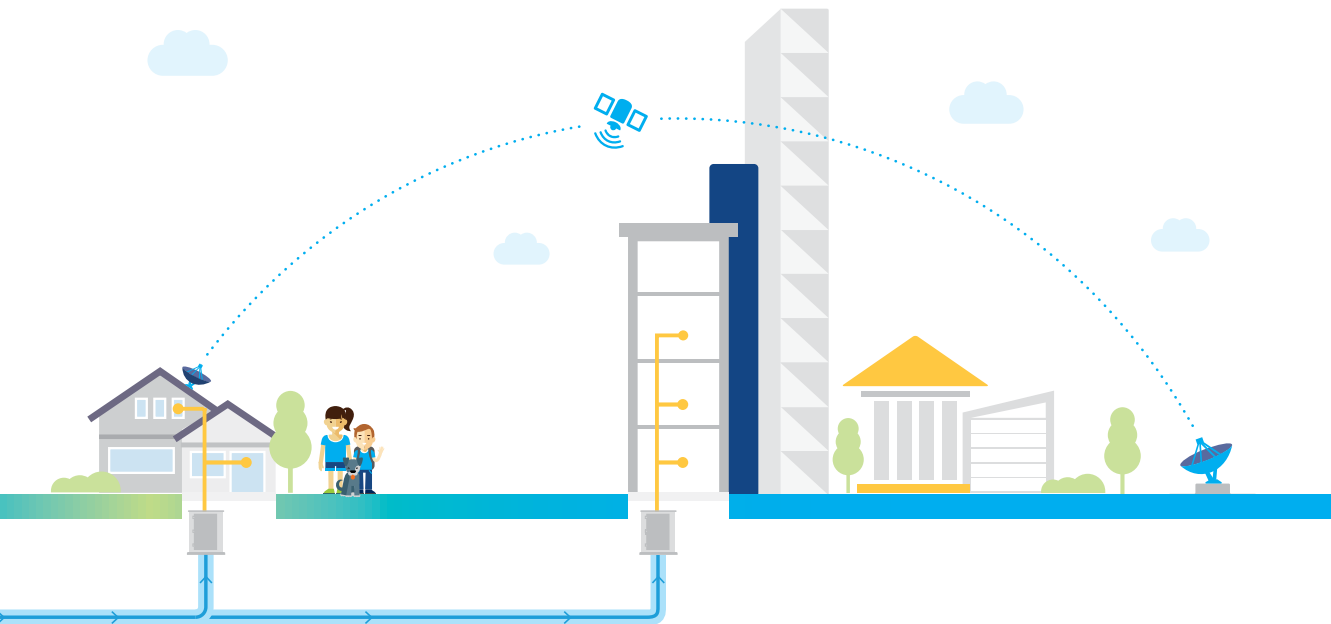
nbn co limited (**nbn** or the Company) was established in 2009 to design, build and operate Australia's new high-speed, wholesale local access broadband network. Underpinned by a purpose to connect Australia and bridge the digital divide, **nbn's** key objective is to ensure all Australians have access to fast broadband as soon as possible, at affordable prices, and at least cost.

To achieve this objective, **nbn** has been structured as a wholesale-only, open-access broadband network. **nbn** provides services on equivalent terms to all Retail Service Providers (RSPs) to provision for end-user needs. This is intended to level the playing field in Australian telecommunications, creating real and vibrant competition within the industry and providing choice for consumers.



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

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



# nbn's purpose

## Connect Australia and bridge the digital divide

**nbn's** purpose is to connect Australia and bridge the digital divide. **nbn** will provide local network access to fast broadband to every home and business in Australia. The **nbn**<sup>TM</sup> local access network connects with Retail Service Providers' (RSPs) domestic transmission networks and international networks to deliver fast broadband.

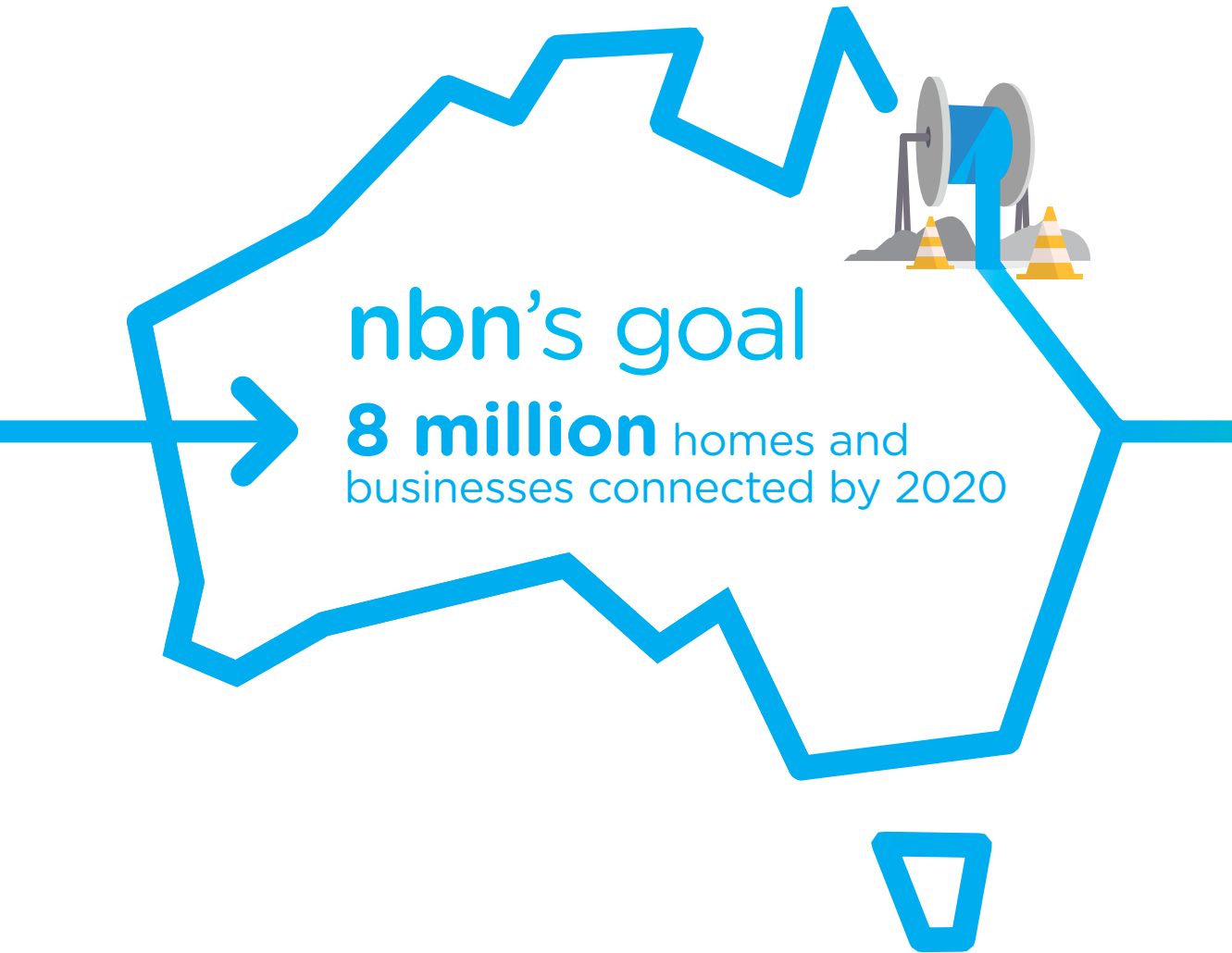
**nbn** has committed to deliver access to peak wholesale download data rates of at least 25 megabits per second (Mbps) to all premises, and at least 50Mbps peak wholesale download data rates to 90 per cent of the fixed line network\*. This ambition of universal connectivity is unique to Australia given its expansive geography and population.

**nbn**, together with RSPs, is bringing fast broadband to all Australians and will allow the nation to unleash its full digital potential. It will fundamentally enable Australia to become a more connected, more competitive and more innovative nation.

**nbn**, in conjunction with RSPs, is helping bridge the divide between city and country; young and old; Australia and the rest of the world. The rollout of the **nbn**<sup>TM</sup> network is the largest and most complex infrastructure development in Australia's history, covering even the most remote and inaccessible areas of Australia.

In line with this purpose, Australia is well on its way to becoming a truly connected continent. At the end of FY2017, more than 90 per cent of households and businesses are in design, construction or are already able to order a service over the **nbn**<sup>TM</sup> network. The rollout of the network has been concentrated where increased broadband capacity is most needed – as at the end of FY2017 66 per cent of the non-metro build is complete, compared to 33 per cent of the build in metro areas.

\*The **nbn**<sup>TM</sup> network is being designed to provide these peak speeds to **nbn's** Retail Service Providers at **nbn's** network boundary.



nbn's goal  
**8 million** homes and  
businesses connected by 2020

# nbn's 2017 results summary

Ready  
for service

5.7 million

+97%  
growth

2.9m

Activations

2.4 million

+122%  
growth

1.1m



2016 result



Revenue

**\$1.0 billion**

**+138%**  
growth

○ **\$0.4b**

ARPU

**\$43**

○ **\$43**

3.8

2.8

HSE nbn overall TRIFR\*

**2.8**

Capital expenditure

**\$5.8 billion**

○ **\$4.7b**

**70%**

Employee engagement score

○ **68%**

\* 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 by medical professionals (Medical Treatment Injuries or MTIs). It does not include any first aid injury/illness.

# Chairman and Chief Executive Officer's message

This year, **nbn** has near doubled its footprint and more than doubled both activations and revenue.

## Halfway construction milestone achieved

The **nbn** team has continued to meet the Board's key targets in the pursuit to provide all Australians with access to fast broadband as soon as possible, at affordable prices and at least cost. This remains our focus while being ever mindful of our larger social obligations to deliver access to affordable quality high speed broadband to all Australians, regardless of how difficult or remote their home is to connect.

With more than one in two homes now able to order a service over the **nbn**<sup>TM</sup> network, **nbn** and its Delivery Partners are very much on track, with an expectation that almost three in four premises will be able to connect by 30 June 2018.

## The broadband market

The industry has undergone monumental change and continues to evolve, adapting as the technology landscape flourishes. **nbn**'s role as an open-access wholesaler continues to help guide the industry by encouraging collaboration and communication across the value chain. It is pleasing to see new retail entrants and greater consumer choice in a competitive and robust market.

Consumers are learning more about their internet options than ever before – speed tier decisions, data packages, choice of retailers, as well as what factors can impact their internet experience. What was once a set and forget choice is now a significant household decision with the quality of the internet connection delivered in-home holding real importance.

As more data-heavy applications are used by Australians, **nbn** expects usage to continue to grow, driving demand for higher speed tier internet plans. With a greater focus on speed, increased performance visibility will be expected as it is in other global markets.

**nbn** continues to work with the industry and regulators to provide clear, timely, factual information on the network and premises' line speeds.

## Momentum to complete the rollout

By the end of 2017, every existing eligible home and business in Australia will be either in design, construction or already able to order a service over the **nbn**<sup>TM</sup> network.

What once seemed a very ambitious idea – to connect all of Australia and bridge the digital divide – is fast becoming a reality for our nation.

While it may feel like the downhill stretch, the second half of the network build will include some of the more complex construction challenges yet. We will also introduce new Fibre-to-the-Curb technology, as we work with our retailers to seamlessly deliver this important stage. The pace of the rollout has reached incredible heights already, with peak achievements of 140,000 premises being made ready for service in a single week.

## Network experience and expectations

**nbn** in conjunction with its RSP partners, is charging ahead to have eight million premises connected to the **nbn**<sup>TM</sup> network by 2020, transforming Australia's digital economy in ways currently only imaginable.

With more than two and a half million premises actively using the **nbn**<sup>TM</sup> network today – increasing every day – the industry's laser focus on user experience and network performance is critical.

It is important the industry works together to identify issues that affect end users' broadband experiences and quickly rectify them. Expectations of broadband connections are rising and like any essential service, underperformance will not be tolerated.

As usage grows, so too do expectations on network upgrade paths. **nbn** has already announced wholesale speeds of 100 Mbps for the Fixed Wireless network with the potential to deliver even faster speeds in 2018. In October, we will increase the wholesale data cap on the Sky Muster<sup>TM</sup> satellites to improve services for remote users and we also plan to expand the range of business packages retailers can offer.

There remains risk in the rollout, given the all-encompassing change process for every home and business in Australia as we rollout world-class technology. Such change is overlaid with the transformation of **nbn** as a company, shifting from a construction focus to a competitive network operating business within a regulated market. More than 6,000 direct **nbn** employees, together with more than 24,000 people working for our partners, are literally building a critical path for the digital economy.

## More than **doubled the activations** in one year

**nbn** continues to work with industry and regulators to deliver on its promise of universal connectivity at affordable prices to all Australians, regardless of where they live. It is this universal access that enables all Australians the opportunity to participate in the next digital revolution.

The Board and management of **nbn** commend this annual report and results to our Shareholder Departments and to the ultimate owners of Australia's broadband network, the people of Australia.



*J. E. Switkowski*

**Dr Ziggy Switkowski AO**  
Chairman



*B. Morrow*

**Bill Morrow**  
Chief Executive Officer

10 August 2017



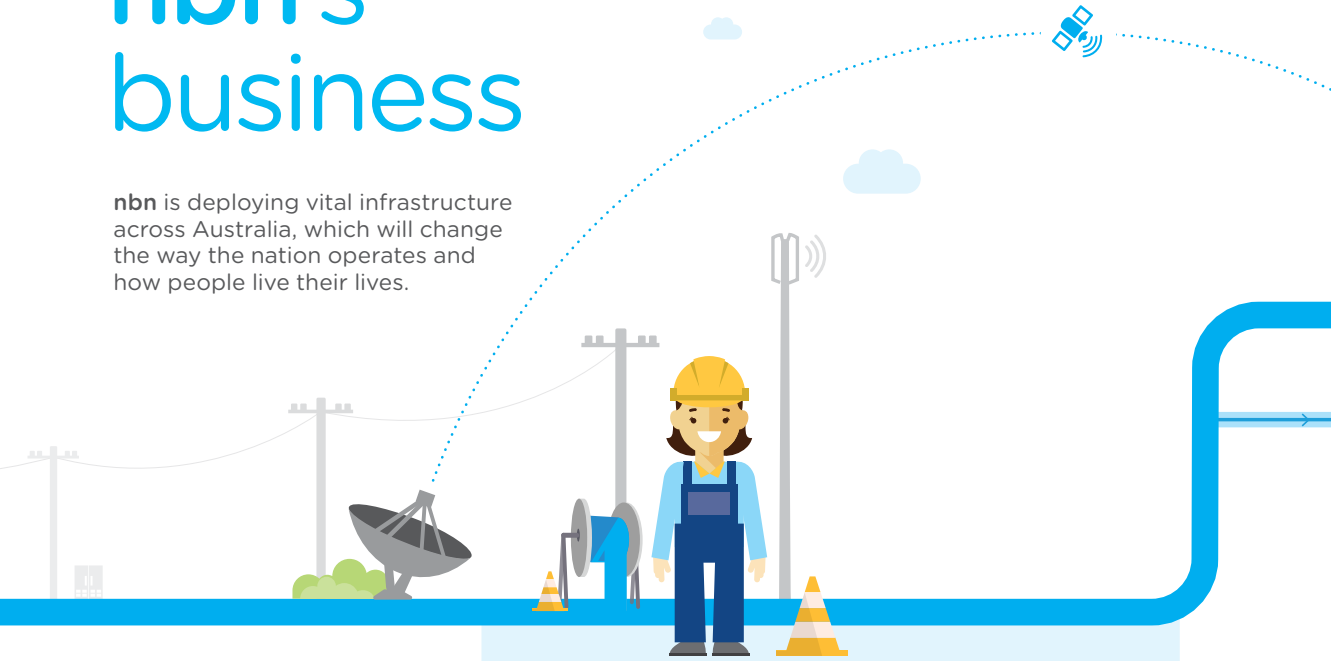
# Directors' report

The Directors of the Company present their report on **nbn** and its subsidiaries (the Group or the **nbn** Group), together with the financial report of the Group for the year ended 30 June 2017 and the auditor's report thereon.

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

# nbn's business

nbn is deploying vital infrastructure across Australia, which will change the way the nation operates and how people live their lives.



## Our Purpose

Connect Australia and bridge the digital divide

## Our Goal

Our goal is to activate 8 million homes and businesses by 2020

## Our Strategic Imperatives



A high-performing and reliable network



Effective and efficient processes and systems



United partnership with vendors, Delivery Partners (DPs) and RSPs

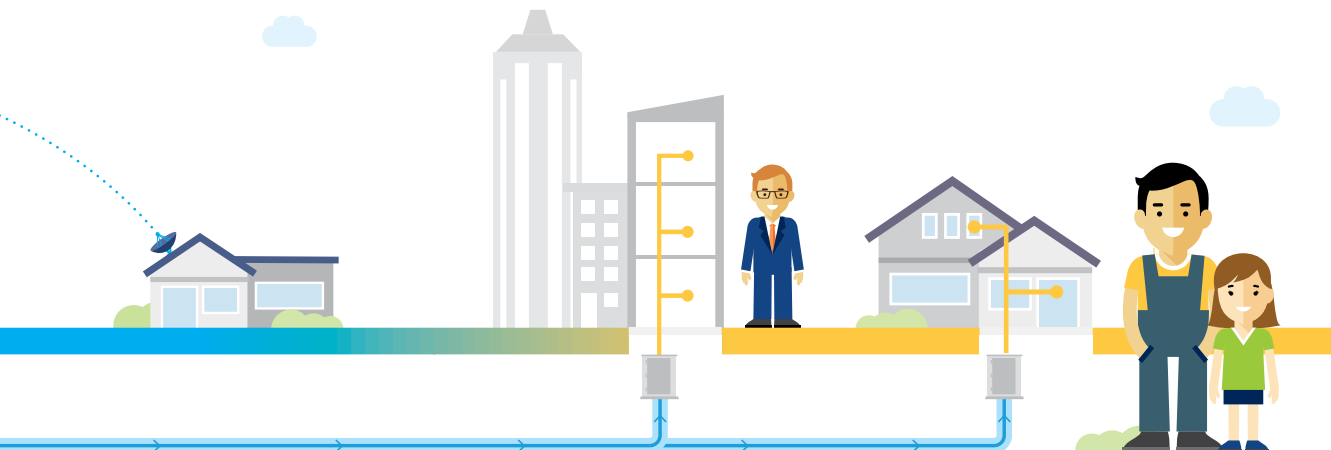


Affordable products and services



A great place to work

Find out more on page 18



### Our 2020 Targets



**11.6**  
**million**

Footprint



**8**  
**million**

Activated Homes  
& Businesses



**\$5**  
**billion**

Revenue

### Our Values

- We are One Team
- We are Fearless
- We Deliver

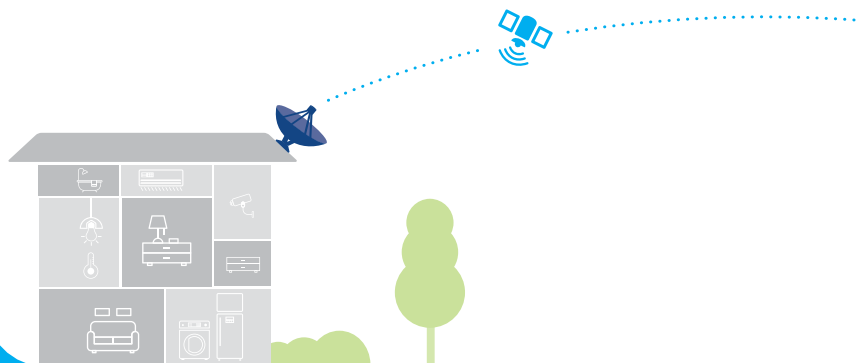
# Delivered by world-class network technology

**nbn** has established an agile and flexible network that can react and evolve alongside technological innovation and a dynamic broadband market.

The **nbn**<sup>TM</sup> network is designed to deliver access to fast broadband to all Australians as fast as possible and at least possible cost, using existing infrastructure where appropriate. **nbn** achieves this through its Multi Technology Mix (MTM) model. The **nbn**<sup>TM</sup> network is being built with the flexibility to implement potential upgrade paths as demand emerges.

## Transit network

The **Transit** network is the backbone of the **nbn**<sup>TM</sup> network. It provides the transport and network capability required to deliver all the following access networks.





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

Deploys fibre optic cable directly to premises. Now used for most new developments and end users who can select FTTP through the Technology Choice Program.

### Fibre-to-the-Node/Basement/Curb (FTTN)

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

### Hybrid Fibre Coaxial (HFC)

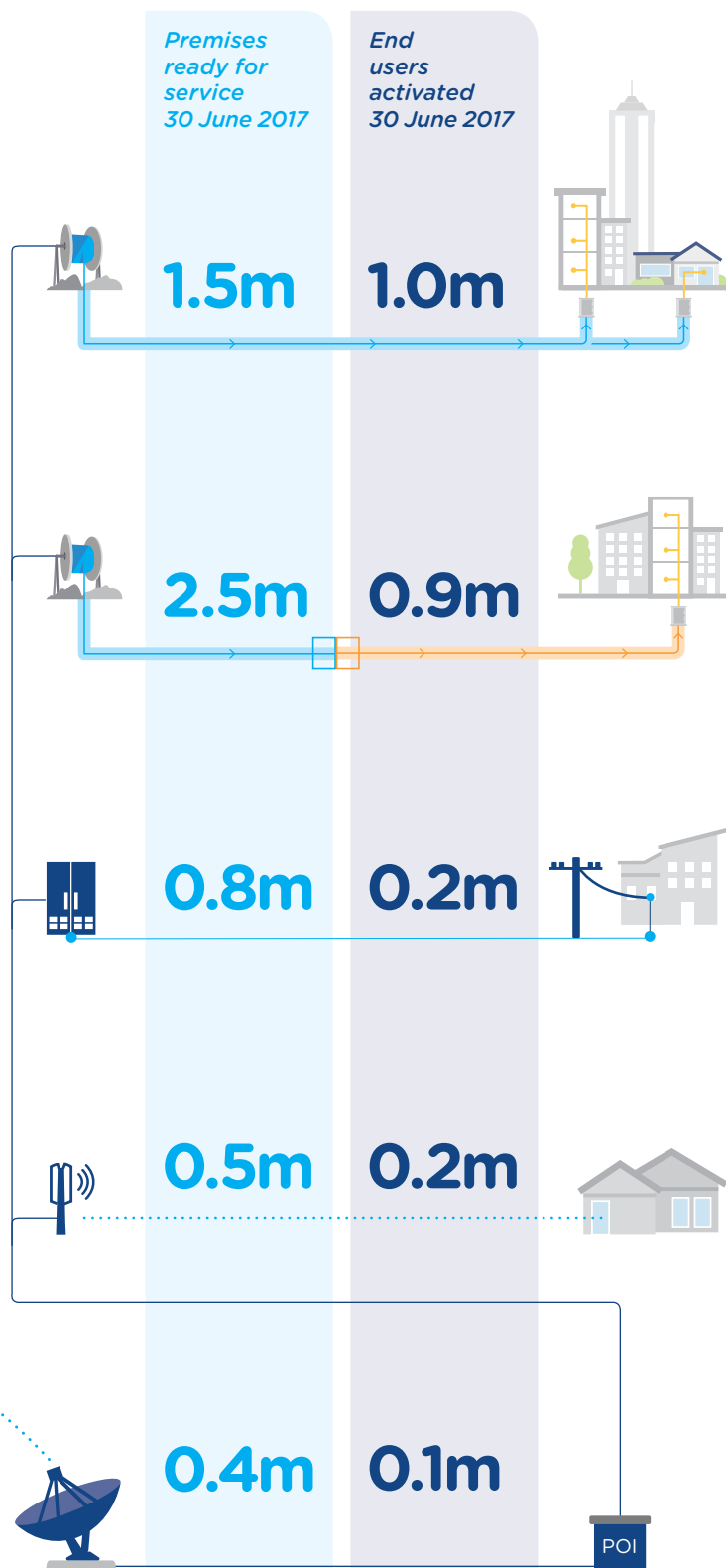
Leverages existing networks of fibre and coaxial cable to deliver broadband services into the home.

### Fixed Wireless

Largely targeted at regional communities and provides the means for fast broadband to extend to Australians outside the reach of the fixed line network.

### Sky Muster™ satellite

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



# nbn, more than just a broadband connection

Universal connectivity enables Australia to become more connected, competitive and innovative and bridge the digital divide.



As the **nbn**<sup>TM</sup> network rollout gathers pace, increased connectivity helps drive a growing digital economy in Australia.



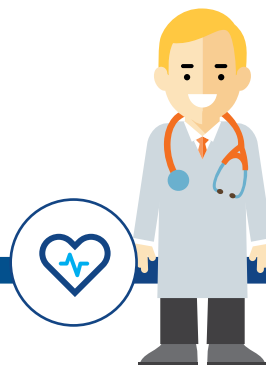
## Social inclusion

- More than 1 million premises previously underserved or without internet now have access to fast broadband



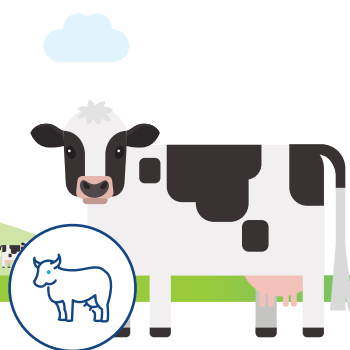
## Education

- More than 8,000 schools and preschools can now connect
- 620 homes learning through School of the Air



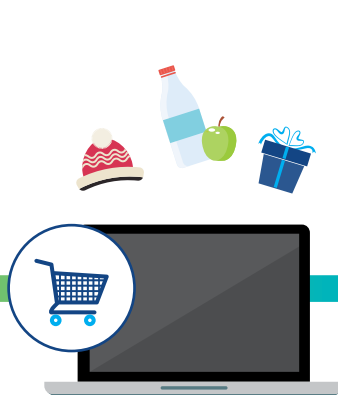
## e-health

- In-home medical monitoring through remote consultations and connected devices
- Reduced cost and travel burden associated with medical conditions



## Agriculture

- Remote soil monitoring, livestock tracking and video-monitoring



## eCommerce

- 94 per cent of households participate in eCommerce, including online shopping<sup>1</sup>



## Flexible working

- 400,000 Australians work from home today, doubling by 2025<sup>2</sup>
- Nearly 70 per cent of regional premises use retail services on the nbn™ network to work from home<sup>3</sup>

<sup>1</sup> ACMA Telecommunications Report 2016.

<sup>2</sup> nbn and Western Sydney University, 2017, 'gen nbn™: 2020 and beyond. The future of a connected Australia.'

<sup>3</sup> Evolve Research, 2017, nbn™ Broadband Index.

## Our strategic imperatives

To fulfil our goal of connecting 8 million homes and businesses by 2020, **nbn** has five strategic imperatives.

### 1. A high-performing and reliable network



**A high-performing and reliable network with our Retail Service Providers (RSPs) that delivers modern internet access and experience**

The benefits of the **nbn**<sup>TM</sup> network can only materialise if it is fast and reliable.

Therefore, **nbn** is building new infrastructure and modernising existing infrastructure to improve the network's performance and reliability. The technologies being used in the **nbn**<sup>TM</sup> network have the potential to be upgraded to deliver even faster speeds and greater capacity when consumer demand calls for it.

### 2. Effective and efficient processes and systems



**Effective and efficient processes and systems to ensure success of business strategy**

Effectiveness and efficiency are essential to deliver and operate a fast broadband network at affordable prices and at least cost. To that effect, **nbn** continues to invest in operational capabilities and in revamping internal processes.

Significant investments in internal processes include an ongoing transformation program, which drives the progress of the most critical initiatives required to scale the business, while improving key business capabilities and processes.

### 3. United partnership with vendors, Delivery Partners and RSPs



United partnerships where our vendors, Delivery Partners (DPs) and RSPs work alongside us and share in our success

#### Delivery Partners

Building, upgrading and maintaining a fast broadband network requires partnerships with strong and resilient DPs that have capacity and can safely deliver the quantum and quality of work required when it is needed.

Underpinning this imperative was the establishment of new design, construction, operations and maintenance master contracts with DPs. The contracts are simplified and provide mechanisms to reward high performance with volume increases and new work areas.

#### Retail Service Providers

The **nbn**<sup>TM</sup> network is only accessible to end users via their retailer of choice, who have a critical role in driving and meeting demand.

**nbn** maintains an Integrated Product Roadmap that sets out the expected release of product capabilities over the next three years. This is available on the **nbn** website.

### 4. Affordable products and services



**Affordable products and services for RSPs to connect Australians regardless of socio-economic status or location**

Affordability is important to drive end-user take-up and therefore extends the benefits of fast broadband to the maximum number of Australians. At the core of affordability, the MTM model leverages existing networks where possible to reduce costs.

**nbn**<sup>TM</sup> products are constructed and priced to encourage Australians to migrate from legacy services and promote inclusiveness for all Australians, regardless of their location and access technology.

Through its non-discriminatory pricing to RSPs, **nbn** also enables retail competition, creating choice and affordability for end users.

### 5. A great place to work



**nbn is a great place to work, where people flourish and results exceed expectations**

The key to attracting and retaining talent is to make **nbn** a great place to work.

**nbn** is building a high-performance culture where individuals are empowered to make a significant contribution, take personal accountability for the delivery of business objectives and thrive on the experience of working at **nbn**.

# Key nbn functions

The following key organisational groups and functions are instrumental to the success of the **nbn**<sup>TM</sup> network rollout.

## People and Culture

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

**nbn**'s aim is to be a 'Best Employer' by 2020, and has made continuous improvement year-on-year across all best employer indices of employee engagement including effective leadership, aligned employer brand and a high performance culture.

## Health, Safety and Environment

The Health, Safety and Environment (HSE) group supports the broader **nbn** business and its partners to make tomorrow safer, healthier and more sustainable than today.

The HSE group, within the people and culture division, is primarily accountable for providing the HSE strategy, systems, processes and support to help **nbn** achieve its HSE objectives and proactively manage HSE risk across the whole of **nbn** and its supply chain.

## Network Planning and Deployment

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

## Network Engineering and Operations

The Network Engineering and Operations (NEO) unit manages key processes within **nbn** that include: activation of services; network assurance; maintenance and restoration activities; as well as on-going engineering capacity and optimisation of the **nbn**<sup>TM</sup> network.

NEO is committed to providing the highest level of service to its RSP customers, enabling them to provide a quality end-user experience, within the framework of **nbn**'s service levels under the Wholesale Broadband Agreement. This includes activation response time, service availability and network response time.

## Sales and Marketing

The primary role of the Residential Sales and Marketing and the Business Sales and Marketing teams is to enable access to the **nbn**<sup>TM</sup> network through the delivery of wholesale products and services to RSPs, who in turn make them available to residents and businesses.

These teams also champion the customer and end-user experience on the **nbn**<sup>TM</sup> network and are responsible for the brand and the development of marketing and promotional campaigns to engage with the industry and end users to increase awareness of the **nbn**<sup>TM</sup> network. The teams also manage the relationships with RSPs and engage with the industry to incorporate feedback on technical, operational and commercial aspects of the product development and delivery program, and the overall migration to the **nbn**<sup>TM</sup> network.

## Systems Engineering and Operations

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

## Legal and Security

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

The role of the Security group is to protect **nbn**'s people and assets from personnel, physical and cyber security threats. **nbn** is building a network that will give Australians access to reliable and fast broadband. Part of being reliable is being trusted and secure.

The convergence of physical and cyber security within the Security group enables **nbn** to better protect its people and assets against evolving security threats.

## Strategy, Transformation, Regulatory and Technology

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

## Finance, Procurement and Supply

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

# Operating and financial review

The financial highlights reflect the progress and momentum of **nbn** for the year ended 30 June 2017. For the second consecutive year **nbn** has doubled its key performance indicators of end users activated and revenue growth, and has almost doubled premises ready for service.



# Our performance

## Strong progress towards 2020 targets

**nbn**'s Corporate Plan sets out how **nbn** will complete the initial build of the **nbn**<sup>TM</sup> network and activate eight million homes and businesses by 2020. It is prepared using a cross-functional integrated planning process and incorporates operational experience, market analysis as well as financial planning.

**nbn** has consistently demonstrated its ability to deliver and scale. In FY2017, significant operational, financial and deployment milestones were reached.

During FY2017, **nbn** almost doubled the ready for service footprint from 2.9 million to 5.7 million premises. In the same period, the number of premises connected to retail services over the **nbn**<sup>TM</sup> network more than doubled to 2.4 million premises. This has allowed **nbn** to increase its annual revenue from \$421 million in FY2016 to more than \$1.0 billion in FY2017.

**nbn**'s performance is underpinned by several further key milestones achieved in the year:

- Scaling of HFC deployment, following commercial launch in June 2016, with 758,000 premises ready for service, from 18,000 at 30 June 2016;
- Successful launch of the second dedicated **nbn** satellite, Sky Muster<sup>TM</sup> II, in October 2016;
- Continued strengthening of relationships with Retail Service Providers and Delivery Partners through:
  - Updated Multi-technology Integrated Master Agreement (MIMA) with multiple partners for the construction of the HFC network;
  - Design and Construction Master agreements (DCMA) signed with multiple partners to support FTTC deployment and delivery of New Development works going forward;
  - Extension of Operations and Maintenance Master Agreements (OMMA) under renegotiated terms with three regional partners to activate premises and assure the network, ensuring a fast and reliable broadband network.
- Continuous improvement in Best Employer indices including engagement to 70 per cent in FY2017. This result sees **nbn** maintaining its place in the top quartile of Australian and New Zealand companies.

Commentary on **nbn**'s progress towards its 2020 goal and its performance against key Corporate Plan 2017 targets is provided on the following pages.

Operating and financial review (continued)

# Our performance: Strong progress towards 2020 targets

## 8 million homes and businesses connected by 2020

nbn has continued to make significant progress against its goal to have eight million homes and businesses connected by 2020.

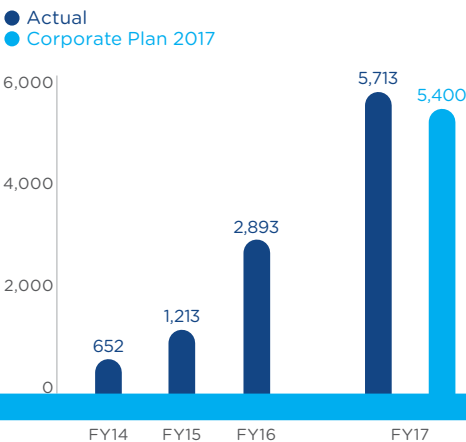
Premises ready for service exceeded Corporate Plan\* target – **almost doubling year on year.**

This year nbn reached new heights in the pace of the network rollout during FY2017 and recently achieved a major construction milestone, with the construction of the nbn™ network now more than halfway to completion.

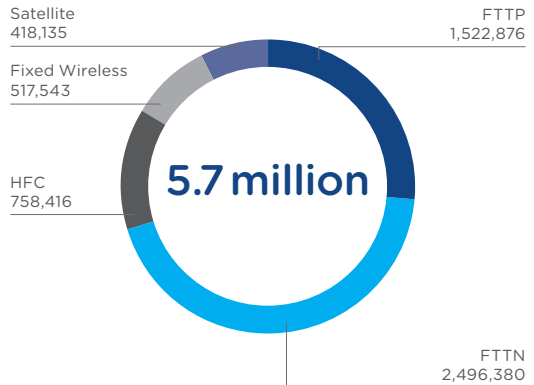
nbn almost doubled the ready for service footprint from 2.9 million in FY2016 to 5.7 million premises in FY2017. This 97 per cent increase on the previous year, exceeded the Corporate Plan 2017 target by 313,000 premises. This landmark achievement means one in every two Australian premises can now order a retail service over the nbn™ network.

nbn has achieved this by optimising the rollout, improving processes and empowering a motivated and skilled group of people.

Cumulative premises ready for service ('000)



Cumulative premises ready for service FY17



\* Corporate Plan 2017.

Activations exceeded Corporate Plan\* target – **and more than doubled year on year.**

During FY2017, end-user activations have more than doubled with 1.3 million end-user premises connecting to the **nbn**<sup>TM</sup> network within the twelve month period.

As a result, at 30 June 2017 **nbn** together with RSPs, had activated 2.4 million retail services over the **nbn**<sup>TM</sup> network. The number of services activated at the end of the financial year exceeded the Corporate Plan 2017 activations target by 143,000. The increase is a result of the number of premises ready for service exceeding target as well as earlier than forecast take-up during the 18 month migration window, demonstrating high demand for access to services over the **nbn**<sup>TM</sup> network.

Annual revenue exceeded Corporate Plan\* target – **to more than \$1 billion.**

Annual revenue continues to increase in line with the number of premises activated to services over the **nbn**<sup>TM</sup> network.

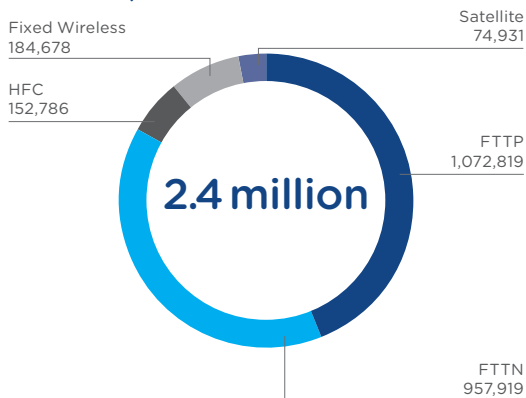
The significant growth in premises activated has allowed **nbn** to increase its annual revenue from \$421 million in FY2016 to \$1,001 million in FY2017, exceeding the Corporate Plan 2017 target by \$101 million.

Average Revenue Per User (ARPU) remained constant during FY2017 at \$43, notwithstanding Connectivity Virtual Circuit (CVC) pricing reductions during the year. **nbn** is working with RSPs to stimulate demand for plans based on higher wholesale speed tiers through its Dimension Based Discounting (DBD) scheme, introduced on 1 June 2017.

Cumulative premises activated ('000)



Cumulative premises activated FY17



\* Corporate Plan 2017.

Operating and financial review (continued)

## Our performance: Strong progress towards 2020 targets

nbn has worked closely with the industry to develop this new discount model for CVC charging, which moves from an industry-based approach to a retailer-based approach, reducing the price paid per unit of CVC as the average consumption increases per end user.

This CVC pricing model provides RSPs with further opportunity to differentiate their offerings and deliver a range of competitive broadband services suitable for all Australians.

Detailed analysis on revenue and ARPU performance is provided on page 35.

While nbn is dedicated to deploying the nbn™ network efficiently and achieving its 2020 targets, there is also a strong focus on ensuring the satisfaction of nbn’s customers is maintained throughout the process.

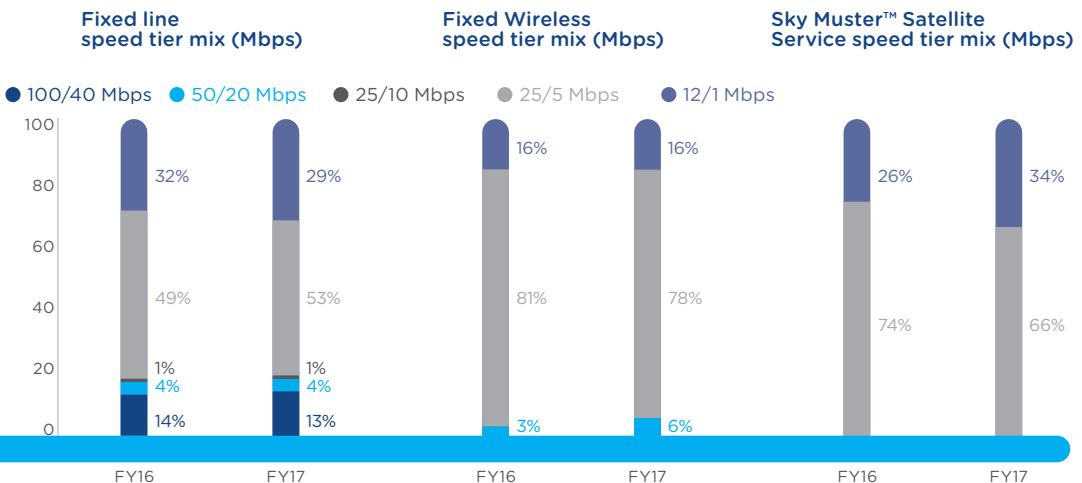
nbn is committed to the continuous improvement of the customer experience, with dedicated programs in place to:

- Manage our RSP experience across all products, services, processes and systems.

- Provide strategic direction across nbn including RSP and Service Delivery Partners which should positively impact end-user experience.
- Work in partnership with RSPs, to ensure clarity in stakeholder roles and responsibilities; consistency of information; and, delivery of an aligned end-user journey.

The speed tier mix of end-users also contributed to the revenue result. nbn’s fixed line services inclusive of FTTP, FTTN and HFC network services per wholesale speed tier is illustrated below. The average speed provisioned across all fixed line wholesale services was consistent in comparison to the year prior at 32 Mbps.

The average speed provisioned across Fixed Wireless wholesale services was 24 Mbps and Skymuster™ satellite services was 21 Mbps. nbn’s Fixed Wireless and Skymuster™ satellite services per wholesale speed tier is also illustrated below.





# Health, Safety and Environment at nbn



## Our approach

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

As our business continues to scale we are guided by the following HSE principles:

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

## Our objectives and targets

At **nbn** we value our employees, contractors, customers and the environment.

**nbn** is committed to ensuring that our people and those we work with go home safely every day. **nbn** also aims to build a network that minimises energy use and can be operated with minimal impact on the environment.

**nbn** has objectives to meet commitments and targets to improve **nbn's** HSE performance.

These objectives and targets are increasingly focused on leading metrics to ensure:

- HSE incidents are reported on time;
- Actions from HSE incidents and audits are closed in an appropriate and reasonable timeframe;
- Programs are implemented to support the health and wellbeing of our workforce;
- A reduction in the total recordable injury frequency rate (TRIFR) for employees and contractors; and
- A reduction in the frequency of HSE incidents with the potential to cause serious harm to people or the environment.

**nbn's** HSE objectives and targets were endorsed by the Executive Committee who monitored the progress of these metrics throughout the year

nbn overall TRIFR\*

3.8

2.8

FY16

FY17

nbn overall frequency of HSE incidents with potential to cause serious harm\*\*

3.7

1.7

FY16

FY17



### Health, safety and environment

In FY2017, as the business continued to scale, **nbn** improved its performance against key health, safety and environment metrics.

As shown above, **nbn** achieved its targets of an overall reduction in TRIFR and the frequency of HSE incidents with the potential to cause serious harm. **nbn** did not record any serious harm HSE incidents.\*\*\*

\* 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 by medical professionals (Medical Treatment Injuries or MTIs). It does not include any first aid injury/illness.

\*\* 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 - Total number of incidents reported in the period that resulted in an Actual Consequence of 'Severe' such as a fatality or permanent disabling injury.

For further information see:

Regulatory Report on pages 151-154

## Operating and financial review *(continued)*

At **nbn** we value the environment.

**nbn** aims to build a network that minimises energy use and can be operated with minimal impact on the environment.

**nbn** is committed to implementing sustainable development principles to protect our natural environment and areas of heritage significance.

### Energy and carbon

Energy and carbon is an important environmental issue for **nbn** as we rollout the **nbn**<sup>TM</sup> network and connect an increasing number of end users.

**nbn** has established an Energy and Carbon Leadership Committee to accelerate our existing energy and carbon mitigation. The Committee is tasked with helping develop an energy efficient and low energy cost **nbn**<sup>TM</sup> network.

To fulfil this purpose, **nbn** continues to integrate energy considerations into network planning, design and operational processes. By implementing projects that lower **nbn**'s and end users' energy consumption and reduce carbon impact, **nbn**'s strategic imperatives of **affordable products and services** and **effective and efficient processes and systems** are supported.

In FY2017, **nbn** developed an energy and carbon objective and target. To support this target the following projects were initiated:

- Adopting a higher temperature point in our aggregation node sites to reduce our energy consumption;
- Building capability to turn off idle equipment at node sites;
- Incorporating energy efficient requirements into FTTC equipment sourcing; and
- Sourcing more energy efficient video wall screens for our National Operations Centre.

## Environmentally Connected awareness campaign



Recycle



Print less



Switch off

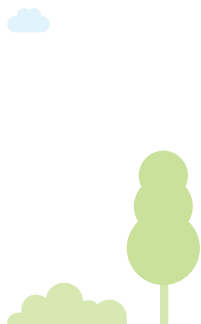


## Our facilities

During FY2017 **nbn** continued to rollout waste and recycling bins nationally. **nbn** added the waste streams of sharps and batteries and introduced standardised signage to improve recycling rates.

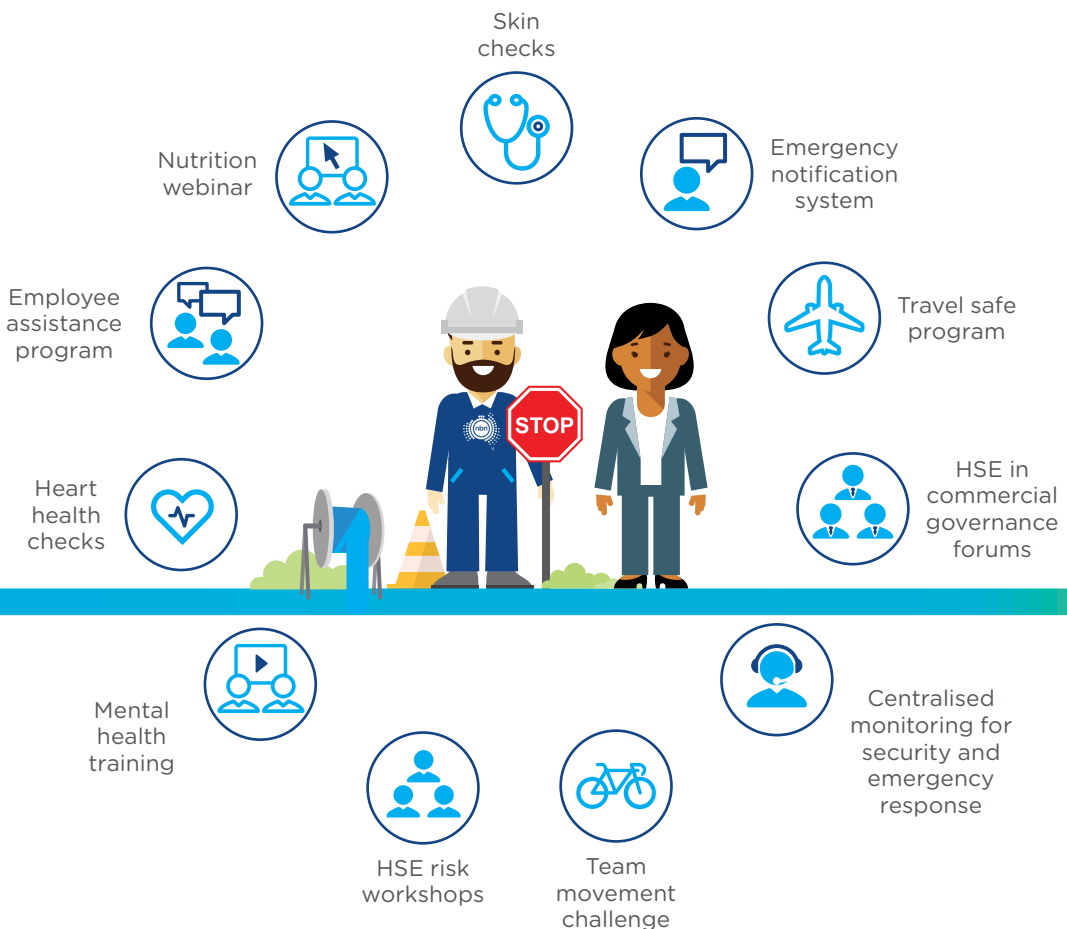
At **nbn**, employees are increasingly interested in how to work and think sustainably. To support this, during FY2017 **nbn** created the Environmentally Connected awareness campaign: recycle, print less and switch off.

During the campaign employees were encouraged to complete environment training, supporting **nbn**'s strategic imperative to make **nbn** a [great place to work](#).



# Our people

In FY2017 nbn implemented the following initiatives to support the health and safety of our people



## A great place to work

nbn is committed to ensuring nbn is a great place to work.

nbn’s ability to deliver on its goals is underpinned by its people and nbn’s aim to be a ‘Best Employer’ by 2020. Behind nbn stands a talented, multi-disciplinary team from a wide range of backgrounds and experiences. Diverse teams are working in the field, in operations centres and in state and head offices.

Ensuring nbn is a great place to work and fostering the continued development and performance of its workforce is integral to nbn’s success. nbn is committed to embracing diversity and increasing inclusion as part of its focus on building a high-performing, collaborative organisation.

nbn’s diversity policy is further outlined on pages 78 to 81.

## Workforce statistics

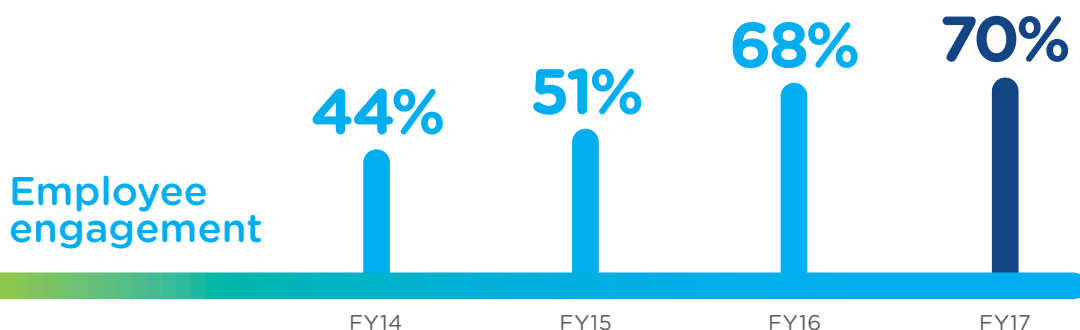
nbn’s head count at 30 June 2017 was **5,965**  
(2016: 4,913)

The average tenure of the workforce was **31.56 months**  
(2016: 28.20 months)

The average age was **40.23 years**  
(2016: 40.97 years)

nbn employs **1.98 per cent** of its workforce on a part-time basis  
(2016: 1.95 per cent)

The female gender mix representation of the workforce was **32 per cent**  
(2016: 32 per cent)



Best Employer Indices continue to improve year-on-year as nbn provides a rewarding and innovative workplace. nbn experienced its highest participation rate yet in the annual FY2017 Best Employer survey of 91 per cent and an engagement score of 70 per cent,

up from 68 per cent in FY2016, 51 per cent in FY2015 and 44 per cent in FY2014. This ensures nbn maintains its place in the top quartile of all companies in Australia and New Zealand.

## Operating and financial review (continued)

## Review of financial performance and position

## Financial highlights

Key financial metrics for the year ended 30 June	2017 \$m	2016 \$m	2015 \$m	2014 \$m
<b>Financial performance</b>				
Total revenue	1,001	421	164	61
Operating expenses	(1,827)	(1,411)	(1,101)	(966)
Adjusted EBITDA	(826)	(990)	(937)	(905)
Subscriber costs	(1,573)	(582)	(193)	(104)
EBITDA	(2,399)	(1,572)	(1,130)	(1,009)
Net loss after tax	(4,244)	(2,750)	(2,019)	(1,644)
<b>Financial position</b>				
Total assets	24,127	18,552	13,259	9,468
Contributed equity	27,465	20,275	13,185	8,418
Capital expenditure*	5,838	4,669	3,328	2,480

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

## During the year to 30 June 2017

Incremental equity  
injections of

**\$7.2 billion**



Funded capital expenditure\* of

**\$5.8 billion**

driving nbn™ expansion



Total assets increased to

**\$24.1 billion**



The financial highlights reflect the progress and momentum of nbn for the year ended 30 June 2017.

The Group generated total revenue of \$1,001 million, \$580 million more than FY2016. Notwithstanding the significant growth in revenue, nbn recognised a loss before interest, tax, other income, depreciation and amortisation (EBITDA) of \$2,399 million and a net loss after tax of \$4,244 million.

This loss is in line with expectations and reflects the current stage of operations and network build as nbn continues to invest and build a sustainable business for the future.

The adjusted EBITDA loss of \$826 million excludes subscriber costs as they are expected to cease by FY2022 and are therefore not reflective of the ongoing activities of the Group. Subscriber costs include contractual payments to Telstra regarding the disconnection of services and to Optus regarding the migration of subscribers, as well as expenditure related to medical alarm and satellite subsidy schemes. Adjusted EBITDA, which reflects the result for the underlying ongoing business activities of the Group, has improved 17 per cent year-on-year.

At 30 June 2017, nbn had total assets of \$24,127 million, an increase of \$5,575 million (30 per cent) compared with 30 June 2016, primarily driven by \$5,838 million in capital expenditure on property, plant and equipment and intangible assets.

During FY2017, nbn received Commonwealth Government equity injections of \$7,190 million, which were primarily used in acquiring property, plant and equipment and intangible assets, and funding operational requirements. At 30 June 2017, \$27.5 billion of the total \$29.5 billion committed equity funding from the Commonwealth Government had been provided to nbn.

# Financial Performance

## Revenue

Total revenue for the year ended 30 June	2017 \$m	2016 \$m	2015 \$m	2014 \$m
Telecommunications revenue	922	403	161	60
Other revenue	79	18	3	1
<b>Total revenue</b>	<b>1,001</b>	<b>421</b>	<b>164</b>	<b>61</b>
<b>Average revenue per user (ARPU) - (\$)</b>	<b>\$43</b>	<b>\$43</b>	<b>\$40</b>	<b>\$37</b>

Total revenue for FY2017 increased by \$580 million (138 per cent) compared with FY2016 to \$1,001 million. The most significant driver of revenue is the expansion of the **nbn**<sup>TM</sup> network and the resulting increase in active end users.

Telecommunications revenue for FY2017 increased by \$519 million (129 per cent) compared with FY2016, to \$922 million, driven by a 122 per cent increase in active end users from 1,098,634 to 2,443,133.

Other revenue primarily includes revenue from developers, commercial works activity and the Technology Choice Program, as well as licensing fees. Other revenue has grown in line with the expansion of the **nbn**<sup>TM</sup> network.

Notwithstanding the reductions in CVC pricing during the year, ARPU has remained constant at \$43.

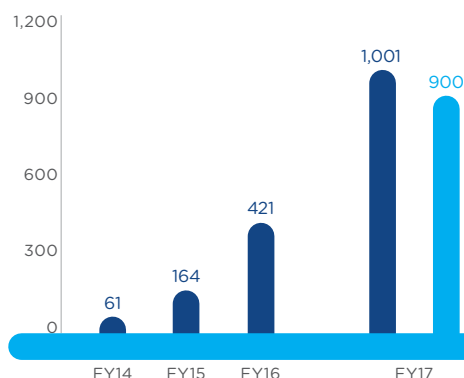
The dimension based discount (DBD) pricing model introduced on 1 June 2017 reflects an expected increase in the amount of data Australians will consume. It also rewards RSPs with a discount (determined at an individual level) for delivering a greater allocation of capacity to end users.

The new pricing model gives RSPs further scope to develop and sell packages based around the needs of their customers, giving consumers and business owners more choice when ordering an **nbn**<sup>TM</sup> service.

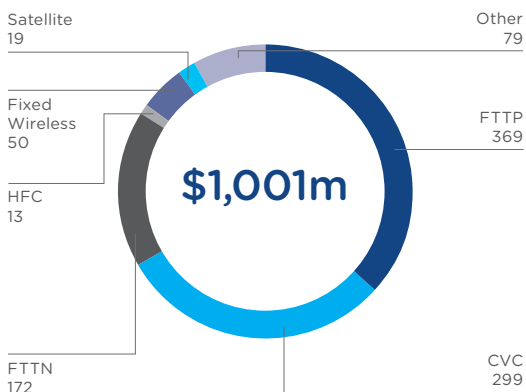
During the year, **nbn** also introduced a program with RSPs to educate and inform end users on the different speed tiers available on the network. This is to assist end users with selecting the right product to suit their needs.

**Total revenue (\$m)**

● Actual  
● Corporate Plan 2017



**Total revenue FY17 (\$m)**



## Operating and financial review (continued)

## Operating expenditure\*

Operating expenditure for the year ended 30 June	2017 \$m	2016 \$m	2015 \$m	2014 \$m
Direct network costs	537	407	350	300
Employee benefits expenses	751	601	422	393
Outsourced and corporate services	177	115	130	100
IT and software expenses	125	116	76	82
Communication and public information	79	50	29	12
Other operating expenses	158	122	94	79
<b>Operating expenses</b>	<b>1,827</b>	<b>1,411</b>	<b>1,101</b>	<b>966</b>
Subscriber costs	1,573	582	193	104
Depreciation and amortisation expense	1,488	884	631	435
Finance charges - leased assets	402	322	302	223
<b>Total expenditure</b>	<b>5,290</b>	<b>3,199</b>	<b>2,227</b>	<b>1,728</b>

In line with the expansion of the nbn™ network and the increase in active end users, the Company has grown significantly during FY2017.

As a result of the underlying growth in the business, total expenditure in FY2017 increased by \$2,091 million (65 per cent) compared with FY2016, to \$5,290 million.

The key drivers include:

**Direct network costs** grew by \$130 million (32 per cent) compared with FY2016, to \$537 million. The increase in direct network costs primarily relates to operational and assurance services of the access networks, rental of network infrastructure, network power, as well as logistics and freight activities.

**Employee benefits expenses** increased by \$150 million (25 per cent) compared with FY2016, to \$751 million. Employee related expenses include costs of nbn employees, as well as labour hire and contractors (net of amounts that have been capitalised and included in the cost base of non-current assets). Employee benefit expenses have increased in line with the number of employees and temporary contractors.

Employee numbers increased from 4,913 at 30 June 2016 to 5,965 at 30 June 2017 as nbn continues to expand and grow. In addition, nbn is supported by over 780 temporary contractors.

**Outsourced and corporate services** increased by \$62 million (54 per cent) compared with FY2016, to \$177 million. This includes costs to define and establish business operations, ongoing support of outsourced operations, as well as strategic consulting, accounting, internal audit expenses and legal and regulatory services.

**IT and software expenses** increased by \$9 million (8 per cent) compared with FY2016 to \$125 million, reflecting the growth in application support, IT security, software licences and maintenance costs, as well as telephony costs. IT and software expenditure has increased in line with the functional and capacity requirements of operating the enhanced and expanded nbn™ network.

\* Prior year comparatives have been restated where applicable

**Communication and public information costs** increased by \$29 million (58 per cent) compared with FY2016, to \$79 million. This expenditure is associated with branding, research, advertising and media, as well as campaigns to help educate end users on the benefits of and how to connect to the **nbn**<sup>TM</sup> network.

Communication and public information costs have increased in line with the growth of the **nbn** footprint and active end users.

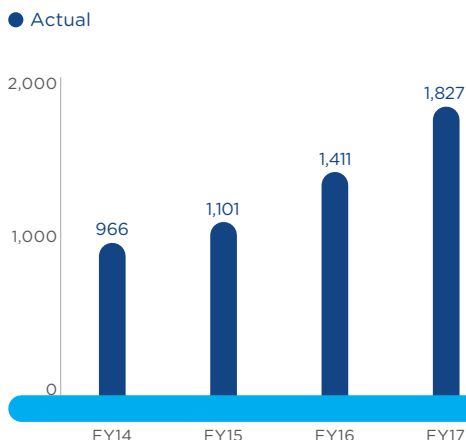
**Other operating expenses** increased by \$36 million (30 per cent) compared with FY2016, to \$158 million. This is primarily driven by the growth of the **nbn** workforce including occupational health and safety, training, insurance, occupancy costs and other miscellaneous expenditure.

**Subscriber costs** increased by \$991 million (170 per cent) compared with FY2016, to \$1,573 million. The increase in these costs is reflective of the greater number of end users connected to the **nbn**<sup>TM</sup> network as subscribers continue to disconnect and migrate from the Telstra and Optus networks.

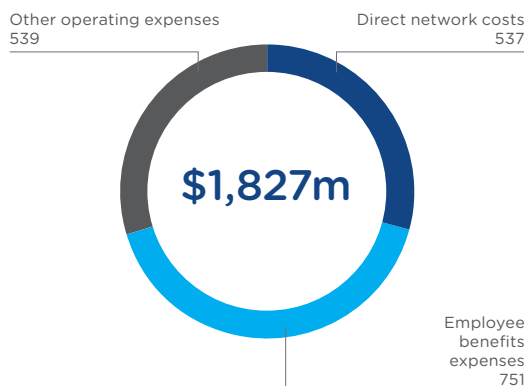
**Depreciation and amortisation expense** increased by \$604 million (68 per cent) compared with FY2016, to \$1,488 million, reflecting **nbn**'s expanding network and the increase in assets placed into service during FY2017.

**Finance charges – leased assets** primarily relate to the accounting convention for assets treated as finance leases under long-term right of use arrangements. These charges increased by \$80 million (25 per cent) compared with FY2016, to \$402 million, driven by additional infrastructure supplied by Telstra under right of use arrangements.

**Total operating expenditure (\$m)**



**Total operating expenditure FY17 (\$m)**



## Operating and financial review (continued)

## Capital expenditure\*

Capital expenditure for the year ended 30 June	2017 \$m	2016 \$m	2015 \$m	2014 \$m
FTTP network	433	1,078	1,692	1,007
FTTN network	2,341	1,668	334	3
HFC network	1,180	448	48	-
Fixed Wireless network	317	354	340	278
Satellite network	210	135	247	517
Transit network	597	252	233	381
Common capital expenditure	760	734	434	294
<b>Total capital expenditure</b>	<b>5,838</b>	<b>4,669</b>	<b>3,328</b>	<b>2,480</b>

As at 30 June 2017

10.8 million

premises in design  
or designed

6.3 million

premises in construction  
or constructed

5.7 million

premises ready for service



Underpinning the significant growth in network deployment with more than 90 per cent of the nation at 30 June 2017 either ready for service or in the design or construction phase is our investment in capital expenditure.

Capital expenditure incurred during FY2017 was \$5,838 million, an increase of \$1,169 million (25 per cent) compared with FY2016. The key cost drivers were the design, construction and activation activities for the deployment of nbn's access technologies, as well as the continued expansion of the transit network.

**FTTP network:** Capital expenditure incurred in constructing and connecting end users to the FTTP network during FY2017 was \$433 million, primarily representing expenditure on the Greenfield FTTP network and connecting end users to the Brownfield FTTP network.

**FTTN network:** During FY2017, \$2,341 million of capital expenditure was incurred for design, construction and activation activities, resulting in an additional 1,833,651 premises ready for service and an additional 838,225 premises activated since 30 June 2016. As at 30 June 2017, there were 3,008,780 premises currently in design or construction, reflecting the ongoing build of the FTTN network.

**HFC network:** During FY2017, \$1,180 million of capital expenditure was incurred for design, construction and activation activities. As at 30 June 2017, there were 758,416 premises ready for service and 152,786 premises activated with 1,665,530 premises currently in design or construction, reflecting the scale of the HFC network deployment.

**Fixed Wireless network:** During FY2017, capital expenditure incurred for the Fixed Wireless network was \$317 million. This expenditure included the acquisition of a further 261 wireless sites during the year and the integration of an additional 233 base stations.

**Sky Muster™ satellite service:** Capital expenditure during FY2017 was \$210 million. This expenditure related to activity for the build and launch services associated with Sky Muster™ II, as well as end-user connection activity associated with Sky Muster™ I.

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



**Transit network:** Investment in the transit network has continued to support the rollout of the **nbn**<sup>TM</sup> network and to increase capacity, as demand continues to grow.

**Common capital expenditure:** \$760 million was incurred during FY2017 for common capital expenditure, primarily related to

developing network platforms to support the operation of the access technologies, network operating tools to support the field workforce, building back office systems and data quality, ongoing network releases to support product development, as well as commercial property fit-outs.

## Cost per Premises

The Cost per Premises (CPP) is an internal **nbn** management calculation used to assess the comparative incremental costs of initial construction of each access technology. The CPP reported represents the life-to-date incremental capital costs incurred in building the **nbn**<sup>TM</sup> network from the transit network to the in-premises connection for each technology, excluding early release or pilot sites.

Cost per Premises	30 June 17 \$	30 June 16 \$
Brownfield FTTP network	4,403	4,411
Greenfield FTTP network	2,393	2,608
FTTN network	2,174	2,257
HFC network	2,258	-
Fixed Wireless network	3,569	3,559

### Brownfield FTTP network

The CPP decrease during FY2017 is in line with expectations as initial construction on the Brownfield FTTP network nears completion.

### Greenfield FTTP network

The CPP decrease during FY2017 was primarily driven by additional sites utilising existing temporary transit infrastructure (TFAN/TTFN) as the program expands.

### FTTN network

The CPP decrease during FY2017 was primarily driven by lower design, construction and connection costs.

### HFC network

The CPP of \$2,258, for the premises constructed to date is below the expectations set out in the Corporate Plan 2017 of \$2,300.

### Fixed Wireless network

The CPP increase during FY2017 is in line with expectations as the Fixed Wireless network extends to less densely populated areas.

## Sources of funding

**nbn** remains focused on building the **nbn**<sup>TM</sup> network and has continued to invest in capabilities that enable a fast and cost-effective rollout of the **nbn**<sup>TM</sup> network. At 30 June 2017, total funding received from the Australian Government was \$27.5 billion (June 2016: \$20.3 billion) out of an equity capital commitment of \$29.5 billion.

As outlined in the Corporate Plan 2017, following the investment of the \$29.5 billion equity funding committed from the Australian Government, additional funding would be required to complete the rollout of the **nbn**<sup>TM</sup> network.

On 22 December 2016, the remaining funding required of \$19.5 billion to complete the **nbn** rollout of fast broadband to all Australians by 2020, was secured through a Government loan on commercial terms, informed by credit ratings received by **nbn**.

As at 30 June 2017, the loan facility had not been utilised. The first drawing under the loan agreement will occur in FY2018.

The peak funding forecast continues to be consistent with the guidance provided in the Corporate Plan 2017.

Operating and financial review *(continued)*



## Risk management

Risk management is central to **nbn**'s ability to successfully manage the challenges of deploying and operating the **nbn**<sup>TM</sup> network. **nbn**'s Board of Directors and management are committed to implementing a robust risk management framework that will enable proactive identification, assessment and management of all risks.

### **nbn**'s approach to risk management

Both the Risk Management Policy and the Audit and Risk Committee Charter provide the mandate from the Board and Management for **nbn**'s risk management. The Risk Management Policy outlines **nbn**'s commitment to operating a robust system of risk oversight and management, responsibilities for risk across the Company and the essential behaviours for a strong risk culture.

**nbn**'s Group Risk function is responsible for designing and overseeing the implementation of **nbn**'s risk management framework, which includes providing advice to the Board and Management on approaches to identifying, assessing and managing risks. The effectiveness of **nbn**'s risk management framework and an assessment of material risks are reviewed bi-annually by **nbn** Management, Audit and Risk Committee and the Board.

To enable the identification, assessment and management of risks, **nbn** adopts a risk management approach that is aligned with the international standard for risk management: 'AS/NZS ISO 31000:2009 Risk Management - Principles and Guidelines on Implementation'.

### Maturing risk management

As **nbn** matures, there is an emphasis on continually enhancing the Company's risk management framework. During FY2017, **nbn** extensively refreshed its risk management processes and practices to ensure they aligned with the Company's evolving business priorities and operating environment. Key enhancements include:

- Embedding risk management experts in the annual planning cycle to improve consistency and insight;
- Maturing **nbn**'s Three Lines of Defence Model;
- Refining risk assurance practices to improve oversight of material risks and key mitigations; and
- Streamlining the bi-annual risk reporting cycle to reduce complexity and improve insight.

## Operating and financial review *(continued)*

### nbn's risk profile

In FY2017, nbn's risk profile identified the challenges of scaling both internal and key partner processes and systems to support the design, build and operation of a multi-technology network. During the course of FY2017, the risk profile shifted positively, as the capacity and effectiveness of these processes, systems and partner arrangements matured. Ongoing investment and focus on scaling remains key to nbn's risk profile as the Company enters the peak deployment and activation years in the rollout program.

#### Key risk themes and areas of focus for nbn include:

##### The ongoing scale challenge

The nbn™ network rollout remains an inherently medium to high risk challenge to manage the complexity and scale of network design, build, activation and assurance processes across multiple technologies.

nbn will continue to manage its exposure to this risk by further maturing processes, systems and partner relationships, leveraging the increasing knowledge and experience of its people and building additional sustainable capabilities as the operating environment is refined.

##### Transitioning from a build to a network operate organisation

While the network 'build' phase remains the central focus for nbn, managing the challenges of transitioning to a network operate company is emerging in nbn's risk profile. The deployment of proactive programs to transition the workforce, optimise nbn's cost base and build sustainable processes and systems all form part of nbn's approach to managing this transition risk.

Even with this focus, the challenges associated with transitioning the operating model will remain prominent in nbn's risk profile over the short to medium term.

##### Rapidly evolving competition

As a company deploying and operating world-class technology, nbn will also be increasingly exposed to rapidly evolving competition, and competitors who will seek to leverage emerging technology for new business models and products.

Although industry disruption represents significant opportunities for nbn, there are also a number of emerging challenges. In the short term, these include responding to increasing competition, and longer term, management of the impact of technology convergence, which will require nbn to adapt its network to a wide range of future use cases, business models and product innovations.

## nbn's key corporate risks and mitigations

nbn's approach to mitigating risks is focused on deploying mitigation activities that will not only scale for the network build, but will be sustainable as it transitions to a predominantly operate environment. Where risks exist that are specific to the network rollout, mitigation strategies have been designed and embedded into core Team Operating Plans for execution.

Despite the comprehensive planning undertaken by nbn, materialisation of unforeseen risk scenarios remain a possibility.

### Key risk

#### Health, safety and environment

The ability of nbn and its Delivery Partners to construct, activate, operate and maintain the network in a manner that prioritises the prevention of material HSE failures impacting nbn staff, contractors and members of the public.

#### Critical process and system capacity

Ensuring nbn and key Delivery Partner processes, people capabilities and IT systems are able to scale appropriately and deliver deployment and activation targets in FY2018 and FY2019 while limiting fixed costs and providing sufficient quality data.

#### Security of critical assets and information

Managing nbn's exposure to cyber and physical threats that could compromise the security of critical network infrastructure, the welfare and safety of staff and the confidentiality, integrity and availability of sensitive information.

### How the risk is managed

nbn takes a risk based approach to its HSE program, which is underpinned by dedicated processes, systems and HSE experts. These individuals work collaboratively with line management and Delivery Partners to ensure appropriate HSE controls are in place and operating effectively. nbn also has a mature disconnection management program and extensive industry consultation process in place to manage disruption of specific communication services, such as medical alarms.

nbn has deployed and is maturing its company-wide business process excellence model, which includes executive governed initiatives that target specific scale challenges in the business. In particular, internal and Delivery Partner workforces, back office operations, automation and IT system stability and data quality.

nbn takes a risk based approach to managing its security, with defined structures, processes and systems that oversee the security of critical infrastructure assets and the protection of sensitive information. The external and internal environment is continuously monitored, and new security measures deployed in response to emerging threats.

## Operating and financial review *(continued)*

### Key risk

#### Business resilience to adverse events

Designing resilience in the network and business operations, and developing business continuity strategies to safeguard people, assets, systems and processes against adverse events to business operations, supply chain and Delivery Partner capability.

#### Management of Delivery Partners

Ensuring contractual agreements are commercially sound and effectively operationalised, with targets achieved through robust forecasting, strong governance and joint improvement initiatives to support Delivery Partner performance.

#### Regulatory environment

Limiting adverse consequences from changes in the regulatory environment that could impose substantial compliance burdens or limit **nbn**'s ability to pursue business objectives.

### How the risk is managed

**nbn**'s Business Continuity Management program and Crisis Management Team direct resilience efforts across the Company. This approach emphasises pre-planning and testing of continuity strategies for critical processes, while defined incident and emergency management structures coordinate responses to major network and IT outages, third party disruptions and incidents impacting the welfare and safety of staff and contractors.

**nbn** takes a collaborative approach to Delivery Partner management, recognising the unique challenges of building the **nbn**<sup>TM</sup> network. Governance arrangements are clearly defined, with **nbn** and Delivery Partner executives and teams working proactively and jointly on emerging risks, known issues and improvement opportunities. **nbn** also takes proactive steps to develop specific industry capabilities where unique scaling challenges exist.

**nbn** has an active engagement model with Government and regulatory stakeholders. There is also ongoing monitoring of the regulatory environment to identify emerging issues and opportunities to engage with regulators.

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## Market and technology disruption

As technologies evolve and converge, new business models and competition, including RSP activities, may create exposures that could impact **nbn**'s approach to technology choices, product offerings, operating model and pricing decisions.

## Operating model transition and optimisation

**nbn**'s operating model is structured to successfully deliver to the network rollout, but must concurrently evolve into a competitive network operate business, with an optimised cost base, agile processes, simple go to market channels and a workforce aligned to competitive business objectives.

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**nbn** undertakes extensive and regular assessments of current and future material competitive threats, and adjusts its response strategies to emerging challenges and opportunities. This includes developing innovative products, reviewing technology choices, upgrade opportunities and potential pricing responses.

**nbn** continues to drive a range of formally governed executive sponsored initiatives to address key transition and optimisation challenges, including cost management, back office efficiency, right sizing the workforce, talent and culture, scaling the business segment, RSP and end-user experience.

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Operating and financial review *(continued)*





# Outlook

Predictably, as this huge infrastructure project moves through the half way point in the network build, the productivity is near peak.

**nbn** continues to hit its milestones on the way to completing the initial build by 2020 – on time, and on budget. Given the unprecedented speed of the rollout, it is essential that the end-user experience – at time of connection and thereafter in the quality of the broadband service – be first class.

Strong end-user satisfaction will give confidence to small businesses to embrace the digital economy and will help unleash entrepreneurial activity, while contributing to an improved standard of living for all.

Higher speed tier take-up and bespoke broadband services for the business segment are key factors in expected ARPU and revenue growth over the coming two years. **nbn** continues to work with the regulators and industry to help inform the Australian public about the **nbn**<sup>TM</sup> network, how to migrate and what to expect, speed tiers available to RSPs, and line capability, as well as factors that can impact the in-home internet experience, and increasingly outside the home as well.

As the industry continues to navigate this massive transformation, it is clear that working together, especially during this changeover phase, is critical to ensure end users have the best experience.

**nbn** will certainly play its part in optimising this complex service experience chain.

## 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:

### Current Directors



**Dr Ziggy Switkowski AO**  
(Chairman/Non-Executive Director)

#### **Term of Office**

Dr Switkowski was first appointed Executive Chairman of **nbn** 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 2019.

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

Dr Switkowski is a former Chairman of 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 is a Fellow of the Australian Academy of Technological Sciences, the Australian Academy of Science and the Australian Institute of Company Directors.

Dr Switkowski has a Bachelor of Science (Honours) and PhD (Nuclear Physics).

#### **Current Company Directorships**

Dr Switkowski is Chairman of the Suncorp Group and a Director of listed companies Healthscope Ltd and Tabcorp Holdings Limited.

#### **Other Current Appointments**

Dr Switkowski is Chancellor of RMIT University.

#### **Board Committee Memberships**

Chair of the Nominations Committee.

Dr Switkowski attends Audit and Risk Committee and People and Remuneration Committee meetings ex officio.



**Mr Patrick Flannigan**  
(Non-Executive Director)

#### **Term of Office**

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

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

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

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

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

#### **Current Company Directorships**

Mr Flannigan is Managing Director of Urban Maintenance Systems Pty Ltd, effective 1 August 2016.

#### **Other Current Appointments**

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

#### **Board Committee Memberships**

Audit and Risk Committee,  
Nominations Committee,  
People and Remuneration Committee.



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

**Term of Office**

Ms In't Veld was appointed as a Director effective 2 December 2015. Her current term will expire on 1 December 2018.

**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, she was Chairman of the Queensland Government Expert Electricity Panel and a member of the Renewable Energy Target Review Panel for the Department of Prime Minister and Cabinet and was until recently a Council member of the Australian Institute of Company Directors (WA) and an Advisory Board member of the SMART Infrastructure Facility (University of Wollongong).

Ms In't Veld has a Bachelor of Laws (Hons) and a Bachelor of Commerce from the University of Melbourne.

**Current Company Directorships**

Ms In't Veld is a Non-Executive Director of Northern Star Resources Limited and Deputy Chairperson of the CSIRO.

**Other Current Appointments**

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

**Board Committee Memberships**

Audit and Risk Committee,  
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 2019.

**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. Mr Malone's former directorships include Autism West (as founder and Vice Chairman) and .au Domain Administration (as a founder and Chairman). Mr Malone has received a number of prestigious industry recognitions including 2012 Australian Entrepreneur of the Year, Communications Alliance Ambassador and is a holder of the Telecommunications Society Charles Todd Medal. He is also a past Advisory Council Member of the Australian Institute of Management (WA) and a past member of the Commonwealth Consumer Affairs Advisory Council and the WA State Training Board. He is a Fellow of the Australian Institute of Company Directors, the Australian Institute of Management and the Australian Computer Society. Mr Malone has a Bachelor of Science (Mathematics) and a post graduate Diploma in Education both from the University of Western Australia.

**Current Company Directorships**

Mr Malone is Chair of the Board of ASX listed Superloop Ltd and a Director of Seven West Media Ltd, Speedcast International and Dreamscape Networks Limited. He is also the founder and Chairman of Diamond Cyber Pty Ltd.

**Board Committee Memberships**

Nominations Committee,  
People and Remuneration Committee.

## Board of Directors *(continued)*



**Mr Justin Milne**  
*(Non-Executive Director)*

### **Term of Office**

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

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

Mr Milne's career combines experience in telecommunications, marketing and media. As Chief Executive Officer of three of Australia's largest internet service providers, OzEmail, MSN and BigPond, he built significant media businesses in the online and mobile phone worlds. He has been responsible for many successful marketing campaigns and has been honoured with a number of awards. Mr Milne has a Bachelor of Arts from Flinders University.

### **Current Company Directorships**

Mr Milne is Chairman of Australian Broadcasting Corporation, MYOB Group Ltd and NetComm Wireless Ltd. He is a Non-Executive Director of Tabcorp Holdings Limited, Members Equity Bank Ltd and SMS Management & Technology Ltd.

### **Board Committee Memberships**

Chair of the People and Remuneration Committee, Nominations Committee.



**Mr Bill Morrow**  
*(Managing Director and Chief Executive Officer)*

### **Term of Office**

Mr Morrow was appointed as Chief Executive Officer (CEO) and a Director of nbn effective 2 April 2014. Mr Morrow's current term as a Director will expire on 1 April 2020.

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

Mr Morrow joined nbn with a remit to ensure all homes, businesses and communities across Australia can access fast broadband as soon as possible, at affordable prices and at least cost.

Mr Morrow is known for his global expertise in leading complex turnarounds and capital intensive start-ups. His industry experience spans fixed line broadband services, fixed wireless, mobile wireless, and gas and electric utilities.

Prior to his present role Mr Morrow served as CEO of Vodafone Hutchison Australia in Sydney, CEO of Clearwire Corporation in Seattle, CEO of Pacific Gas & Electric Co., CEO of Vodafone Europe, and CEO of Japan Telecom. He is a former Non-Executive Board member of Broadcom and Openwave.

Mr Morrow has an Associate of Science degree in Electrical Engineering from Condie College and a BA in Business Administration from the National University in San Diego, California.

### **Board Committees**

Mr Morrow attends People and Remuneration Committee meetings ex officio.

Mr Morrow was a member of the Nominations Committee up to 30 June 2017. From 1 July 2017 he will attend Nominations 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. Dr Schott's current term will expire on 5 October 2018.

***Skills, Experience and Qualifications***

Dr Schott has worked in numerous senior executive roles including as Managing Director and CEO of Sydney Water, CEO of the NSW Government Commission of Audit, 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.

She holds a Doctor of Philosophy from Oxford University, a Masters 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 and the University of Western Sydney.

***Current Company Directorships***

Dr Schott is Chairman of the Moorebank Intermodal Company Ltd and TransGrid, a Director of TCorp NSW, Infrastructure Australia and a Patron and Board member of Infrastructure Partnerships Australia.

***Other Current Appointments***

Dr Schott is on the advisory boards of Sydney Metro, HealthShare NSW and Sydney Light Rail.

***Board Committee Memberships***

Chair of Audit and Risk Committee, Nominations Committee.



## Company Secretaries



### Ms Debra Connor

Ms Connor joined **nbn** as Company Secretary, effective June 2010.

#### *Skills, Experience and Qualifications*

Ms Connor has a Bachelor of Laws from the Queensland University of Technology and Graduate Diploma in Corporate Governance from the Governance Institute of Australia and has completed post graduate courses through Stanford and Columbia Universities in the US and Italy, respectively.

Prior to joining **nbn**, 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

Ms Brown joined **nbn** in June 2011. She was appointed as a Company Secretary of **nbn** in August 2015.

#### *Skills, Experience and Qualifications*

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 also an Acting Deputy Chief Legal Counsel in the **nbn** Legal team reporting to the Chief Legal Counsel.

Prior to joining **nbn** 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.

## Directors' interests

The Directors of **nbn** have no interests in the shares of **nbn**.

## Dividends

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

## Board and Committee meetings

The number of Board and Committee meetings held during FY2017 and the attendance by Directors at those meetings are shown below.

	Board		Audit and Risk Committee		Nominations Committee		People and Remuneration Committee	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Dr Ziggy Switkowski AO <sup>(1)</sup>	10	10	5	5	2	2	6	6
Mr Patrick Flannigan	10	10	5	5	2	2	6	6
Ms Shirley In't Veld	10	10	5	5	2	2	-	-
Mr Michael Malone <sup>(2)</sup>	10	9	-	-	2	2	4	4
Mr Justin Milne	10	10	-	-	2	2	6	6
Mr Bill Morrow <sup>(3)</sup>	10	10	-	-	2	2	6	6
Dr Kerry Schott AO	10	9	5	5	2	2	-	-

<sup>(a)</sup> Number of meetings held while a Director or Committee member.

<sup>(b)</sup> Number of meetings attended.

<sup>(1)</sup> Dr Ziggy Switkowski AO attends Audit and Risk Committee and People and Remuneration Committee meetings ex officio.

<sup>(2)</sup> Mr Malone was appointed as a member of the People and Remuneration Committee effective 26 July 2016.

<sup>(3)</sup> Mr Bill Morrow attends the People and Remuneration Committee meetings ex officio.

## Executive Committee

Effective 1 July 2017, a number of changes have been made to the **nbn** executive team as the Company transitions from peak construction into peak activation phase. A number of the executive team have newly defined portfolios, Kathrine Dyer joins the executive team as Chief Network Deployment Officer and Karina Keisler joins the team as Chief Corporate Affairs Officer. Details of the members of the Executive Committee are provided below.



**Mr Bill Morrow**

Appointed in April 2014  
*Chief Executive Officer*

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

Mr Morrow joined **nbn** in April 2014 with a remit to ensure all homes, businesses and communities across Australia can access fast broadband as soon as possible, at affordable prices and at least cost.

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

Refer to page 50 for Mr Morrow's biography.



**Mr Stephen Rue**

Appointed in July 2014  
*Chief Financial Officer*

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

Mr Rue is responsible for the financial management of **nbn**'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 Rue joined **nbn** in July 2014 as a member of the Executive Committee, bringing with him a wealth of knowledge in financial management and high profile company transformation.

Prior to joining **nbn**, 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 from University College Dublin and is a member of Chartered Accountants Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.





### Ms Kathrine Dyer

Appointed in July 2017  
*Chief Network Deployment Officer*

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

Ms Dyer leads the Network Planning and Deployment function and is responsible for planning, designing and building the **nbn**<sup>TM</sup> network.

Ms Dyer joined **nbn** from Telstra in November 2010 and she has since provided oversight of the design and build of the **nbn**<sup>TM</sup> network from both an operational and strategic perspective.

Ms Dyer's knowledge and expertise within telecommunications is formidable, having more than 20 years working in the sector. She was at the forefront of fibre optics development and Greenfields strategic planning while at Telstra and has an extensive background in telecommunications legislative and regulatory management.

Ms Dyer has a Bachelor of Business from RMIT University (Australia).



### Mr Justin Forsell

Appointed in May 2014  
*Chief Legal Counsel*

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

Mr Forsell is responsible for all **nbn**'s legal and security functions plus the company secretariat, privacy and freedom of information offices. His responsibilities include all major transactions, dispute management, litigation, legal analysis and advisory, and governance support.

An experienced legal practitioner with more than 20 years' in-house experience, Mr Forsell joined **nbn** in March 2010 as Chief Legal Counsel.

Prior to joining **nbn**, Mr Forsell was General Counsel, Company Secretary and Head of Governance at Vodafone Australia, where he was responsible for legal, regulatory, government relations, company secretariat, inter-carrier relationships and corporate social responsibility.

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

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

Executive Committee *(continued)***Ms Karina Keisler**

Appointed in July 2017  
*Chief Corporate Affairs Officer*

**Skills, Experience and Qualifications**

Ms Keisler joined **nbn** in July 2014 and has led all aspects of media relations, social media, government relations, employee communications and Corporate Social Responsibility.

Appointed to the executive committee in 2017, Ms Keisler has taken on the additional responsibility of **nbn**™ local which is accountable for national industry stakeholders and regional and remote engagement.

With proven experience leading sophisticated Corporate Affairs functions, Ms Keisler has acquired more than 20 years' knowledge in the industry, advising some of Australia's highest profile CEOs, including at Telstra and Vodafone.

Ms Keisler specialises in managing communication strategies for complex organisations and reputation recovery. At **nbn**, she is responsible for elevating the conversation above the politics and getting Australians excited about a connected future.

Ms Keisler holds a Masters in Communications from Deakin University.

**Mr John McInerney**

Appointed in April 2015  
*Chief Systems Engineering Officer*

**Skills, Experience and Qualifications**

As Chief Systems Engineering Officer, Mr McInerney is responsible for **nbn**'s information technology (IT) based services and network engineering solutions. His responsibilities include Information and Communications Technology (ICT) strategy and policy, the design and delivery of IT and network engineering based solutions, the operations of both business and operational support systems, the enablement of customer and partner digital channels and management of data and information management. Mr McInerney also sponsors the business technology planning process and the alignment of technology with the business.

An experienced technology practitioner with more than 20 years' experience across a diverse range of technology environments, Mr McInerney joined **nbn** in December 2012 as the Chief Information Officer. Previously, Mr McInerney was Vice President of Strategic Enterprise Services at Hewlett Packard where his portfolio included cloud, security and analytics products and services across Asia Pacific and Japan. He began his career in telecommunications at Telstra where he was Group CIO and led one of the largest technology transformation projects in Australia.

Mr McInerney has a Bachelor of Business from Monash University and is a member of Chartered Accountants Australia and New Zealand.



### Mr JB Rousselot

Appointed in October 2013  
*Chief Strategy Officer*

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

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

As **nbn**'s Chief Strategy Officer, Mr Rousselot is responsible for creating and implementing the Company's business, technology, and regulatory strategy, delivering the Integrated Operating Plan, and enabling the Company to scale in the most efficient and effective way.

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

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

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



### Mr Peter Ryan

Appointed in December 2015  
*Chief Network Engineering Officer*

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

Mr Ryan's tenure as Chief of Network Engineering and Operations began on 1 July 2017. The Network Engineering and Operations unit lead by Mr Ryan is responsible for activating services onto the **nbn**<sup>TM</sup> network, maintaining and restoring the network, delivering ongoing engineering capacity management and customer experience excellence.

Mr Ryan previously headed up **nbn**'s Network Engineering and Deployment function and was responsible for leading the planning, engineering, design and build of the **nbn**<sup>TM</sup> network. Prior to joining **nbn** in January 2013, Mr Ryan worked at Vodafone for 15 years in Australia, Kenya and the UK, and at Maunsell Australia Pty Ltd. His career has spanned roles across network engineering, technology deployment and service operations.

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

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

Executive Committee *(continued)***Mr John Simon**

Appointed in January 2013  
*Chief Customer Officer – Business*

**Skills, Experience and Qualifications**

Mr Simon was appointed as the Chief Customer Officer – Business on 1 July 2017.

Mr Simon joined **nbn** in January 2013 and is responsible for all aspects of **nbn**'s product management, brand, marketing, sales and customer experience in the business segment.

Mr Simon is an established executive in the converged Information and Communications Technology (ICT) market, with more than 30 years' experience. Mr Simon spent 12 years working for Singtel Optus in various leadership roles including Managing Director of its Corporate, Government and Key Account Division (Optus Business). He also had responsibility for Optus' SMB division and prior to moving to **nbn**, was the Managing Director of Strategy, Transformation and Customer Experience for Optus.

Prior to Singtel Optus, Mr Simon worked in the ICT industry for a range of companies including Telstra Multimedia and General Electric in various executive leadership roles. Mr Simon holds an MBA from the AGSM (University of NSW, Sydney).

**Ms Maree Taylor**

Appointed in April 2015  
*Chief People and Culture Officer*

**Skills, Experience and Qualifications**

Ms Taylor joined **nbn** in May 2014 and is responsible for the People and Culture strategy of **nbn**. Her responsibilities include initiatives to ensure workforce appeal and capability, a safety focused and values based culture and the optimisation of employee engagement.

Her areas of focus include resourcing strategies (internal and external service delivery partners), talent, performance management, leadership development, learning, reward and recognition, facilities, health, safety and environment and employee relations.

She has held senior executive roles including Head of HR/HSE at Origin, Head of Human Resources for Computer Science Corporation (CSC) Australia prior to CSC Europe in London, as well as Head of Human Resources Apple Asia Pacific.

Ms Taylor has a Bachelor of Arts degree, a Diploma of Education and a Master of Management from Macquarie Graduate School of Management in Sydney.



## Mr Brad Whitcomb

Appointed in May 2014

*Chief Customer Officer – Residential*

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

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

As the Chief Customer Officer – Residential, Mr Whitcomb is responsible for all aspects of **nbn**'s product management, brand, marketing, sales and customer experience in the residential segment.

Mr Whitcomb has extensive experience setting strategy and transforming business performance across the telecommunications, technology and energy sectors.

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

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

Executive Committee *(continued)*

## Prospects for future financial years

The operating and financial review section on pages 22 to 47 sets out the financial performance in the year as well as the likely developments in **nbn**'s operations and the outlook for those operations in the future.

## Significant changes in the state of affairs

Other than the information set out in the Directors' Report there were no significant changes in the state of affairs of the Group during FY2017.

## Indemnification and insurance of Directors and Officers

**nbn** 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**. As at 30 June 2017, no material claims have been made.

During FY2017, 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.

## Significant events subsequent to reporting date

On 31 July 2017, the Commonwealth Government provided \$930 million in equity funding.

Except for the item noted above, no other matter or circumstance has arisen since 30 June 2017 to the date of the signing of this report that has significantly affected, or may affect:

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

## 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.

## 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.

## Corporate information

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

Signed in accordance with a resolution of the Directors.



*J. P. Switkowski*

**Dr Ziggy Switkowski AO**  
Chairman



*Bill Morrow*

**Bill Morrow**  
Chief Executive Officer

10 August 2017



# Remuneration report



Attract and retain high calibre Executives



Foster exceptional talent and performance



Responsibly reward key management personnel

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

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

As discussed in the operating and financial review section, **nbn** had a strong year.

The remuneration outcomes for FY2017 therefore reflect the strong performance of the business and progress toward **nbn**'s 2020 targets.



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

On behalf of the **nbn** Board, I am pleased to present our 2017 Remuneration report where we summarise the achievements of this past year and the associated remuneration outcomes for **nbn**'s Chief Executive Officer (CEO) and his Senior Executive team. The fee arrangements for Board members are also provided.

This year saw the Company reach the half-way mark of the network's construction, a significant milestone that now has more than over half of Australia's homes able to order a service over the **nbn**<sup>TM</sup> network. It's a year that's helped quickly turn the idea of a digitally connected Australia into a reality. Achieving this milestone puts **nbn** and its Delivery Partners well on track to having three quarters of premises able to connect this time next year.

We now also see more than two and a half million premises actively using the **nbn**<sup>TM</sup> network today, highlighting the critical need for industry to deliver on user experience and network performance. Work is also underway with industry and regulators to provide clear, timely, factual information on the network and to collaborate to ensure customer and user satisfaction.

The Board views that FY2017 was another very successful year for **nbn** in delivering the network rollout. In evaluating this performance, the Board is also satisfied that the performance gateway for the Short-Term Incentive (STI) program has been met. This gateway includes **nbn**'s safety record and overall performance to budget. Furthermore, despite the significant challenges the Company has faced, **nbn** exceeded four of its five short-term incentive targets for the year. For this reason, the Board approved an STI payout that reflected its judgement that **nbn** delivered a strong operating performance for the year.

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

Looking to the year ahead **nbn** faces the continued challenge of scaling to connect another two million homes whilst ensuring a keen focus on user experience.

The Board continues its strong support and belief in **nbn**'s pursuit of the current strategy and has every confidence in the CEO, Bill Morrow, his executive team and the men and women of **nbn** and their commitment, willingness and ability to deliver on the goal of 8 million connected homes and businesses by 2020.

Yours sincerely,



**Mr Justin Milne**  
Chair, People and Remuneration Committee

10 August 2017

Remuneration report *(continued)*

## Key management personnel (KMP)

This report covers nbn's KMP who have authority and responsibility for planning, directing and controlling the activities of the Company directly and indirectly throughout the year. This includes Non-Executive Directors of the Company and Senior Executives, as outlined in the table below for the year ended 30 June 2017.

The titles for the senior executives below reflect the new organisational structure and revised responsibilities.

Name	Title	2016-17 Status	KMP Status
<b>Current Directors</b>			
Mr Patrick Flannigan	Non-Executive Director	Full year	Current
Ms Shirley In't Veld	Non-Executive Director	Full year	Current
Mr Michael Malone	Non-Executive Director	Full year	Current
Mr Justin Milne	Non-Executive Director	Full year	Current
Dr Kerry Schott AO	Non-Executive Director	Full year	Current
Dr Ziggy Switkowski AO	Non-Executive Chairman	Full year	Current
<b>Current Senior Executives</b>			
Mr Bill Morrow	Chief Executive Officer (CEO)	Full year	Current
Mr JB Rousselot	Chief Strategy Officer (CSO)	Full year	Current
Mr Stephen Rue	Chief Financial Officer (CFO)	Full year	Current
Mr Peter Ryan	Chief Network Engineering Officer (CNEO)	Full year	Current
Mr John Simon	Chief Customer Officer - Business (CCOB)	Full year	Current
Mr Brad Whitcomb	Chief Customer Officer - Residential (CCOR)	Full year	Current

Ms Kathrine Dyer was appointed as Chief Network Deployment Officer effective 1 July 2017 and became a member of the KMP from this date.

## Non-Executive Director fees

All Non-Executive Directors of **nbn** 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** is regulated to comply with the Tribunal's determinations and plays no role in the consideration or determination of Non-Executive Director fees.

The Tribunal sets annual Chair, Deputy Chair and Board fees (exclusive of statutory

superannuation contributions) which are inclusive of all activities undertaken by Non-Executive Directors on behalf of **nbn** (i.e. inclusive of Committee participation). Fee packaging may be made available to Non-Executive Directors within the fees specified. 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 FY2017 and FY2016.

There was no Deputy Chair appointed to **nbn**'s Board for FY2017 and FY2016.

Board position	2016-17 annual entitlement	2015-16 annual entitlement	
	(from 1 July 2016)	(from 1 January 2016)	(from 1 July 2015)
Chair	\$213,830	\$213,830	\$209,630
Deputy Chair	\$172,150	\$172,150	\$168,770
Non-Executive Directors	\$106,960	\$106,960	\$104,860

Remuneration report *(continued)*

## Remuneration and talent governance at nbn

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 that:

- Enable nbn 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™ network consistent with nbn's Corporate Plan; and
- Responsibly reward employees, having regard to the performance of nbn, individual performance, statutory and regulatory requirements and current business norms.

The diagram below shows how Senior Executive remuneration decisions are determined at nbn.



### 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 FY2017, nbn received external advice in relation to remuneration from Ernst & Young (EY). The advice included market practice and remuneration information used as input to the annual review of Senior Executive remuneration, 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*.

## Strategic imperatives and remuneration strategy

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

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

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

Remuneration report *(continued)*

The following diagram outlines the link between nbn's Company strategy and remuneration for Senior Executives.

## nbn's goal by 2020

8 million homes and businesses connected by 2020

### Achieved by focusing on nbn's strategic imperatives



**A high - performing and reliable network**



**Effective and efficient processes and systems**



**United partnership with vendors, Delivery Partners and Retail Service Providers**



**Affordable products and services**



**A great place to work**

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

#### Ready for Service

A rollout region is ready for service when nbn is ready to begin connecting premises in that rollout region to the nbn™ network

#### Premises Activated

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

#### Customer Engagement Metric

Measures customer satisfaction through surveys to Retail Service Providers

#### Total Revenue

Measures revenue earned in the year

#### Scaling the Business

Measures nbn's overall achievement against the FY2017 targets as well as an assessment of its preparedness for the even more significant ramp in scale required in FY2018

### ...and nbn's actual performance

#### Ready for Service

Exceeded target performance and achieved 5,713,350 premises ready for service

#### Premises Activated

Exceeded target performance and activated 2,443,133 premises

#### Customer Engagement Metric

Did not meet target and achieved 7.1 overall

#### Total Revenue

Exceeded target and achieved \$1.0 billion

#### Scaling the Business

Exceeded targets against key initiatives underpinning nbn's ability to scale

### ...directly impacts Senior Executive remuneration

#### Total Fixed Remuneration

Fixed pay increases aligned to market practice with smaller increases for FY2017

#### CEO STI Outcome

108% target

#### Average Senior Executive STI Outcome

108% target

## Senior Executive remuneration

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

### Remuneration benchmarking

**nbn** aims to position target total remuneration competitively against comparable organisations. Independent remuneration advisors directly benchmark Senior Executive roles to comparable roles in the market. External market benchmarks are determined by researching disclosed data from relevant Australian listed companies and Government Business Enterprises, supplemented by survey data where necessary. Target total remuneration for each Senior Executive role is informed by the benchmark data and internal relativities.

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

### Remuneration mix

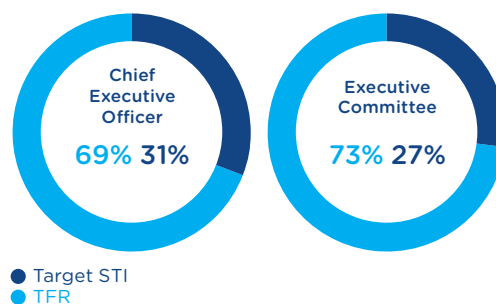
A portion of Senior Executive remuneration is 'at risk' to ensure alignment with **nbn**'s strategic objectives. Senior Executives are only rewarded for delivering performance aligned to **nbn**'s strategy.

The target STI opportunity for Senior Executives during FY2017 was 37.5 per cent of the participant's TFR. The Target STI opportunity for the CEO was 45 per cent of TFR.

As 'at risk' remuneration is tied to the achievement of **nbn** and individual performance conditions, actual remuneration received may vary from the target remuneration set out above.

Further detail on actual performance outcomes for FY2017 has been provided in the STI program section on pages 69 and 70.

Chief Executive Officer and Executive Committee remuneration is illustrated in the graphs below. These show the Total Fixed Remuneration and target STI components as a percentage of the total target remuneration for the FY2017 year.



### Total fixed remuneration

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

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

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

### Short-Term Incentive program

**nbn**'s STI program provides all Senior Executives the opportunity to receive 'at risk' remuneration based first on **nbn**'s performance and then on individual performance during the performance year. The STI program is designed to:

- Reward Senior Executives who contribute to **nbn**'s success during the performance year;
- Ensure a portion of total remuneration is linked to the achievement of corporate performance; and

## Remuneration report *(continued)*

- Through its STI funding approach, provides **nbn** with the flexibility to manage the overall cost of the program in line with the achievement of corporate performance outcomes.

One quarter of any STI awarded to Senior Executives is deferred for a period of two years. Deferred amounts are not subject to performance hurdles but are subject to clawback conditions and may be released early at the discretion of the P&RC. Clawback provisions are in place to 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. The P&RC agreed that no deferral will apply for the CEO's actual STI award for FY2017.

**nbn** 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**'s business strategy.

### Role of the People and Remuneration Committee

Each year, the P&RC determines the performance measures and objectives of the STI program, participant eligibility, performance outcomes and the STI award pool, application of clawback provisions

to previous awards (where relevant) and any changes or adjustments needed to continually improve the plan.

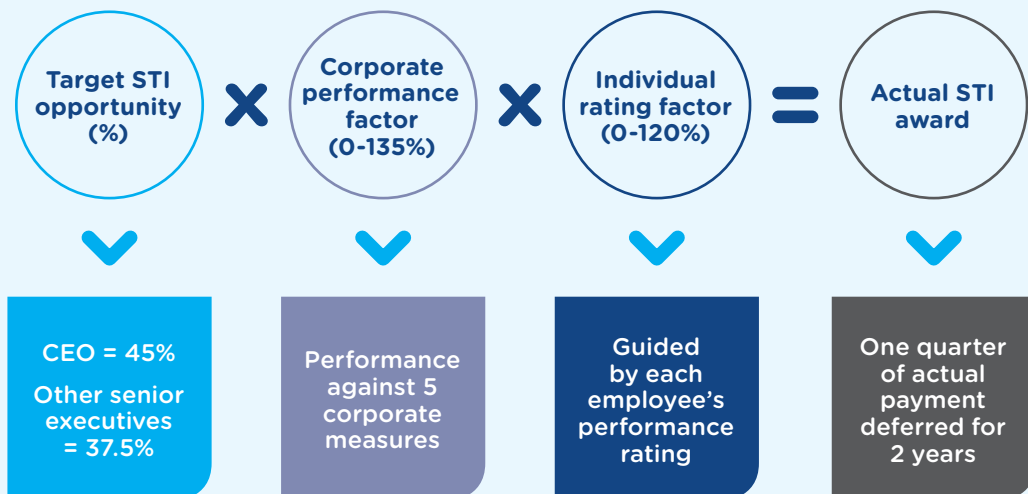
The P&RC retains discretion under the program rules to adjust STI payments in light of unforeseen circumstances or unintended outcomes.

### Funding approach

**nbn**'s performance determines the size of the target STI pool for the applicable year. The P&RC can eliminate the entire target STI pool if it determines that **nbn** has not met a gateway measure. In such circumstances, the P&RC retains the discretion to recognise exceptional contributions from individuals and can form a STI pool of up to 20 per cent of the entire target STI pool. The P&RC determines the gateway measure at the start of the performance period. For FY2017, **nbn**'s safety record and performance to budget were the performance gateway measures. The operating and financial review section provides details on **nbn**'s financial performance and non-financial performance for FY2017.

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

## nbn's Senior Executive Short-Term Incentive (STI) program





award pool is the maximum cost of the STI program for that year, thus limiting **nbn**'s aggregate cost.

### STI performance measures

**nbn**'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 and considered stretch targets against the measures in the Corporate Plan and outlined in the diagram on page 68.

For FY2017, **nbn**'s performance was assessed against five corporate measures that included:

- Ready for service;
- Premises activated;
- Customer engagement metric;
- Total revenue; and
- Scaling the business.

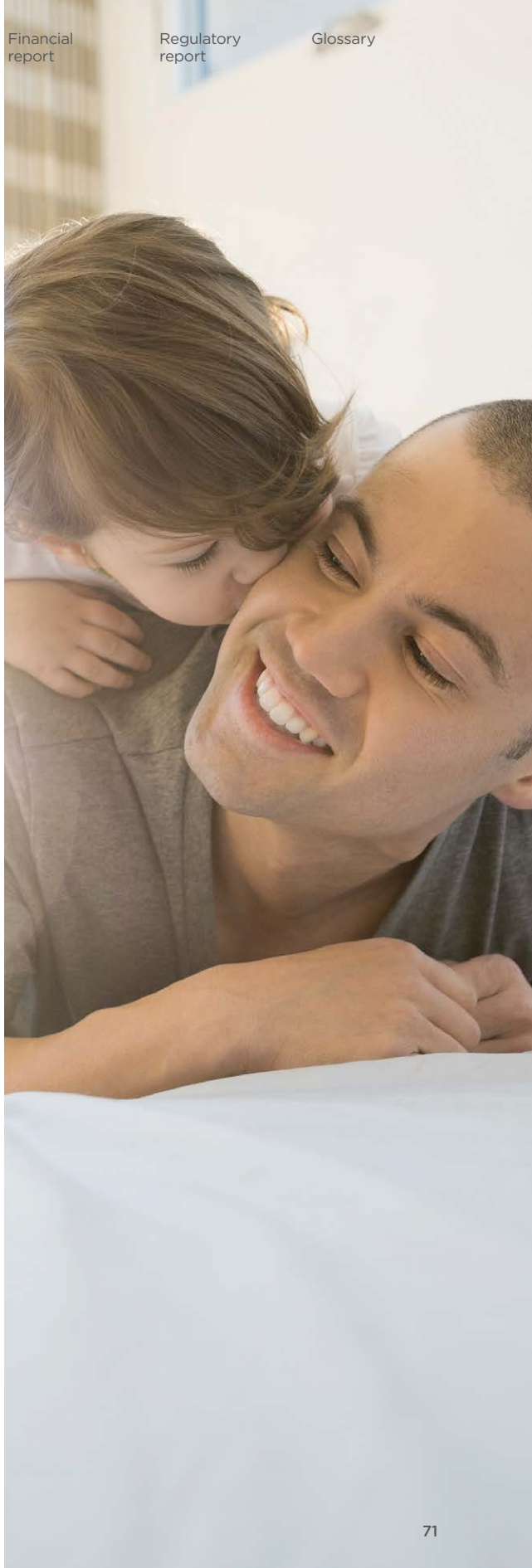
### Performance outcomes for FY2017

For FY2017, the Board was satisfied the overall financial and safety performance gateway measure for the Company was met. **nbn**'s overall financial performance and safety performance are discussed on pages 34 to 39 and 28 to 31, respectively.

**nbn** had a strong performance year, exceeding four of the targets set against five corporate measures linked to the STI Program.

As a result of this achievement, the Board on 25 July 2017 awarded an STI award pool that was greater than the target pool. For FY2017, this equated to 108 per cent of each Senior Executive's target STI opportunity and 67 per cent of each Senior Executive's maximum STI opportunity.

The list of KMP during FY2017 disclosed in this report is shown on page 64 and a summary of remuneration received during the financial year is shown on pages 73 to 74.



## Remuneration report *(continued)*

### Employment agreements and termination arrangement

All Senior Executives are permanent employees of **nbn**. Remuneration and other terms of employment for all Senior Executives are formalised in employment agreements, which are subject to law and include termination arrangements. For the CEO, the notice for termination that must be provided by either **nbn** or the CEO is six months. The CEO is entitled to a termination payment of twelve months' TFR, where the CEO is terminated by **nbn**.

For Senior Executives, the standard notice for termination that must be provided by either **nbn** or the Senior Executive is three months. Where a Senior Executive is terminated by **nbn**, he/she is entitled to a termination payment ranging from three months' to six months' TFR. Termination payments are determined by policy and the contractual entitlements in place for employees ceasing employment with **nbn**.

### 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.

## Transactions with Related Parties

During the year **nbn** executed an agreement with NetComm Wireless Ltd, for the supply of Distribution Point Units (DPUs) in the FTTC network. Mr Justin Milne is the Chairman of NetComm Wireless Ltd. Mr Milne recused himself from the Board meeting for the period of time whereby the Directors approved the award of the contract.

No other transactions (subject to some exceptions for immaterial or routine standard term transactions) were undertaken involving Directors or Senior Executives, their close family members or entities they control or have significant influence over.

## Equity movements

In FY2017, there were no holdings in rights, options and other equity instruments of **nbn** by Directors or Senior Executives, their close family members or entities they control or over which they have a significant influence.

## Remuneration of Key Management Personnel

There were no changes in Key Management Personnel during the year.

Remuneration for Non-Executive Directors for FY2017 and FY2016 is shown in the table below:

	Note	Short-term benefits	Post-employment	Total remuneration
		Director fees \$	Superannuation contributions \$	\$
<b>Non-Executive Directors</b>				
P Flannigan	2016	105,910	10,061	115,971
	<b>2017</b>	<b>106,960</b>	<b>10,161</b>	<b>117,121</b>
S In't Veld	2016 1	61,838	5,875	67,713
	<b>2017</b>	<b>106,960</b>	<b>10,161</b>	<b>117,121</b>
M Malone	2016 2	21,222	1,609	22,831
	<b>2017</b>	<b>106,960</b>	<b>10,161</b>	<b>117,121</b>
J Milne	2016	105,910	10,061	115,971
	<b>2017</b>	<b>106,960</b>	<b>10,161</b>	<b>117,121</b>
K Schott AO	2016	105,910	10,061	115,971
	<b>2017</b>	<b>106,960</b>	<b>10,161</b>	<b>117,121</b>
Z Switkowski AO	2016	211,730	19,308	231,038
	<b>2017</b>	<b>213,830</b>	<b>19,615</b>	<b>233,445</b>
S Hackett	2016 3	85,112	8,086	93,198
	<b>2017</b>	-	-	-
A Lansley	2016 4	45,211	4,295	49,506
	<b>2017</b>	-	-	-
<b>Total</b>	2016	742,843	69,356	812,199
	<b>2017</b>	<b>748,630</b>	<b>70,420</b>	<b>819,050</b>

Notes:

<sup>1</sup> Ms S In't Veld was appointed as a Director on 2 December 2015.

<sup>2</sup> Mr M Malone was appointed as a Director on 20 April 2016.

<sup>3</sup> Mr S Hackett retired as a Director on 20 April 2016.

<sup>4</sup> Ms A Lansley's term ended as a Director on 6 December 2015.

## Remuneration report (continued)

Remuneration for Senior Executives for FY2017 and FY2016 is shown in the table below:

		Note	Short-term benefits		Post-employment	Other long-term benefits		Termination	Total
			Base salary and fees <sup>(1)</sup>	STI/Bonuses <sup>(2)</sup>	Super-annuation contributions	STI deferral <sup>(2)</sup>	Long service leave <sup>(3)</sup>	benefits <sup>(4)</sup>	remuneration
			\$	\$	\$	\$	\$	\$	\$
<b>Senior Executives</b>									
W Morrow	2016	5	2,315,192	1,242,000	19,308	-	22,726	-	3,599,226
	2017	5	2,361,584	1,157,300	19,615	-	24,310	-	3,562,809
JB Rousselot	2016		836,109	251,100	19,308	125,600	9,997	-	1,242,114
	2017		879,984	273,225	19,615	91,075	9,985	-	1,273,884
S Rue	2016		919,092	270,500	19,308	135,200	2,822	-	1,346,922
	2017		937,584	290,775	19,615	96,925	7,883	-	1,352,782
P Ryan	2016	6	487,314	143,700	13,823	71,800	6,094	-	722,731
	2017		694,384	216,900	19,615	72,300	13,234	-	1,016,433
J Simon	2016		750,692	273,100	19,308	136,500	21,032	-	1,200,632
	2017		824,784	256,500	19,615	85,500	19,525	-	1,205,924
B Whitcomb	2016		796,692	235,100	19,308	117,600	7,639	-	1,176,339
	2017		812,684	252,825	19,615	84,275	8,568	-	1,177,967
G Adcock	2016	7	317,610	-	5,558	-	-	1,517,765	1,840,933
	2017		-	-	-	-	-	-	-
<b>Total</b>	2016		6,422,701	2,415,500	115,921	586,700	70,310	1,517,765	11,128,897
	2017		6,511,004	2,447,525	117,690	430,075	83,505	-	9,589,799
<b>Total KMP</b>	2016		7,165,544	2,415,500	185,277	586,700	70,310	1,517,765	11,941,096
	2017		7,259,634	2,447,525	188,110	430,075	83,505	-	10,408,849

## Notes:

- Base salary includes KMP's accrued annual leave entitlements and any allowances paid in cash.
- The cash component of bonuses paid or to be paid in August 2016 and August 2017 as it relates to FY2016 and FY2017 performance, respectively. One-third of the STI bonus relating to FY2016 performance (grant date 1 July 2016) and one-quarter of the STI bonus relating to FY2017 performance (grant date 25 July 2017) are deferred for a period of two years. Deferred STI payments are not discounted.
- 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.
- Termination benefits include payment of statutory benefits for long service leave and annual leave, which have previously been accrued.
- Mr W Morrow is CEO and Managing Director of nbn. The P&RC agreed that no deferral will apply for the CEO's actual STI award for FY2016 and FY2017.
- Mr P Ryan was appointed as KMP on 14 October 2015.
- Mr G Adcock concluded to be a KMP on 14 October 2015 and concluded employment on 15 January 2016. Base salary in the table above reflects pay until 14 October 2015 and salary received from 15 October 2015 to 15 January 2016 has been included as part of Mr. G Adcock's termination benefit. A total of \$113,380.15 was paid for annual leave entitlements on termination.

# Corporate governance statement

## Corporate structure and governing legislation

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

This statement, which was approved by the Board on 10 August 2017, outlines the most significant aspects of **nbn**'s corporate governance framework.

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

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

- *National Broadband Network Companies Act 2011*;
- *PGPA Act and Public Governance, Performance and Accountability Rule 2014 (PGPA Rule 2014)*;
- *Corporations Act 2001*;
- *Telecommunications Act 1997*;
- *Competition and Consumer Act 2010*;
- *Commonwealth Government Business Enterprise Governance and Oversight Guidelines (August 2015)* (GBE guidelines);
- Other resource management guides issued by the Department of Finance that are applicable to **nbn**; and
- **nbn's** voluntary adoption of those ASX Corporate Governance Principles and Recommendations (the 3rd Edition) which are relevant to **nbn**.

## Corporate governance statement (continued)

## 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'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's** Code of Conduct, policies and procedures; and
- 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** Board

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

The Board regards **nbn** 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**. The best interests of **nbn** are defined by reference to the objectives and purposes of **nbn**, Australian Government broadband policy and the GBE guidelines.

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

The Board's key responsibilities are:

- Establishing and overseeing a sound corporate governance framework;
- Approving **nbn's** strategic direction;
- Engaging with its Shareholder Ministers on Australian Government policy requirements;
- Annually causing a Corporate Plan to be prepared and submitted to Government;
- Supervising management in the implementation of **nbn's** strategic direction, the Corporate Plan and compliance with legal and regulatory obligations;
- Taking the necessary steps to ensure compliance with duties and obligations imposed on the Board and **nbn** by law, and by **nbn'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** including (but not limited to):
  - developing, promoting and ensuring compliance with **nbn's** values and governance framework
  - reporting on and investigating reports of unethical practice within **nbn**
  - 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's** compliance with **nbn's** internal and external audit requirements, including overseeing the implementation of all audits

- monitoring the operation of each subsidiary of **nbn** and, when necessary, exercising the voting power attaching to **nbn**'s shares in the subsidiary
- either approving or noting (where appropriate) and then monitoring those policies which bind **nbn**'s employees, Directors or, (where specifically provided for in a relevant policy) third parties dealing with **nbn**;
- Ensuring **nbn** 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; and
- 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** (approved by the Board) and the additional responsibilities set out in rule 12.2 of **nbn**'s Constitution. The CEO has delegated some of his powers to the members of **nbn**'s Executive Committee; and
- Established standing committees to streamline the discharge of its responsibilities.

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

Rule 8.1.1 of **nbn**'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** holds an annual strategic planning meeting attended by Directors and key executives. **nbn**'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**'s 2017 strategic planning meeting will be held in the second half of the 2017 calendar year.

## **nbn**'s Executive Committee (ExCo)

ExCo comprises the CEO and Executives. Further details about ExCo are available on pages 54 to 59.

## 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**'s expectations of the Director.

Rule 5.5.1 of **nbn**'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**'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**:

- appoint a person to be an additional or replacement Director; and
- 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**'s Constitution states the Chairman must be appointed by the Commonwealth from amongst the Directors. In accordance with section 2.7(b) of the GBE guidelines, the current Chairman is not an **nbn** executive.

## Performance of the Board

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

Annual reviews of the performance of the whole of Board, Board Committees and individual Directors (including the Chairman) have been undertaken each year from 2011 to 2017.

The 2017 review was undertaken by way of a survey of the Directors of the Board and the members of **nbn**'s Executive Committee. The Chairman will provide a report on the outcomes of the 2017 review to **nbn**'s Shareholder Ministers. The report will inform the Board's continuous improvement process.

## Corporate governance statement (continued)

## Performance of the Senior Executives

The performance of nbn's Senior Executives is reviewed annually by the People and Remuneration Committee. The outcomes of the FY2017 performance evaluations and information about nbn's remuneration framework and policies for the Senior Executives are set out in the Remuneration report on pages 62 to 74.

## Company Secretaries

In accordance with rule 5.9.1 of nbn'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 52.

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

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

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

## Diversity and Inclusion at nbn

At nbn we believe there is strength in diversity and opportunity through inclusion. We want to continue to create a diverse and inclusive workplace that accepts, respects and leverages differences.

nbn is committed to creating:

- A Diverse Workforce;
- An Inclusive Workplace; and
- An Engaged Community.

## Diversity and Inclusion at nbn



### Diverse workforce

- Develop strategies to encourage **diverse representation** in leadership positions
- Improve **pipeline** of under represented groups

### Inclusive workplace

- Transparent **reporting** of diversity metrics and targets
- Embed **inclusive leadership** behaviours within our culture
- **Educate** leaders and employees to minimise bias
- Apply diversity principles to all **policies and processes**
- Provide **support networks and resources** to leaders and employees
- Raise **awareness** through celebration of diversity **events**
- **Role model** and active promotion by senior leaders

### Engaged community

- Select and maintain **partners** who share our diversity objectives
- Apply diversity principles to all **external communications**
- Demonstrate **thought leadership** in Australian business context

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



During FY2017, **nbn**'s diversity objectives have been focused on:

- Gender: Success through gender balance**  
To increase the participation of women in the workforce with a specific focus on female representation at senior management level. To build an external profile as an employer of choice for women.
- Culture and identity: Valuing our differences**  
To celebrate, engage and embrace the cultures and identities across our business.
- Aboriginal and Torres Strait Islanders: Building Community Connections**  
To incorporate the recognition and respect of Aboriginal and Torres Strait Islander people and culture into the way we do business and to ensure that the **nbn**<sup>TM</sup> network makes a positive contribution to their lives and communities.
- Disability: Providing Accessibility for All**  
Create an inclusive workplace with the resources and support to enable employees with disabilities to contribute at their best. Ensure that the minds, bodies and relationships of all employees are at their best.

**nbn**'s ExCo has overall accountability for the Diversity and Inclusion strategy, policy and underpinning initiatives, with a select number of ExCo members taking internal and external sponsorship roles for the key focus areas.

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

### Gender

Increasing the overall percentage of female representation in management levels has been a key focus for **nbn** for FY2017. Specific activities were integrated and embedded into our core Scaling, Leadership and Great Place to Work programs.

## Gender diversity plan

### Creating championship teams

We believe there is strength in diversity through inclusion.



## Corporate governance statement *(continued)*

These initiatives included:

- Setting lead and lag measures and embedding these in **nbn**'s people processes and systems;
- Ensuring female representation on shortlists, interview panels and participation in leadership programs;
- Targeted programs for all employees on unconscious bias and for leaders on leading an inclusive workforce;
- Continuing the Women's Development Network to provide central support, career development, networking and engagement for women;
- Launching a targeted female coaching program for identified top talent in FY2017;
- Continuing to proactively manage the development of high potential female talent across the business;
- Zero tolerance for disrespect;
- Refreshing our policies to support greater workforce participation of women including

our Diversity and Inclusion policy, Flexibility policy and Parental Leave policy; and

- Continuing a comprehensive gender pay equity analysis on starting salaries and throughout the annual remuneration review process.

Through the implementation and ongoing measurement of the above initiatives, our overall female representation is 32 per cent at 30 June 2017 (1,904 employees). In addition, the female engagement score reached parity with males at 70 per cent in the most recent employee survey. A further breakdown of **nbn**'s female representation at the management levels of the organisation has been provided in the table below.

Role*	Number	Percentage
Non Executive Directors	2	33%
Executive Committee	1	11%
Senior Management	97	28%
Middle Management	336	27%
Total Women in Management*	434	27%

\*As at 30 June 2017

### **Objectives and Targets for Female Representation**

To accelerate the representation of women in management levels, **nbn** is committed to increasing representation of women at management levels to 33 per cent by FY2020.

Measure	Objective	Target for FY2020
Female representation in management*	Increase representation of women in management roles	Increase representation to 33%
Employee Engagement	Maintain the engagement of women to equal to, or greater than, that of <b>nbn</b> -wide engagement	Equal engagement of males and females
Female representation in graduate intake	Increase female representation in graduate intake	Increase to 50% representation

\*Including Executive, Senior and Middle Management, excluding Board.

### **Aboriginal and Torres Strait Islanders: Building Community Connections**

**nbn** formed a Reconciliation Action Plan (RAP) working group, comprised of a diverse selection of **nbn** employees, including employees of Aboriginal and Torres Strait Islander (ATSI) descent. **nbn** will be delivering on its Indigenous strategy through a Reconciliation Australia endorsed RAP for calendar years 2017-2018. This is the second RAP **nbn** has produced with Reconciliation

Australia's endorsement focussing on ATSI representation in our internal workforce and external partners and was launched in early FY2017.

### **Culture and Identity and Disability**

The other Diversity and Inclusion pillars; Culture and Identity and Disability; have included a range of activities in FY2017 including establishing our **nbn** Pride network, taking part in the Australian Workplace

Equality Index and forming partnerships with the National Disability Recruitment Co-ordinator to increase the accessibility of our workplace for all.

## Principle: Structure the Board to add value

*(based on ASX Principle 2)*

### The Board

Pursuant to Rule 5.4.1 of **nbn**'s Constitution, the Board is to comprise a minimum of three and a maximum of nine Directors. The Board currently comprises six 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 Executive Chairman of **nbn** effective 3 October 2013 who reverted to the role of Non-Executive Chairman from 2 April 2014 following the appointment of Mr Bill Morrow as CEO;
- Mr Patrick Flannigan, appointed Non-Executive Director effective 11 November 2013;
- Ms Shirley In't Veld, appointed Non-Executive Director effective 2 December 2015;
- Mr Michael Malone, appointed Non-Executive Director effective 20 April 2016;

- Mr Justin Milne, appointed Non-Executive Director effective 11 November 2013;
- Mr Bill Morrow, appointed Managing Director and CEO effective 2 April 2014; and
- Dr Kerry Schott AO, appointed Non-Executive Director effective 28 September 2012.

All of the above named Directors were in office for the full period from 1 July 2016 to 30 June 2017.

Full details of current Directors including names, appointment dates, term expiration dates, qualifications, experience and remuneration are included in the Directors' report on pages 48 to 51 and Remuneration report on page 73.

### 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**'s Board portal.

Key **nbn** executives are invited to participate in Board meetings.

The Board met 10 times during the period from 1 July 2016 to 30 June 2017. Directors' attendances are set out on page 53.

## **nbn**'s governance framework

# Board of Directors

Audit and Risk  
Committee



Nominations  
Committee



People and  
Remuneration  
Committee



## Corporate governance statement *(continued)*

### Standing Committees – an overview

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

#### Audit and Risk Committee

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

- satisfying itself that **nbn** 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; and
- providing a forum for communication between the Board, senior management of **nbn**, and the internal and external auditors of **nbn**. In particular, the Committee supervises: the preparation of periodic financial statements of **nbn** 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**'s risk management system; a plan setting out procedures and strategies for the effective prevention, detection and management of fraud 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, and the Fraud Risk and Investigations Strategy; significant changes in accounting policies; the maintenance of effective and efficient internal and external audit processes; the approach followed in establishing **nbn**'s business continuity planning arrangements; the steps management takes to embed a culture that promotes the proper use of Commonwealth resources and its commitment to ethical and lawful behaviour; Auditor independence and performance; and compliance with laws and regulations by **nbn**.

Subject always to the PGPA Act and PGPA Rule the Committee is appointed by the Board, and is to consist of at least three members, the majority of whom 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** 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 2017, the Committee comprised:

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

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

Refer to pages 48 to 51 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 2016 to 30 June 2017 are set out in the Directors' report on page 53.

In accordance with Section 4.5 (d) of its Charter, the Committee met separately with **nbn**'s external auditors during the period from 1 July 2016 to 30 June 2017.

## 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**'s Executive Committee, and evaluating the performance of the Board, its Committees and Directors.

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

As at 30 June 2017 the Committee comprised:

- Dr Ziggy Switkowski AO (Chairman and Chair);
- Mr Patrick Flannigan;
- Ms Shirley In't Veld;
- Mr Michael Malone;
- Mr Justin Milne;
- Mr Bill Morrow; and
- Dr Kerry Schott AO.

All Committee members were appointed effective 24 March 2015 with the exception of Ms In't Veld and Mr Malone who were appointed effective 1 January 2016 and 20 April 2016 respectively.

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 2016 to 30 June 2017 are set out in the Directors' report on page 53.

## 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** that enable **nbn** through its executive leadership to attract and retain capable employees who can help deliver its vision; foster exceptional talent and performance while motivating and supporting employees to pursue the growth and success of the **nbn**<sup>TM</sup> network consistent with **nbn**'s Corporate Plan; and responsibly reward employees, having regard to the performance of **nbn**, individual performance, statutory and regulatory requirements, and current business norms.

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

The Chairman, Dr Ziggy Switkowski AO chaired the Committee during the period from 1 July 2016 to 25 July 2016 following which Mr Justin Milne, Non-Executive Director was appointed Chair of the Committee by the Board effective 26 July 2016.

As at 30 June 2017 the Committee comprised:

- Mr Justin Milne (Chair appointed effective 26 July 2016);
- Mr Patrick Flannigan (appointed effective 7 February 2014); and
- Mr Michael Malone (appointed effective 26 July 2016).

Dr Ziggy Switkowski AO continues to attend Committee meetings ex officio. Mr Bill Morrow also 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 2016 to 30 June 2017 are set out in the Directors' report on page 53.

## Corporate governance statement *(continued)*

### Standing Committees – in general

Committee members are appointed by the Board for a term that coincides with the member's term of appointment as a Director or any lesser period that coincides with the termination of the Committee. 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's** Board portal.

Key **nbn** 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'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** executives. Committee members receive Committee reports in advance of each meeting via **nbn's** Board portal.

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

### Board skills

The Board seeks to ensure it has an appropriate mix of skills, experience and diversity to enable it to effectively discharge its responsibilities. This is supported through one of the Board's standing committees, the Nominations Committee, which undertakes an annual review of Directors' skills and experience in the form of a skills matrix, and a review of the composition of the Board which is reported upon annually to the Shareholder Ministers in the form of an annual Board Plan. The most recent review of the Directors' skills matrix was undertaken by the Nominations Committee on 20 June 2017. Further, each Director's skills, experience and performance as a member of the Board is considered as part of **nbn's** annual Board performance review.

### Collectively the Board's high level of skills and expertise are in the following areas:

- Strategy;
- Executive leadership;
- Major projects or construction;
- Information technology;
- Network technology;
- Financial or commerce or accounting;
- Risk management, compliance and regulatory;
- Human resources or workplace relations;
- Health, safety and environment;
- Marketing;
- Legal or regulatory;
- Government relations;
- Policy setting;
- Governance;
- Board dynamics;
- Issues management;
- Ethics and integrity; and
- Negotiation.

## 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**'s Nominations Committee and subsequently 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** has a Director's Conflicts of Interest Policy.

## Independent advisors

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

- Has access to:
  - any information in the possession of **nbn**
  - any information relating to **nbn** subsidiaries
  - management to seek explanations and information in relation to **nbn** and its subsidiaries, and to **nbn**'s auditors (both internal and external) to seek explanations and information from them in relation to the management of **nbn**;
- With the prior written consent of the Chairman, may seek any independent professional advice in accordance with **nbn**'s Funding Director Access to Independent Advice Policy; and
- May seek any advice or services to be provided to **nbn** by third party advisers in accordance with applicable **nbn** policies and procedures, as amended from time to time.

## Induction

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

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

Ongoing education for Directors is delivered through individual briefings, presentations made by key **nbn** executives, and Directors visiting some of **nbn**'s operational locations.

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

## Corporate governance statement (continued)

## Principle: Act ethically and responsibly

(based on ASX Principle 3)

### Directors' shareholding interests

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

### Code of Conduct of the Board

**nbn** 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 judgement to bear on matters before the Board; will consider the reasonable expectations of **nbn**'s stakeholders (including the Shareholder Ministers, and through them the Commonwealth and the Parliament, **nbn** employees, its customers and its suppliers, and, where applicable, given the scale of the project, the broader community); will 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** Code of Conduct to ensure any systemic issues are adequately addressed. **nbn**'s Directors' Code of Conduct is contained within the Board Charter.

**nbn** 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**'s values and the principle of respect. A copy of the Code of Conduct, in addition to other key **nbn** policies, including **nbn**'s Whistleblower Policy, can be found on **nbn**'s website.

### Privacy

**nbn** has a Privacy Policy which is based on the Australian Privacy Principles that came into force on 12 March 2014 and is designed to inform individuals who interact with **nbn** how their personal information may be collected, used or disclosed by **nbn**. **nbn** also employs a Privacy Officer and has a cross functional privacy program. **nbn** is committed to compliance with privacy law in order to safeguard the personal information of individuals and to foster a corporate culture that values privacy.

### Security Group

**nbn** has adopted a holistic security framework, aligning its overall security compliance with Australian Government security requirements and telecommunications regulatory obligations. The multi-disciplinary **nbn** Security group, supported by investment in cyber security and independent security reviews, provides a balanced security team committed to protecting **nbn**'s reputation, people, assets and information.

### Competition law

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

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



## Whistleblower

**nbn** has an established formal Whistleblower Policy (available on **nbn**'s website), which, amongst other things, meets the requirements of the *Public Interest Disclosure Act*. The policy was created to promote and maintain an open working environment in which Directors, employees and other **nbn** 'public officials' are able to raise genuine concerns regarding actual, unethical, unlawful or undesirable conduct, without fear of reprisal and with the support and protection of **nbn**.

## Value for money

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

**nbn** has developed and maintained Procurement Rules (comprising Procurement Policy and Procurement Guidelines) containing processes for demand planning, sourcing and engaging suppliers, and implementing and managing supplier contracts to achieve value for money on a whole-of-life basis and also satisfies conditions of the SAU, as accepted by the ACCC on 13 December 2013.

**nbn**'s procurement policies are mandatory so that all expenditure should comply with the Procurement Rules and be executed in accordance with **nbn**'s Delegation of Authority Policy and agreed principles, ethics and audit requirements.

Ethical behaviour encompasses the concepts of honesty, integrity, probity, diligence, fairness, trust, respect and consistency. Ethical behaviour also includes avoiding conflicts of interest and not making improper use of an individual's position. Ethical behaviour is critical in **nbn**'s procurement.

## **nbn**'s approach in achieving value for money in procurement is through specific guiding principles which encompass:

**Encouraging competition** – Drive supplier performance through an effective competitive framework, so that all suppliers have an opportunity to compete based on their commercial, technical and financial capabilities. Allow supplier models to encourage competition over the long-term.

**Commerciality** – Select a procurement process that is efficient and most appropriate to the expenditure profile and target objectives for **nbn** and suppliers. Evaluate supplier proposals against applicable evaluation criteria, assessing all relevant costs, benefits and risks on a whole of life basis (best value for money, using total cost of ownership).

**Risk management** – Manage risks associated with procurement activity by applying a robust risk management framework to internal decision making and external suppliers.

**Accountability and transparency** – Procurement activities and transactions are open and transparent, and undertaken in an ethical manner, avoiding potential conflicts of interest and auditable as required.

**Coverage** – Leading procurement practices are applied to capital and operating expenditure and all external supplier expenditure.

**Design efficiency** – Ensuring that the equipment procured by **nbn** is designed in a manner which meets both business and cost objectives of **nbn** over the intended service life of the equipment.

**Sustainability** – **nbn** aims to achieve value for money on a whole-of-life basis generating benefits not only for **nbn**, but also to society and the economy whilst minimising environmental impact. **nbn** seeks to engage suppliers who are committed to diversity in their supply chain and who share the **nbn** commitment to Sustainable Procurement principles.

## Corporate governance statement *(continued)*

### Our environment

**nbn** aims to build a network that can be operated and used in a way that lowers environmental impact. Through the implementation of its Health, Safety and Environment Management System, **nbn** is committed to adopting ecologically sustainable development principles. **nbn** is also committed to reducing its energy, greenhouse gas emissions, water and natural resource consumption and waste; preventing pollution; seeking and respecting the views of our stakeholders and community consultation.

## Principle: Safeguard integrity in corporate reporting

*(based on ASX Principle 4)*

The Audit and Risk Committee assists the Board in:

- Satisfying itself that **nbn** 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; and
- Providing a forum for communication between the Board, senior management of **nbn**, and the internal and external auditors of **nbn**. Refer to page 82 for more information on **nbn**'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; and
- Effectiveness and efficiency of operations and information technology systems.

Internal controls have been implemented to identify, evaluate and manage significant risks to the achievement of **nbn**'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.

**nbn** formally adopted and implemented the Integrated Assurance Framework which links enterprise level risks to controls and assurance activities.

### Internal audit

Internal Audit is a key component of **nbn**'s governance framework. It provides independent and objective assurance and consulting activities designed to add value and improve **nbn**'s operations.

The Internal Audit function is independent, with **nbn**'s Chief Audit Executive, the General Manager – Group Internal Audit, Fraud and Risk 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** operates a co-sourced internal audit model. Following a competitive tender process, Ernst & Young was appointed as principal co-sourced provider on 1 January 2016 for a period of three years. Other providers are used on an as-needed basis.

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

## External audit

Under Section 98 of the PGPA Act, the Auditor-General is responsible for auditing the financial statements of Commonwealth companies. In addition, **nbn**'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** 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; and
- Review fees paid by **nbn** 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 (the 'Fraud Rule'), Fraud Policy and Fraud Guidance, outlines the Government's requirements for fraud control, including that Government entities put in place a comprehensive fraud control program that covers prevention, detection, investigation and reporting strategies. **nbn** has voluntarily adopted these requirements where appropriate. In addition, **nbn** 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** is committed to applying and adhering to these standards and as such, has a zero tolerance approach to fraudulent and/or corrupt behaviour.

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

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

Prior to the approval of the annual 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**'s operations and its financial position. The letter also includes representation to the Board in respect of the adequacy and effectiveness of **nbn**'s risk management, internal compliance and control systems.

Based on the evaluation performed as at 30 June 2017, 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.

## Corporate governance statement (continued)

## Principle: Make timely and balanced disclosure

(based on ASX Principle 5)

### Continuous disclosure

nbn 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 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's other reporting commitments to the Commonwealth.

nbn's transparency and reporting obligations derive from its financial reporting obligations under the *Corporations Act 2001* and requirements imposed by its Shareholder Ministers, for example, the requirement to publish weekly rollout information on nbn's website (see for example at <http://www.nbnco.com.au/corporate-information/about-nbn-co/corporate-plan/weekly-progress-report.html>). The Company also publicly releases financial and operating results on a quarterly basis together with a presentation from management.

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

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

## Principle: Respect the right of shareholders

(based on ASX Principle 6)

### Shareholder communication

nbn keeps its Shareholder Ministers and their Departments informed of any significant developments on an ongoing basis.

nbn 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 is also subject to Parliamentary scrutiny through Parliamentary Committees.

nbn 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 annual reports which include its financial statements; and
- Quarterly presentations on financial and operating results.

## Principle: Recognise and manage risk

*(based on ASX Principle 7)*

### Risk management

**nbn** 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** 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** is responsible for providing a Corporate Plan to its Shareholder Ministers, of which risk identification, measurement and risk management strategies are key elements. **nbn**'s Risk Management Policy and Framework communicate objectives, approach and responsibilities with regard to risk management throughout **nbn**. The policy and framework also communicate **nbn**'s commitment to support the development of a sound risk management culture.

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

Risks and controls are reviewed and monitored on a regular basis. **nbn**'s risk profile has improved since last year, largely due to internal investment in process improvement activities and resource capability. **nbn** has also successfully supplemented this by de-risking key design, construction and operational activities through the execution of strategic agreements with key partners who possess proven capabilities. However, even though risk prevention and mitigation strategies are being implemented, significant challenges and residual risks remain. A summary of **nbn**'s material business risks (including any material exposure to economic, environmental and social sustainability risks), their key drivers and **nbn**'s strategies to manage those risks are set out on pages 41 to 45.

### Treasury

**nbn** has adopted a formal Treasury Policy, which is approved annually by the Audit and Risk Committee and establishes a prudential framework providing guidelines, controls and reporting systems for the management of **nbn**'s treasury operations. Amongst other things, the Treasury Policy provides clear guidelines for managing treasury risk and making investment and hedging decisions which comply with the PGPA Act and **nbn**'s obligations under the Amending Agreement – Equity Funding Agreement dated 19 March 2014.

Corporate governance statement *(continued)*

## Principle: Remunerate fairly and responsibly

*(based on ASX Principle 8)*

nbn's People and Remuneration Committee assists the Board in fulfilling its governance responsibilities in relation to establishing people management and remuneration policies for nbn that enable nbn 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™ network consistent with nbn's Corporate Plan; and responsibly reward employees, having regard to the performance of nbn, individual performance, statutory and regulatory requirements, and current business norms. Refer to page 83 for more information on nbn'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 page 73.

### Senior Executives' remuneration

The remuneration of the Senior Executives is set by nbn's People and Remuneration Committee on behalf of the Board. Full details of Senior Executives' remuneration are included in the Remuneration report on page 74.

# Auditor's independence declaration



Auditor-General for Australia



Dr Ziggy Switkowski AO  
Chairman of the Board  
nbn co limited  
Level 11, 100 Arthur Street  
North Sydney NSW 2060  
Australia

**nbn co limited 2017 FINANCIAL REPORT  
AUDITOR'S INDEPENDENCE DECLARATION**

In relation to my audit of the financial report of the **nbn** Group (comprising nbn co limited and the entities it controlled at the year's end or from time to time during the year) for the year ended 30 June 2017, to the best of my knowledge and belief, there have been:

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

Australian National Audit Office

A handwritten signature in black ink that reads 'Grant Hehir'.

Grant Hehir

Canberra  
10 August 2017





# Financial report

The financial report, comprising of the consolidated financial statements and notes to the consolidated financial statements, for the year ended 30 June 2017, includes the Company and its subsidiaries (together referred to as the **nbn** Group or the Group).

## As at 30 June 2017



Revenue of  
**\$1,001  
million**



Property, plant  
and equipment of  
**\$20,508  
million**



Contributed equity of  
**\$27,465  
million**

## Financial report (continued)

## Statement of profit or loss and other comprehensive income

For the year ended	Notes	nbn Group	
		30 June 2017 \$m	30 June 2016 \$m
<b>Revenue</b>			
Telecommunications revenue		922	403
Other revenue		79	18
<b>Total revenue</b>	B1	<b>1,001</b>	<b>421</b>
Interest income	B1	34	29
Other income	B1	16	10
<b>Expenses</b>			
Direct network costs		(537)	(407)
Employee benefits expenses	D1	(751)	(601)
Outsourced and corporate services		(177)	(115)
IT and software expenses		(125)	(116)
Communication and public information		(79)	(50)
Other operating expenses		(158)	(122)
Subscriber costs		(1,573)	(582)
Depreciation and amortisation expense	C3 & C4	(1,488)	(884)
Finance charges – leased assets	C8	(402)	(322)
<b>Total expenses</b>		<b>(5,290)</b>	<b>(3,199)</b>
<b>Loss before income tax</b>		<b>(4,239)</b>	<b>(2,739)</b>
Income tax expense	H1	(5)	(11)
<b>Loss for the year</b>		<b>(4,244)</b>	<b>(2,750)</b>
<b>Loss attributable to the shareholder</b>		<b>(4,244)</b>	<b>(2,750)</b>
<b>Other comprehensive (loss)/income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges		(15)	(36)
Income tax benefit relating to components of other comprehensive loss		5	11
<b>Total other comprehensive loss for the year, net of tax</b>		<b>(10)</b>	<b>(25)</b>
<b>Total comprehensive loss for the year</b>		<b>(4,254)</b>	<b>(2,775)</b>
<b>Total comprehensive loss attributable to the shareholder</b>		<b>(4,254)</b>	<b>(2,775)</b>

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

## Statement of financial position

As at	Notes	nbn Group	
		30 June 2017 \$m	30 June 2016 \$m
<b>Current assets</b>			
Cash and cash equivalents	C1	1,184	1,287
Trade and other receivables	C2	334	160
Inventories		32	27
Derivative financial assets		-	16
Held to maturity assets		140	399
Other current assets		114	93
<b>Total current assets</b>		<b>1,804</b>	<b>1,982</b>
<b>Non-current assets</b>			
Property, plant and equipment	C3	20,508	15,223
Intangible assets	C4	1,760	1,334
Other non-current assets		55	13
<b>Total non-current assets</b>		<b>22,323</b>	<b>16,570</b>
<b>Total assets</b>		<b>24,127</b>	<b>18,552</b>
<b>Current liabilities</b>			
Trade and other payables	C6	2,595	1,567
Other liabilities	C7	14	11
Other financial liabilities	C8	134	132
Derivative financial liabilities		1	1
Provisions	C9	133	114
<b>Total current liabilities</b>		<b>2,877</b>	<b>1,825</b>
<b>Non-current liabilities</b>			
Trade and other payables	C6	5	5
Other liabilities	C7	483	371
Other financial liabilities	C8	5,755	4,280
Provisions	C9	48	48
<b>Total non-current liabilities</b>		<b>6,291</b>	<b>4,704</b>
<b>Total liabilities</b>		<b>9,168</b>	<b>6,529</b>
<b>Net assets</b>		<b>14,959</b>	<b>12,023</b>
<b>Equity</b>			
Contributed equity	E1	27,465	20,275
Other reserves		6	16
Accumulated losses		(12,512)	(8,268)
<b>Total equity</b>		<b>14,959</b>	<b>12,023</b>

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

Financial report *(continued)*

## Statement of changes in equity

		nbn Group			
Notes	Accumulated losses \$m	Contributed equity \$m	Other reserves \$m	Total equity \$m	
<b>Balance at 30 June 2015</b>	(5,518)	13,185	41	7,708	
Loss for the year	(2,750)	-	-	(2,750)	
Other comprehensive loss	-	-	(25)	(25)	
<b>Total comprehensive loss for the year</b>	<b>(2,750)</b>	<b>-</b>	<b>(25)</b>	<b>(2,775)</b>	
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity	-	7,090	-	7,090	E1
<b>Balance at 30 June 2016</b>	<b>(8,268)</b>	<b>20,275</b>	<b>16</b>	<b>12,023</b>	
Loss for the year	(4,244)	-	-	(4,244)	
Other comprehensive loss	-	-	(10)	(10)	
<b>Total comprehensive loss for the year</b>	<b>(4,244)</b>	<b>-</b>	<b>(10)</b>	<b>(4,254)</b>	
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity	-	7,190	-	7,190	E1
<b>Balance at 30 June 2017</b>	<b>(12,512)</b>	<b>27,465</b>	<b>6</b>	<b>14,959</b>	

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

## Statement of cash flows

		<b>nbn Group</b>	
For the year ended	Notes	30 June 2017 \$m	30 June 2016 \$m
<b>Cash flows from operating activities</b>			
Receipts from customers		1,048	445
Payments to suppliers and employees		(1,656)	(1,329)
Payments for subscriber costs		(1,252)	(466)
Interest received		30	27
<b>Net cash used in operating activities</b>	C1	<b>(1,830)</b>	<b>(1,323)</b>
<b>Cash flows from investing activities</b>			
Receipts from held to maturity assets		818	558
Payments for held to maturity assets		(559)	(667)
Payments for property, plant and equipment		(4,715)	(4,484)
Payments for intangible assets		(711)	(527)
<b>Net cash used in investing activities</b>		<b>(5,167)</b>	<b>(5,120)</b>
<b>Cash flows from financing activities</b>			
Payments for finance leases and right of use licences		(296)	(308)
Equity injection for ordinary shares by the Commonwealth of Australia	E1	7,190	7,090
<b>Net cash provided by financing activities</b>		<b>6,894</b>	<b>6,782</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(103)</b>	<b>339</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,287</b>	<b>948</b>
<b>Cash and cash equivalents at the end of the year</b>	C1	<b>1,184</b>	<b>1,287</b>

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

# Notes to the financial statements

## A About this report

nbn co limited (the Company, **nbn** 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 and notes to the consolidated financial statements, for the year ended 30 June 2017, includes the Company and its subsidiaries (together referred to as the **nbn** Group or the Group).

**nbn** 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*; and
- (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).

This 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. Cost is the fair value of the consideration given in exchange for net assets acquired.

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

### Going concern

The Directors are of the view that the Commonwealth Government will continue to operate in accordance with the Policy Objectives as set out in the Statement of Expectations as issued by the Shareholder Ministers to **nbn** on 24 August 2016.

The Group's current liabilities exceeded its current assets by \$1,073 million as at 30 June 2017. The financial report has been prepared on a going concern basis, which contemplates the continuity of normal operations and the investment of the remaining committed equity funding from the Commonwealth Government under the terms of the Amending Agreement - Equity Funding Agreement (EFA) as well as the availability of the \$19.5 billion loan facility agreed with the Commonwealth Government on 22 December 2016.

The equity funding capital limit under the EFA is \$29.5 billion and as at 30 June 2017 a total of \$27.5 billion had been provided to the Group. The \$19.5 billion loan facility is available to nbn co limited for the period from 1 July 2017 to 30 June 2021.

At the date of signing the financial report the combination of the remaining committed equity funding under the EFA with the Commonwealth Government and the debt funding that is available through the aforementioned loan facility is sufficient to meet the net cash flow forecasts of the Group for at least twelve months from the date of this report.

## Functional and presentation currency

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

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

## 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.

## 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	Notes
Determination of useful lives of property, plant and equipment	C3
Estimation of percentage of completion for assets under construction	C3
Estimation of liabilities for construction claims	C3
Determination of useful lives of intangible assets	C4
Determination of fair value less costs to sell when considering impairment	C5
Finance lease determination	C8

## Notes to the financial statements (continued)

## B Our revenue and income

This section provides the information that is most relevant to understanding our revenue and income during the year and the significant accounting policies applied.

### B1 Revenue and income

For the year ended	nbn Group	
	30 June 2017	30 June 2016
	\$m	\$m
Telecommunications revenue	922	403
Other revenue	79	18
<b>Total</b>	<b>1,001</b>	<b>421</b>

For the year ended	nbn Group	
	30 June 2017	30 June 2016
	\$m	\$m
Interest income	34	29
Other income – gifted assets and government grants	16	10
<b>Total</b>	<b>50</b>	<b>39</b>

#### Recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and rebates.

Revenue is recognised for the major activities as follows:

##### **Telecommunications revenue**

Revenue from the provision of telecommunications services includes network access and other services and facilities provided, such as voice, data and connectivity components.

Telecommunications revenue is recognised in the accounting period in which the services are rendered.

#### **Interest income**

The Group records interest income on an accruals basis. For financial assets, interest revenue is determined by the effective yield on the instrument.

#### **Gifted assets and government grants**

Government grant income is recognised when the performance obligations of the grant are satisfied.

When the grant relates to an asset or assets received for no consideration, the gifted asset is recorded at fair value and the resulting gain is credited to deferred income.

The gain is released to profit or loss on a straight line basis, over the expected period of provision of services which is estimated to be the useful life of the relevant asset or assets.



## C Our assets and liabilities

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

### C1 Cash and cash equivalents

	<b>nbn Group</b>	
	30 June 2017	30 June 2016
	\$m	\$m
Cash at bank	863	1,026
Term deposits	321	261
<b>Total</b>	<b>1,184</b>	<b>1,287</b>

For the purpose of presentation in the Statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments

with original maturities of four months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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

	<b>nbn Group</b>	
	30 June 2017	30 June 2016
	\$m	\$m
Loss for the year	(4,244)	(2,750)
<b>Add/(less) non-cash/non-operating items</b>		
Depreciation and amortisation	1,488	884
Finance charges - leased assets	402	322
Other non-cash items	(1)	7
Income tax expense	5	11
<b>(Increase) in assets</b>		
(Increase) in trade and other receivables	(88)	(51)
(Increase) in inventories	(5)	(11)
(Increase) in other assets	(63)	(34)
<b>Increase in liabilities</b>		
Increase in trade and other payables	659	249
Increase in provisions	17	50
<b>Net cash used in operating activities</b>	<b>(1,830)</b>	<b>(1,323)</b>

Notes to the financial statements *(continued)***C Our assets and liabilities** *(continued)***C2 Trade and other receivables**

	<b>nbn Group</b>	
	30 June 2017	30 June 2016
	\$m	\$m
<b>Current</b>		
Trade receivables	128	57
Interest receivable	4	6
Other receivables	129	37
GST receivable	73	60
<b>Total</b>	<b>334</b>	<b>160</b>

**Recognition and measurement**

Trade and other receivables are considered financial assets. They are initially recorded at the fair value of the amounts to be received and are subsequently measured at amortised cost using the effective interest method. These financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Any allowance for doubtful debts raised to reduce the carrying amount of receivables is based on a review of outstanding amounts at the reporting date and is recognised in profit or loss. Bad debts specifically provided for in previous periods are eliminated against the allowance for doubtful debts. In all other cases, bad debts are eliminated directly against the carrying amount and written off as an expense in profit or loss.

## C3 Property, plant and equipment

	nbn Group					
	Freehold land \$m	Buildings and leasehold \$m	Furniture and equipment \$m	IT equipment \$m	Network assets \$m	Total \$m
<b>At 30 June 2015</b>						
Cost	13	360	11	48	11,295	11,727
Accumulated depreciation	-	(66)	(8)	(29)	(785)	(888)
<b>Net book value</b>	<b>13</b>	<b>294</b>	<b>3</b>	<b>19</b>	<b>10,510</b>	<b>10,839</b>
<b>Year ended 30 June 2016</b>						
Opening net book value	13	294	3	19	10,510	10,839
Additions	-	14	3	31	5,040	5,088
Depreciation	-	(29)	(2)	(27)	(646)	(704)
Transfers	-	-	-	20	(20)	-
<b>Net book value</b>	<b>13</b>	<b>279</b>	<b>4</b>	<b>43</b>	<b>14,884</b>	<b>15,223</b>
<b>At 30 June 2016</b>						
Cost	13	374	14	115	16,299	16,815
Accumulated depreciation	-	(95)	(10)	(72)	(1,415)	(1,592)
<b>Net book value</b>	<b>13</b>	<b>279</b>	<b>4</b>	<b>43</b>	<b>14,884</b>	<b>15,223</b>
<b>Year ended 30 June 2017</b>						
Opening net book value	13	279	4	43	14,884	15,223
Additions	-	24	5	19	6,467	6,515
Depreciation	-	(33)	(2)	(17)	(1,172)	(1,224)
Transfers	4	-	-	(13)	3	(6)
<b>Net book value</b>	<b>17</b>	<b>270</b>	<b>7</b>	<b>32</b>	<b>20,182</b>	<b>20,508</b>
<b>At 30 June 2017</b>						
Cost	17	398	19	132	22,740	23,306
Accumulated depreciation	-	(128)	(12)	(100)	(2,558)	(2,798)
<b>Net book value</b>	<b>17</b>	<b>270</b>	<b>7</b>	<b>32</b>	<b>20,182</b>	<b>20,508</b>

## Notes to the financial statements (continued)

## C Our assets and liabilities (continued)

## C3 Property, plant and equipment (continued)

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

	nbn Group	
	30 June 2017	30 June 2016
	\$m	\$m
Constructed and purchased assets	12,103	7,850
Assets in the course of construction	2,917	3,105
Leased assets	4,990	3,886
Assets acquired for no consideration and under government grant	498	382
<b>Property, plant and equipment - net book value</b>	<b>20,508</b>	<b>15,223</b>

## Assets in the course of construction

The carrying value of property, plant and equipment includes \$2,917 million (2016: \$3,105 million) of expenditure on assets which are in the course of construction. The majority of assets in the course of construction are network assets. As these assets have not been installed and are not ready for use, no depreciation is charged on these assets.

## Leased assets

The net carrying amount included in property, plant and equipment is \$19 million (2016: \$20 million) for buildings and \$4,971 million (2016: \$3,866 million) for network assets.

## Assets acquired for no consideration and under government grant

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

## 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.

Cost includes expenditure that is 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 the item and restoring the site on which it is located. Cost that is not directly attributable is recorded as an expense in profit or loss.

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

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

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 plant and equipment, the shorter of the lease term or useful life.

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

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

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

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

## Key estimates and judgements

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

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

## Key estimates and judgements

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

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

## Key estimates and judgements

### ***Estimation of liabilities for construction claims***

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

## Notes to the financial statements (continued)

## C Our assets and liabilities (continued)

## C3 Property, plant and equipment (continued)

## Significant non-cash components

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

	nbn Group	
	30 June 2017 \$m	30 June 2016 \$m
Acquisition of network infrastructure by means of finance leases	1,292	521
Acquisition of network infrastructure by means of developer contributions or government grants	129	98
<b>Acquisition of assets by non-cash transactions</b>	<b>1,421</b>	<b>619</b>

## C4 Intangible assets

	nbn Group			
	Software \$m	Licences \$m	Other \$m	Total \$m
<b>At 30 June 2015</b>				
Cost	1,272	143	12	1,427
Accumulated amortisation	(346)	(119)	(4)	(469)
<b>Net book value</b>	<b>926</b>	<b>24</b>	<b>8</b>	<b>958</b>
<b>Year ended 30 June 2016</b>				
Opening net book value	926	24	8	958
Additions	541	15	-	556
Amortisation	(171)	(3)	(6)	(180)
<b>Net book value</b>	<b>1,296</b>	<b>36</b>	<b>2</b>	<b>1,334</b>
<b>At 30 June 2016</b>				
Cost	1,813	158	12	1,983
Accumulated amortisation	(517)	(122)	(10)	(649)
<b>Net book value</b>	<b>1,296</b>	<b>36</b>	<b>2</b>	<b>1,334</b>
<b>Year ended 30 June 2017</b>				
Opening net book value	1,296	36	2	1,334
Additions	643	1	40	684
Amortisation	(259)	(4)	(1)	(264)
Transfers	6	-	-	6
<b>Net book value</b>	<b>1,686</b>	<b>33</b>	<b>41</b>	<b>1,760</b>
<b>At 30 June 2017</b>				
Cost	2,477	159	55	2,691
Accumulated amortisation	(791)	(126)	(14)	(931)
<b>Net book value</b>	<b>1,686</b>	<b>33</b>	<b>41</b>	<b>1,760</b>

## 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; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development. Costs that are not directly attributable are expensed as incurred.

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 and services consumed; and
- Payroll and payroll-related costs for employees (including contractors) directly associated with the project.

Costs that are not directly attributable are expensed as incurred.

### ***Acquired intangible assets***

Intangible assets acquired through separate acquisition are recorded at cost.

### ***Amortisation***

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

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

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

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

### ***Assets in the course of construction***

The carrying amount of intangible assets includes expenditure recognised on software assets which are in the course of construction. As these assets have not been installed and are not ready for use, no amortisation is charged on these assets. Total software assets in the course of construction are \$360 million (2016: \$390 million).

## Notes to the financial statements (continued)

## C Our assets and liabilities (continued)

## C4 Intangible assets (continued)

## Key estimates and judgements

**Determination of useful lives of intangible assets**

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

**C5 Impairment of non-financial assets**

## Recognition and measurement

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

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

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

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

The Group has determined that assets which form part of the **nbn**<sup>TM</sup> 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** CGU).

## Impairment test

At the end of the reporting period, the Group performed an impairment test using fair value less cost to sell. **nbn** has determined fair value less cost to sell by reference to the depreciated replacement cost of the assets given there is no active market for the **nbn**<sup>TM</sup> network assets.

As a result of this test and consistent with prior periods, it has been determined that the recoverable amount of the **nbn** CGU is not less than its carrying amount as at 30 June 2017.

## Key estimates and judgements

**Determination of fair value less costs to sell when considering impairment**

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



## C6 Trade and other payables

	nbn Group	
	30 June 2017 \$m	30 June 2016 \$m
<b>Current</b>		
Trade and other payables	331	377
Accruals	2,264	1,190
<b>Total</b>	<b>2,595</b>	<b>1,567</b>

	nbn Group	
	30 June 2017 \$m	30 June 2016 \$m
<b>Non-current</b>		
Trade and other payables	5	5
<b>Total</b>	<b>5</b>	<b>5</b>

The accruals balance includes \$1,195 million (2016: \$771 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.

## Notes to the financial statements (continued)

## C Our assets and liabilities (continued)

## C7 Other liabilities

	nbn Group	
	30 June 2017 \$m	30 June 2016 \$m
<b>Current</b>		
Deferred gain on developer contributions and government grants	14	11
<b>Total</b>	<b>14</b>	<b>11</b>

	nbn Group	
	30 June 2017 \$m	30 June 2016 \$m
<b>Non-current</b>		
Deferred gain on developer contributions and government grants	483	371
<b>Total</b>	<b>483</b>	<b>371</b>

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

## Recognition and measurement

**Government grants**

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

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

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

**Developer contributions for no consideration**

The Group receives network assets for no consideration from developers as part of the build of the nbn™ 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 attaching to the developer contributions.

## C8 Other financial liabilities

### Lease liabilities and right of use licences

	nbn Group	
	30 June 2017	30 June 2016
	\$m	\$m
<b>Current</b>		
Lease liabilities and right of use licences	134	132
<b>Total</b>	<b>134</b>	<b>132</b>

	nbn Group	
	30 June 2017	30 June 2016
	\$m	\$m
<b>Non-current</b>		
Lease liabilities and right of use licences	5,755	4,280
<b>Total</b>	<b>5,755</b>	<b>4,280</b>

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

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

#### Recognition and measurement

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

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

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

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

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

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

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

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

## Notes to the financial statements (continued)

## C Our assets and liabilities (continued)

## C8 Other financial liabilities (continued)

## Key estimates and judgements

**Finance lease determination**

The Group classifies leases between finance and operating depending on whether the Group holds substantially all of the risks and rewards incidental to ownership or not. In making this assessment, the Group primarily considers the asset ownership at the end of the lease term, any purchase options, the lease term in respect to the assets' life, the present value of future lease payments in relation to the assets' fair value and the nature of the assets. A number of key estimates and judgements have been made in determining the present value of minimum lease payments (MLP) associated with network infrastructure right of use licences with Telstra, which are accounted for as finance leases.

In determining the present value of the MLP, a discount rate representing the Group's estimated incremental cost of borrowing at the inception date of the Definitive Agreements has been applied. The discount rate remains unchanged under the Revised Definitive Agreements. For lease accounting purposes, the term of each right of use licence, of up to 35 years, does not include possible renewal as the exercise of such options was not considered reasonably certain at inception of the agreements. The renewal period being two options exercisable by nbn of 10 more years each. A proportion of the MLP is expensed directly to profit or loss as an estimate of the cost of the repairs and maintenance activities undertaken by the lessor.

## Finance charges - leased assets

For the year ended	nbn Group	
	30 June 2017 \$m	30 June 2016 \$m
Finance charges on finance lease arrangements	(400)	(320)
Unwinding of the discount on other lease related provisions	(2)	(2)
<b>Total</b>	<b>(402)</b>	<b>(322)</b>

**Finance lease commitments**

As discussed in Note F1, the agreements with Telstra provide nbn with access rights to various infrastructure, including dark fibre, exchange rack space in exchange buildings, ducts and associated duct infrastructure, are recognised as finance lease liabilities.

In addition, finance lease liabilities have been recognised for certain property leases of industrial buildings.

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

	<b>nbn Group</b>	
	30 June 2017	30 June 2016
	\$m	\$m
<b>Finance lease and right of use licences are payable as follows:</b>		
Within one year	650	505
Later than one year but not later than five years	2,186	1,614
Later than five years	13,456	10,337
<b>Minimum lease payments</b>	<b>16,292</b>	<b>12,456</b>
Future finance and other charges	(10,403)	(8,044)
<b>Recognised as a liability</b>	<b>5,889</b>	<b>4,412</b>
<b>Representing finance lease and right of use licence liabilities:</b>		
Current	134	132
Non-current	5,755	4,280
<b>Total</b>	<b>5,889</b>	<b>4,412</b>

## C9 Provisions

		<b>nbn Group</b>	
	Note	30 June 2017	30 June 2016
		\$m	\$m
<b>Current</b>			
Employee benefits	D1	112	97
Other provisions		21	17
<b>Total</b>		<b>133</b>	<b>114</b>

		<b>nbn Group</b>	
	Note	30 June 2017	30 June 2016
		\$m	\$m
<b>Non-current</b>			
Employee benefits	D1	31	29
Other provisions		17	19
<b>Total</b>		<b>48</b>	<b>48</b>

### Recognition and measurement

Provisions are recognised when:

- There is a present legal or constructive obligation to make a future sacrifice of economic benefits as a result of past transactions or events;
- It is probable that a future sacrifice of economic benefits will arise; and
- 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.

## Notes to the financial statements (continued)

## D Our people

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

### D1 Employee benefits

The employee benefits expenses comprise:

For the year ended	nbn Group	
	30 June 2017 \$m	30 June 2016 \$m
Defined contribution superannuation expense	(66)	(50)
Other employee benefits, net of capital recoveries	(685)	(551)
<b>Total</b>	<b>(751)</b>	<b>(601)</b>

The components of employee benefits provisions are as follows:

Current	nbn Group	
	30 June 2017 \$m	30 June 2016 \$m
Short-term employee benefits	109	96
Other employee benefits	3	1
<b>Total</b>	<b>112</b>	<b>97</b>

Non-current	nbn Group	
	30 June 2017 \$m	30 June 2016 \$m
Other long-term employee benefits	4	5
Long service leave	27	24
<b>Total</b>	<b>31</b>	<b>29</b>

## Recognition and measurement

### *Short-term employee benefit obligations*

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

### *Long-term employee benefit obligations*

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

as possible to, the estimated future cash flows. Remeasurement as a result of experience adjustments and changes in assumptions are recognised in profit or loss.

### *Retirement benefit obligations*

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:

For the year ended	nbn Group	
	30 June 2017	30 June 2016
	\$	\$
Short-term employee benefits	9,707,159	9,581,044
Post-employment benefits	188,110	185,277
Long-term benefits	513,580	657,010
Termination benefits	-	1,517,765
<b>Total</b>	<b>10,408,849</b>	<b>11,941,096</b>

## E Our funding and capital management

On 22 June 2011, the Commonwealth Government and **nbn** entered into an Equity Funding Agreement, whereby the Commonwealth provided assurances to the Company in relation to the provision of equity funding until 30 June 2021 unless terminated earlier. The total funding pursuant to the agreement was initially capped at \$27.5 billion. This capital limit was subsequently increased to \$30.4 billion under an amendment entered into on 8 August 2012.

With effect from 19 March 2014, the Equity Funding Agreement was further amended to, inter alia, reduce the equity funding capital limit from \$30.4 billion to \$29.5 billion. Under the 19 March 2014 Amending Agreement - Equity Funding Agreement (EFA), the Commonwealth has also committed to meet the termination and other costs attributable to such a termination of **nbn**, in the event the project is terminated or significantly reduced in scope.

As at 30 June 2017, \$27.5 billion of the total committed \$29.5 billion from the Commonwealth had been provided to **nbn** under the terms of the EFA. As outlined in the 2017 Corporate Plan, following the investment of the current equity funding committed from the Australian Government, additional funding would be required to complete the rollout of the **nbn**<sup>TM</sup> network.

On 22 December 2016, a \$19.5 billion loan agreement with the Commonwealth Government was signed. The loan agreement sets out the terms of the commercial facility that will be available to nbn co limited for up to \$19.5 billion for the period from 1 July 2017 to 30 June 2021. The loan agreement has a fixed interest rate of 3.96 per cent, with interest payable monthly over the life of the facility. The full principal amount of the loan is to be repaid by 30 June 2021. As at 30 June 2017 the loan facility had not been utilised. The first drawing under the loan agreement will occur in FY2018.



## E1 Contributed equity

As at 30 June 2017, a total of \$27.5 billion had been provided to the Company.

	nbn co limited		nbn co limited	
	30 June 2017 Number of shares	30 June 2016 Number of shares	30 June 2017 \$m	30 June 2016 \$m
Ordinary shares				
Fully paid	27,465,445,092	20,275,445,092	27,465	20,275
<b>Total</b>	<b>27,465,445,092</b>	<b>20,275,445,092</b>	<b>27,465</b>	<b>20,275</b>

### Recognition and measurement

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

### Ordinary shares

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

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

### Movements in ordinary share capital

	nbn co limited		
	Number of shares	Issue price \$	Value of shares \$m
<b>Closing balance at 30 June 2015</b>	<b>13,185,445,092</b>	<b>1.00</b>	<b>13,185</b>
Equity injections	7,090,000,000	1.00	7,090
<b>Opening balance at 30 June 2016</b>	<b>20,275,445,092</b>	<b>1.00</b>	<b>20,275</b>
Equity injections	7,190,000,000	1.00	7,190
<b>Closing balance at 30 June 2017</b>	<b>27,465,445,092</b>	<b>1.00</b>	<b>27,465</b>

### Capital risk management

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

### Dividends declared

No dividends were declared or paid during the year (2016: nil).

## F Our significant contractual arrangements and commitments

**nbn** has entered into a number of contracts that will underpin the delivery of the **nbn**<sup>TM</sup> network. In addition to entering into contractual arrangements with Delivery Partners for the build of the network, **nbn** has entered into strategic agreements with Telstra and SingTel Optus (Optus) that provide **nbn** with the required infrastructure to deliver fast broadband to all Australians. These strategic agreements are essential to **nbn** in regard to its ability to achieve its short and long-term objectives.

### F1 Telstra Revised Definitive Agreements

On 23 June 2011, **nbn** and Telstra announced that binding agreements (the Telstra Definitive Agreements or the DAs) had been entered into for the rollout of the **nbn**<sup>TM</sup> 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** with a new Statement of Expectations under which the **nbn**<sup>TM</sup> network rollout was to transition from a primarily FTTP model to an MTM model.

On 14 December 2014, **nbn** 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** access to certain Telstra network infrastructure including ducts, pits, lead-in conduits (ownership of lead-in conduits transfers to **nbn**), exchange rack space and dark fibre to facilitate the efficient rollout of the **nbn**<sup>TM</sup> 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**<sup>TM</sup> network is rolled out<sup>1</sup>. Telstra will continue to be entitled to payments from **nbn** for disconnecting premises from its networks, and **nbn** continues to expense these payments.

<sup>1</sup> Services provided over the **nbn**<sup>TM</sup> 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.

In addition, the RDAs allow **nbn** 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**<sup>TM</sup> network. Under the RDAs, once **nbn** starts acquiring the assets forming part of Telstra's HFC network, **nbn** has an obligation to continue to acquire all of Telstra's HFC network. In July 2016, **nbn** 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**'s obligation to continue to acquire all of Telstra's HFC network.

Under the RDAs, **nbn** 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** is capitalising these costs as they are incurred.

As with the DAs, the estimated value of the RDAs is based on a range of dependencies and assumptions over the long-term life of the agreements. On a like for like basis, the estimated net present value payable to Telstra under the RDAs is equivalent to that under the DAs.

The RDAs contain an arrangement relating to the **nbn**<sup>TM</sup> network rollout cessation and related consequences for **nbn**. In addition, there are provisions relating to **nbn**'s liability for performing work on Telstra's live networks (see Note H5).

## F2 Optus HFC Subscriber Agreement

On 23 June 2011, **nbn** executed an agreement with SingTel Optus Pty Ltd and other Optus entities (Optus) (the 2011 Optus HFC Subscriber Agreement).

On 19 July 2012, the ACCC published a final determination granting authorisation of the 2011 Optus HFC Subscriber Agreement.

Under the terms of the 2011 Optus HFC Subscriber Agreement:

- Optus agreed to progressively migrate HFC customers to the **nbn**<sup>TM</sup> network as it is rolled out. Optus agreed to a fixed line network preference in favour of **nbn** for residential and small business customers served by Optus' HFC network; and
- **nbn** agreed to make progressive payments to Optus based on the actual number of customers that migrate from its HFC network to the **nbn**<sup>TM</sup> network.

On 14 December 2014, **nbn** 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** with the option to acquire elements of Optus' HFC network where it is efficient and/or cost effective to do so, as part of the overall design and implementation of the MTM rollout.

The Revised HFC Subscriber Agreement continues to require Optus to progressively migrate HFC customers to the **nbn**<sup>TM</sup> network as it is rolled out.

Payments to Optus for the migration of customers to the **nbn**<sup>TM</sup> network are expensed as incurred.

## Notes to the financial statements (continued)

## F3 Commitments

### Capital commitments

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

	nbn Group	
	30 June 2017 \$m	30 June 2016 \$m
Within one year	3,210	2,551
Later than one year but not later than five years	1,477	2,064
Later than five years	2,134	3,182
<b>Total capital commitments</b>	<b>6,821</b>	<b>7,797</b>

Capital commitments include committed right of use and infrastructure ownership payments under the RDAs with Telstra, fixed term commercial contracts and other ordered capital expenditure.

Given the long-term nature of nbn's capital commitments under the RDAs, which include right of use payments that will occur until 2047 and scheduled infrastructure ownership payments throughout the rollout period, capital expenditure commitments relating to the RDAs in periods beyond 12 months have been discounted for the purpose of the disclosure above. Other capital commitments beyond 12 months have also been discounted.

Payments to Telstra in exchange for Telstra disconnecting premises from its copper

and HFC networks are excluded from the disclosure above as the payments do not constitute capital expenditure.

### Operating leases

The Group leases certain properties, commercial vehicles, poles infrastructure and wireless base stations with various terms that are due to expire within one to thirty years.

Lease payments generally comprise a base amount plus an incremental contingent rental amount based on movements in the Consumer Price Index and reviews to market-based levels. Contingent rentals paid during the year are included as an expense in the Statement of profit or loss and other comprehensive income.

	nbn Group	
	30 June 2017 \$m	30 June 2016 \$m
<b>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</b>		
Within one year	94	69
Later than one year but not later than five years	170	142
Later than five years	439	335
<b>Total</b>	<b>703</b>	<b>546</b>

Not included in the above commitments are contingent rental payments which may arise. Furthermore, operating lease commitments have not been discounted.

For finance lease commitment disclosures refer to Note C8.

## G Our financial risk management

As a result of its operation, the Group is exposed to a number of financial risks. This section sets out the nature of the financial risks, their quantification and management.

### Financial risk management objectives

The Group's risk management policy is to identify, assess and manage risks which are likely to adversely affect the Group's financial performance, continued growth and ability to continue as a going concern. In terms of financial risk management, the Group takes a risk-averse approach as it seeks to minimise risk, provided it is cost effective to do so.

The Group's principal financial instruments are outlined in the following table. The main risks arising from the Group's financial instruments are market risks (interest rate risk, foreign currency risk), liquidity risk and credit risk.

### Financial assets and liabilities

All the financial assets and liabilities below are carried at amortised cost except for derivative financial assets and liabilities which are measured at fair value.

	nbn Group	
	30 June 2017 \$m	30 June 2016 \$m
<b>Financial assets</b>		
Cash and cash equivalents	1,184	1,287
Interest receivable	4	6
Trade and other receivables	143	62
Derivative financial asset	-	16
Held to maturity assets	140	399
<b>Carrying amount of financial assets</b>	<b>1,471</b>	<b>1,770</b>
<b>Financial liabilities</b>		
Trade and other payables	2,600	1,572
Other financial liabilities	5,889	4,412
Derivative financial liabilities	1	1
<b>Carrying amount of financial liabilities</b>	<b>8,490</b>	<b>5,985</b>

### Net income and expenses from financial assets and liabilities

The net income and expenses earned from financial assets and liabilities for the year ended 30 June 2017 was a net expense of \$366 million (2016: net expense of \$291 million).

## Notes to the financial statements (continued)

**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 2017, the carrying amount of monetary liabilities denominated in foreign currencies and notional cash outflows as expressed in Australian dollars was as follows:

	nbn Group			
	30 June 2017		30 June 2016	
	USD \$m	EUR \$m	USD \$m	EUR \$m
<b>Foreign exchange risk</b>				
Trade payables	42	3	19	1
<b>Current foreign exchange risk</b>	<b>42</b>	<b>3</b>	<b>19</b>	<b>1</b>
<b>Forward Exchange Contracts</b>				
Buy foreign currency (cash flow hedges)	83	-	146	-
<b>Forward exchange contract risk</b>	<b>83</b>	<b>-</b>	<b>146</b>	<b>-</b>

The Group has entered into forward exchange contracts to hedge its exposure to currency risk in relation to highly probable forecast transactions, which are denominated in foreign currency. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase US dollars. All forward exchange contracts are designated as hedging items in the cash flow hedges. The Group's strategy is to hedge any material foreign currency exposure committed by contract to at least 80 per cent of the highly probably forecast purchase.

The Group has not entered into foreign currency positions that are not supported by underlying purchasing transactions that are certain or highly probable as to timing, quantum and currency.

**Derivatives and hedging activities****Recognition and measurement**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Group only has derivatives which are

designated as cash flow hedges, being hedges of a particular risk associated with cash flows of recognised assets and liabilities and highly probable forecast transactions.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives used in hedging transactions have been, and will continue to be effective, in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When the hedged forecast transaction results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss, where applicable.

### ***Sensitivity analysis of monetary liabilities denominated in foreign currencies and derivatives***

The possible fluctuations in foreign exchange rates would not have a material impact on the measurement of monetary liabilities denominated in foreign currencies and profit or loss for the current and prior periods.

In addition, possible fluctuations in exchange rates would not have a material impact on the measurement of derivatives and equity for the year.

## **Interest rate risk management**

The Group is exposed to interest rate risk due to changes in market interest rates associated with interest-bearing cash and cash equivalents, and held to maturity assets. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The Group's exposure to interest rate risks and the weighted average effective interest rates of interest-bearing financial assets is set out below:

<b>nbn Group</b>			
	Note	Carrying amount \$m	Weighted average effective interest rate %
<b>At 30 June 2017</b>			
Cash and cash equivalents	C1	1,184	1.85%
Held to maturity assets		140	2.53%
<b>At 30 June 2016</b>			
Cash and cash equivalents	C1	1,287	1.98%
Held to maturity assets		399	2.82%

## **Cash flow sensitivity analysis**

Given the nature and quantum of interest-bearing instruments, any possible movements in interest rates would have an immaterial impact on profit or loss.

## **Credit risk exposure**

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. Counterparty exposure is measured as the total value of the exposures to all obligations of any single legal or economic entity (e.g. a group of companies).

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, the net favourable position of derivative financial instruments, and held to maturity assets, as well as credit exposures to Retail Service Providers.

The Group's maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets as recorded in the Statement of financial position.

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

## Notes to the financial statements (continued)

## G Our financial risk management (continued)

## Credit risk exposure (continued)

	nbn Group	
	30 June 2017	30 June 2016
	\$m	\$m
<b>Trade receivables</b>		
<i>Counterparties with an external credit rating</i>		
A2	58	23
A3	17	10
<i>Counterparties without an external credit rating*</i>		
Group 1	5	3
Group 2	43	19
Group 3	5	2
<b>Total</b>	<b>128</b>	<b>57</b>
<b>Cash at bank and short-term bank deposits</b>		
AA-	1,184	1,287
<b>Total</b>	<b>1,184</b>	<b>1,287</b>
<b>Held to maturity assets</b>		
AA-	140	399
<b>Total</b>	<b>140</b>	<b>399</b>
<b>Derivative financial (liabilities)/assets</b>		
AA-	(1)	15
<b>Total</b>	<b>(1)</b>	<b>15</b>

\* Group 1 - new customers (less than 6 months)

Group 2 - existing customers (more than 6 months) with no defaults in the past

Group 3 - existing customers (more than 6 months) with defaults in the past, subsequently remediated.

The Group did not have any material receivables that were past due or impaired at 30 June 2017 (2016: nil).

### Liquidity risk

Liquidity risk refers to the risk of encountering difficulties in meeting obligations associated with financial liabilities. Liquidity risk management is associated with ensuring sufficient funds are available to meet financial commitments in a timely manner and planning for unforeseen events which may curtail cash flows and cause pressure on liquidity.

The Group measures and manages liquidity risk by forecasting liquidity and funding requirements for the next four years as a minimum, which is reviewed annually by the Board as part of the Corporate Plan. In addition, the Group prepares and reviews a rolling monthly cash forecast.

The Group's financial liabilities are trade and other payables, and finance lease liabilities.



The following table illustrates the maturities for financial liabilities:

<b>nbn Group</b>					
	Within 1 year \$m	1 to 5 years \$m	Greater than 5 years \$m	Total contractual cash flows \$m	Carrying Amount (assets)/ liabilities \$m
<b>At 30 June 2017</b>					
<b>Non-derivatives</b>					
Trade and other payables	2,595	5	-	2,600	2,600
Finance lease liabilities	650	2,186	13,456	16,292	5,889
<b>Total</b>	<b>3,245</b>	<b>2,191</b>	<b>13,456</b>	<b>18,892</b>	<b>8,489</b>
<b>Derivatives</b>					
Gross settled (forward foreign exchange contracts - cash flow hedges)					
- inflow	82	-	-	82	-
- outflow	(83)	-	-	(83)	1
<b>Total</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>1</b>
<b>At 30 June 2016</b>					
<b>Non-derivatives</b>					
Trade and other payables	1,567	5	-	1,572	1,572
Finance lease liabilities	505	1,614	10,337	12,456	4,412
<b>Total</b>	<b>2,072</b>	<b>1,619</b>	<b>10,337</b>	<b>14,028</b>	<b>5,984</b>
<b>Derivatives</b>					
Gross settled (forward foreign exchange contracts - cash flow hedges)					
- inflow	161	-	-	161	-
- outflow	(146)	-	-	(146)	(15)
<b>Total</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>(15)</b>

Notes to the financial statements *(continued)***G Our financial risk management** *(continued)***Fair value measurement of financial instruments**

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

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

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

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Fair value of derivative assets and liabilities**

The Group's derivative financial assets and liabilities are the only assets and liabilities carried at fair value in the Statement of financial position. The fair value of these instruments is determined using valuation techniques with observable market data, categorised as Level 2.

The fair value of derivatives used for hedging is determined using forward exchange rates at the reporting dates.

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

**Fair value of other financial instruments**

The Group has a number of financial instruments which are not measured at fair value in the Statement of financial position. Their carrying amounts are materially consistent with their fair value as at the reporting date.

## H Other information

This section provides information on further disclosures required by the Australian Accounting Standards and the *Corporations Act 2001*.

### H1 Income tax expense

For the year ended	nbn Group	
	30 June 2017 \$m	30 June 2016 \$m
<b>(a) Income tax expense</b>		
Deferred tax	(5)	(11)
<b>Total</b>	<b>(5)</b>	<b>(11)</b>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss before income tax	(4,239)	(2,739)
Tax at the Australian tax rate of 30% (2016: 30%)	1,272	822
Current year tax losses not recognised	(1,121)	(729)
Temporary differences not recognised	(156)	(104)
<b>Income tax expense</b>	<b>(5)</b>	<b>(11)</b>
<b>(c) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	(11,102)	(7,365)
<b>Potential tax benefit @ 30%</b>	<b>(3,331)</b>	<b>(2,210)</b>

The cumulative amount of unrecognised tax losses of \$11,102 million (2016: \$7,365 million) may be available to offset against future income tax assessments when the Group generates taxable income.

#### Effective tax rate

The non-recognition of deferred tax assets for deductible temporary differences and tax losses has led to **nbn** 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**'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.

## Notes to the financial statements (continued)

## H Other information (continued)

## H1 Income tax expense (continued)

For the year ended	nbn Group	
	30 June 2017 \$m	30 June 2016 \$m
<b>(d) Unrecognised temporary differences</b>		
Deductible temporary differences relating to:		
Property, plant and equipment and Intangible assets	1,205	730
Provisions and accruals	222	191
This is offset by:		
Taxable temporary differences (deferred tax liabilities)		
Cash flow hedges	(6)	(21)
Net temporary differences for which deferred tax assets have not been recognised	1,421	900
<b>Unrecognised deferred tax asset relating to the above net deductible and taxable temporary differences</b>	<b>426</b>	<b>270</b>

## Tax consolidation legislation

nbn and its wholly-owned subsidiaries have formed a tax consolidated group. The head entity, nbn co limited, and the subsidiaries in the tax consolidated group account for their own current and deferred tax amounts arising from temporary differences. In addition, nbn co limited accounts for any deferred tax assets arising from unused tax losses and tax credits for all entities in the tax consolidated group.

Members of the group have not yet entered into tax funding or tax sharing arrangements. As at 30 June 2017, no contributions to subsidiaries' equity accounts have been recognised for subsidiaries' tax losses assumed by the head entity because no amounts of unused tax losses have been recognised as deferred tax assets (2016: nil).

## Recognition and measurement

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

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

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

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

## H2 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding as at 30 June 2017	Equity holding as at 30 June 2016
nbn tasmania ltd	Australia	Ordinary	100%	100%
nbn co spectrum Pty Ltd	Australia	Ordinary	100%	100%

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

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of nbn co limited as at 30 June 2017 and the results of all subsidiaries for the year ended 30 June 2017.

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.

Notes to the financial statements *(continued)***H Other information** *(continued)***H3 Parent entity disclosures**

## Financial position of nbn co limited

As at	nbn co limited	
	30 June 2017 \$m	30 June 2016 \$m
<b>Assets</b>		
Total current assets	1,804	1,981
Total non-current assets	22,362	16,605
<b>Total assets</b>	<b>24,166</b>	<b>18,586</b>
<b>Liabilities</b>		
Total current liabilities	2,950	1,895
Total non-current liabilities	6,291	4,704
<b>Total liabilities</b>	<b>9,241</b>	<b>6,599</b>
<b>Net assets</b>	<b>14,925</b>	<b>11,987</b>
<b>Equity</b>		
Contributed equity	27,465	20,275
Other reserves	6	16
Accumulated losses	(12,546)	(8,304)
<b>Total equity</b>	<b>14,925</b>	<b>11,987</b>

## Financial result of nbn co limited

For the year ended	nbn co limited	
	30 June 2017 \$m	30 June 2016 \$m
Loss for the year	(4,242)	(2,785)
Total comprehensive loss for the year	(4,252)	(2,810)

Parent entity receivables and investments have been written down by a total of \$0.3 million (2016: \$45.8 million) to reflect the net assets of the subsidiaries. There is no impact on the consolidated position.

### ***Commitments by the parent entity for the acquisition of property, plant and equipment***

Commitments disclosed in Note F3 represent the total commitment of the parent entity for the acquisition of property, plant and equipment.

### ***Guarantees entered into by the parent entity in relation to debts of its subsidiaries***

Other than the deed of cross guarantee as disclosed in Note H4, no guarantees have been entered into by the parent entity in relation to debts of its subsidiaries.

### ***Contingent liabilities of the parent entity***

The contingent liabilities disclosed in Note H5 all relate to the parent entity.

## H4 Deed of cross guarantee

nbn co limited and nbn tasmania ltd are parties to a deed of cross guarantee under which each company guarantees the debts for the other. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

### Statement of profit or loss and other comprehensive income, Statement of financial position and Summary of movements in accumulated losses

nbn co limited and nbn tasmania ltd represent a 'closed group' for the purpose of the ASIC Instrument and as there are no other parties to the deed of cross guarantee, they also represent the 'extended closed group'.

Set out on the following pages are a Statement of profit or loss and other comprehensive income, Statement of financial position and a Summary of movements in accumulated losses for the year ended 30 June 2017 of the closed group.

## Notes to the financial statements (continued)

**H Other information** (continued)**H4 Deed of cross guarantee** (continued)

## Statement of profit or loss and other comprehensive income

For the year ended	nbn co & nbn tasmania	
	30 June 2017 \$m	30 June 2016 \$m
<b>Revenue</b>		
Telecommunications revenue	922	403
Other revenue	78	17
<b>Total revenue</b>	<b>1,000</b>	<b>420</b>
Interest income	36	31
Other income	16	10
<b>Expenses</b>		
Direct network costs	(537)	(407)
Employee benefits expenses	(751)	(601)
Outsourced and corporate services	(177)	(115)
IT and software expenses	(125)	(116)
Communication and public information	(79)	(50)
Other operating expenses	(158)	(160)
Subscriber costs	(1,573)	(582)
Depreciation and amortisation expense	(1,486)	(881)
Finance charges - leased assets	(402)	(322)
<b>Total expenses</b>	<b>(5,288)</b>	<b>(3,234)</b>
<b>Loss before income tax</b>	<b>(4,236)</b>	<b>(2,773)</b>
Income tax expense	(5)	(11)
<b>Loss for the year</b>	<b>(4,241)</b>	<b>(2,784)</b>
<b>Loss attributable to the shareholder</b>	<b>(4,241)</b>	<b>(2,784)</b>
<b>Other comprehensive (loss)/income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of cash flow hedges	(15)	(36)
Income tax benefit relating to components of other comprehensive loss	5	11
<b>Total other comprehensive loss for the year, net of tax</b>	<b>(10)</b>	<b>(25)</b>
<b>Total comprehensive loss for the year</b>	<b>(4,251)</b>	<b>(2,809)</b>
<b>Total comprehensive loss attributable to the shareholder</b>	<b>(4,251)</b>	<b>(2,809)</b>



## Statement of financial position

	<b>nbn co &amp; nbn tasmania</b>	
As at	30 June 2017 \$m	30 June 2016 \$m
<b>Current assets</b>		
Cash and cash equivalents	1,184	1,287
Trade and other receivables	334	160
Inventories	32	27
Derivative financial assets	-	16
Held to maturity assets	140	399
Other current assets	114	93
<b>Total current assets</b>	<b>1,804</b>	<b>1,982</b>
<b>Non-current assets</b>		
Property, plant and equipment	20,508	15,224
Intangible assets	1,728	1,298
Other non-current assets	55	13
<b>Total non-current assets</b>	<b>22,291</b>	<b>16,535</b>
<b>Total assets</b>	<b>24,095</b>	<b>18,517</b>
<b>Current liabilities</b>		
Trade and other payables	2,595	1,567
Other liabilities	14	11
Other financial liabilities	134	132
Derivative financial liability	1	1
Provisions	133	114
<b>Total current liabilities</b>	<b>2,877</b>	<b>1,825</b>
<b>Non-current liabilities</b>		
Trade and other payables	5	5
Other liabilities	483	371
Other financial liabilities	5,755	4,280
Provisions	48	48
<b>Total non-current liabilities</b>	<b>6,291</b>	<b>4,704</b>
<b>Total liabilities</b>	<b>9,168</b>	<b>6,529</b>
<b>Net assets</b>	<b>14,927</b>	<b>11,988</b>
<b>Equity</b>		
Contributed equity	27,465	20,275
Other reserves	6	16
Accumulated losses	(12,544)	(8,303)
<b>Total equity</b>	<b>14,927</b>	<b>11,988</b>

## Notes to the financial statements (continued)

**H Other information** (continued)**H4 Deed of cross guarantee** (continued)

## Summary of movements in accumulated losses

For the year ended	nbn co & nbn tasmania	
	30 June 2017 \$m	30 June 2016 \$m
Balance at 1 July	(8,303)	(5,519)
Loss for the year	(4,241)	(2,784)
<b>Balance at 30 June</b>	<b>(12,544)</b>	<b>(8,303)</b>

**H5 Contingent assets and contingent liabilities****Recognition and measurement**

Contingent assets and contingent liabilities are not recognised in the Statement of financial position but are reported in this note. They may arise from uncertainty as to the existence of an asset or liability or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when the likelihood of settlement is greater than remote but not probable. The details of **nbn**'s significant contingent liabilities are set out below:

**ASIC deed of cross guarantee**

nbn co limited and nbn tasmania ltd are parties to a deed of cross guarantee as disclosed in Note H4. Each company guarantees the payment in full of the debt of the other named company in the event of their winding up.

**Telstra Revised Definitive Agreements**

Under the Telstra Revised Definitive Agreements, **nbn** 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** 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** 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 2017, **nbn** had no outstanding legal action that would materially impact the 30 June 2017 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.

**Construction related claims and disputes**

Various claims and disputes arise from time to time in the ordinary course of business. Where the costs of resolution (if any) cannot be measured with sufficient reliability, no allowance for these claims or disputes is made. To the extent claims or disputes could be reliably measured, adequate allowance has been made for resultant liabilities 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.

### Transactions with related parties

The following transactions occurred with related parties:

	Note	nbn Group	
		30 June 2017	30 June 2016
		\$	\$
<b>Equity injections</b>			
Equity injected by the Commonwealth of Australia into nbn co limited	E1	7,190,000,000	7,090,000,000

### Other directors' interests

During the year **nbn** executed an agreement with NetComm Wireless Ltd, for the supply of Distribution Point Units (DPUs) in the FTTC network. Mr Justin Milne is the Chairman of NetComm Wireless Ltd. Mr Milne recused himself from the Board meeting for the period of time whereby the Directors approved the award of the contract.

### Key management personnel

Disclosures relating to key management personnel are presented in Note D2.

### Acquisitions

There were no acquisitions in the year.

### Subsidiaries

The interest in the subsidiaries is set out in Note H2.

## H7 Remuneration of auditors

Under Section 98 of the PGPA Act, the Auditor-General is responsible for auditing the financial statements of nbn co limited and its subsidiaries. On 4 December 2015, the Australian National Audit Office (ANAO) reappointed PwC as contractors to the financial statement audit process.

**nbn** 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.

## Notes to the financial statements (continued)

## H Other information (continued)

## H7 Remuneration of auditors (continued)

During the year the following fees were paid or payable for services provided by the auditor and PwC:

For the year ended	nbn Group	
	30 June 2017	30 June 2016
	\$	\$
<b>Australian National Audit Office</b>		
Audit of annual financial statements	1,665,000	1,740,000
Review of half-year financial statements	470,000	485,000
Audit of nbn reporting for whole of Government financial statements	272,000	355,000
Non-recurring audit fees	-	95,000
<b>Total remuneration for audit and other assurance services</b>	<b>2,407,000</b>	<b>2,675,000</b>
<b>PwC Australia</b>		
Other assurance related services		
- Accounting advice	-	75,000
- Regulatory audit and reviews	435,000	430,000
- Other reviews	-	50,000
<b>Total remuneration for other assurance related services</b>	<b>435,000</b>	<b>555,000</b>
<b>Other services</b>		
- Other	40,000	625,000
<b>Total remuneration for other services</b>	<b>40,000</b>	<b>625,000</b>
<b>Total auditor's remuneration</b>	<b>2,882,000</b>	<b>3,855,000</b>

## H8 Other significant accounting policies

## Held to maturity assets

Held to maturity assets comprise term deposits held with financial institutions, with original maturities of over four months. These assets are initially recognised at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

## 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 considered to be 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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

## Inventories

Inventories include spare parts to be used in maintaining the nbn™ network. Costs are assigned to individual items of inventory on the basis of weighted average costs. Inventories are valued at the lower of cost and net realisable value.

## Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Group using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

## Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of financial position.

The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

## Subscriber costs

Subscriber costs primarily include contractual payments relating 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.

## Comparative figures

Comparative figures have been adjusted to conform to the presentation of the financial statements and notes for the current financial year, where required.

## New standards and interpretations available for early adoption

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period. These standards, amendments to existing standards and interpretations have not been early adopted by the Group. Notwithstanding the impact of AASB 15 Revenue from Contracts with Customers, the Directors have not fully assessed the impact of these new and amended standards and interpretations (to the extent that they are relevant to the Group). A summary of these new standards, amendments to existing standards and interpretations that may have an impact is set out below:

### *AASB 9 Financial Instruments*

The AASB has issued the complete AASB 9. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. It supersedes AASB 9 (issued in December 2009 – as amended) and AASB 9 (issued in December 2010 – as amended). The standard is not expected to materially impact the financial statements of the consolidated Group, and commences from the annual reporting period of 1 July 2018.

### *AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15*

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. An assessment of the impact of AASB 15 on the revenues for the year ended 30 June 2017, has been completed with no material differences noted. As a result, the standard is not expected to materially impact the financial statements of the consolidated Group. The standard is mandatory for the Group from the annual reporting period beginning 1 July 2018.

## Notes to the financial statements *(continued)*

### H Other information *(continued)*

#### H8 Other significant accounting policies *(continued)*

##### **AASB 16 Leases**

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee – effectively treating all leases as finance leases.

Short-term leases (less than 12 months) and leases of low value assets (such as personal computers) are exempt from the lease accounting requirements.

There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals.

Lessor accounting remains similar to the current practice – i.e. lessors continue to classify leases as finance and operating leases.

The standard will impact the annual reporting period commencing 1 July 2019, and may materially impact the financial statements of the consolidated Group. However, a full assessment of the impact is yet to be completed.

##### **AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107**

The amendments require additional disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as effects of changes in foreign exchange rates and changes in fair values). The amendments will impact the annual reporting period commencing 1 July 2017.

## I Events occurring after the reporting period

On 31 July 2017, **nbn** received \$930 million in equity funding from the Commonwealth Government.

Other than the receipt of additional equity funding from the Commonwealth Government, no matter or circumstance has arisen since 30 June 2017 to the date of signing of this report that has significantly affected, or may affect:

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

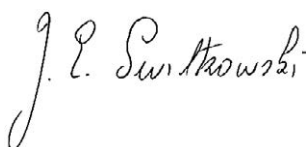
## Directors' declaration

- (1) The financial statements and notes set out on pages 96 to 140 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 2017 and of its performance for the financial year ended on that date.
- (2) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (3) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note H4 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 described in Note H4.

Note A confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.

Signed in accordance with a resolution of the Directors.



**Dr Ziggy Switkowski AO**  
Chairman

10 August 2017



**Mr Bill Morrow**  
Chief Executive Officer

10 August 2017

# 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 Group) for the year ended 30 June 2017 is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the nbn Group's financial position as at 30 June 2017 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 Group, which I have audited, comprises the following statements as at 30 June 2017 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 financial statements; 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 Group in accordance with the *Corporations Act 2001* and the relevant ethical requirements for financial report audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). 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

##### Test for impairment of property, plant and equipment and intangible assets

Refer to Note C3 'Property, plant and equipment,' Note C4 'Intangible assets' and Note C5 'Impairment of assets'

nbn Group's assets include intangibles currently under construction and as such nbn Group is required to conduct an annual impairment assessment over these assets.

##### How the audit addressed the matter

To audit the impairment of property, plant and equipment and intangible assets, I assessed the appropriateness of key factors of nbn Group's approach to assessing impairment such as the identification of Cash Generating Units and determination of methodology. This included consideration of industry practice for entities with large assets under construction and alternative



The nbn Group's network property, plant and equipment and intangibles assets combined were the largest balances on the balance sheet at year-end (\$20,508m). For nbn Group, determining the recoverable amount of these assets was complex and judgemental given the nature of nbn Group's business and assets and emergence of new technologies. As a result, this was considered to be a key audit matter.

valuation techniques.

I also performed the following procedures on nbn Group's valuation models used to assess impairment, with the assistance of valuation experts:

- assessed the appropriateness of how the current replacement cost, a key input to determine the recoverable amount, was estimated based on the nature of each technology type and the data sources available for a sample of models;
- assessed the appropriateness of the year-on-year change in current replacement cost for each technology type, by considering a sample of the changes in costs (e.g. materials and labour) and other relevant factors during the year, such as movements in indices;
- tested the mathematical accuracy of a sample of models used to calculate the recoverable amount.
- tested the accuracy of key information included in a sample of models from the fixed asset register, such as quantities, location and asset type to supporting accounting records such as final design documents, invoices and delivery partner contracts as these were key inputs in determining the current replacement cost.
- considered whether the useful lives used to convert the current replacement cost to a depreciable replacement cost were reasonable and consistent with those used for testing depreciation and amortisation expenses for a sample of models;
- performed sensitivity analysis on a sample of models assessing economic viability by varying terminal growth rates and discount rates to other outcomes that I considered reasonable; and
- considered key technological advancements in the construction process for a sample of technology types and assessed the impact on the current replacement cost.

I considered the appropriateness of the related disclosures in Note C3, Note C4 and Note C5 of the financial statements in light of Australian Accounting Standard requirements.

#### **Key audit matter**

##### **Measurement of depreciation and amortisation**

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

nbn Group's property, plant and equipment and intangible assets combined were the largest balances on the balance sheet at year-end (\$22,268m) with depreciation and amortisation expense for the year ended 30 June 2017 of \$1,488m. For nbn Group, there are significant judgements and complex manual accounting processes involved in the calculation of the depreciation and amortisation expense of the network property, plant and equipment and intangibles, resulting in this being a key audit matter.

##### **How the audit addressed the matter**

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

- performed industry benchmarking to assess the appropriateness of useful lives of nbn Group's assets;
- assessed the appropriateness of a sample of cost allocations in the manual depreciation models, 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;

## Independent auditor's report (continued)

- re-performed the mathematical calculations of a sample of manual depreciation models; and
- tested the accuracy of a sample of in-service dates, which determines the commencement of the depreciation, to external and internal source documentation showing when construction was completed.

**Key audit matter****Estimate of the value of construction liabilities**

Refer to Note C3 'Property, plant and equipment' and Note C6 'Trade and other payables'

nbn Group's process for calculating construction liabilities due to delivery partners involves judgement due to the complexity of the unique network build which therefore requires estimation techniques. Given this, and the significance of the liability balance (\$1,195m at 30 June 2017), I considered this to be a key audit matter.

In line with industry practice, nbn Group calculated construction liabilities by estimating the total cost at construction completion and applying their estimate of the stage of their completion to determine the costs incurred to date. This estimate is dependent on a number of key estimates and judgements.

nbn Group continues to develop and roll out new technologies. During the early stages of the roll out of such technologies, there is a limited history of costs. nbn Group leverages from the work completed on other technology types, however, the level of estimation over the cost estimates is greater as a result.

**How the audit addressed the matter**

I performed the following procedures, amongst others:

- tested key accounting controls over approval of a sample of construction purchase orders;
- tested whether forecast construction costs had been accurately recorded for a sample of projects, by comparing forecast costs to approved construction purchase orders;
- tested variations to original forecast construction costs by obtaining a sample of corroborating evidence such as correspondence with delivery partners and changes to schedules of rates. I assessed the level of costs which were included to assess whether the costs reflected the uncertainty in overall costs as evidenced by similar completed construction sites;
- tested whether there were additional construction liabilities that needed to be recognised from legal claims and disputes by enquiry with management of nbn Group and obtaining confirmations of legal claims directly from nbn Group's legal advisors;
- tested the appropriateness of the stage of completion applied at 30 June 2017 for a selection of construction projects through enquiries with nbn Group's management and assessing the reliability of historical estimates of the stage of completion, by comparing estimates and actuals every 6 months with the benefit of hindsight; and
- compared the list of on-going projects tested as part of property, plant and equipment and intangibles to the list of construction sites to assess whether relevant projects were appropriately included or excluded from those accrued as part of construction liabilities.

**Key audit matter****Accounting treatment of Telstra Revised Definitive Agreements**

Refer to Note F1 'Telstra Revised Definitive Agreements' and Note C8 'Other financial liabilities'

The Telstra Revised Definitive Agreements (RDAs) are significant arrangements with a critical service partner, representing the largest source of individual assets and expenses for nbn Group. The RDAs provide nbn Group with access to certain Telstra infrastructure through leases and through transfer of ownership. These give rise to complex accounting considerations

**How the audit addressed the matter**

I performed the following procedures, amongst others:

- assessed whether any changes in the RDAs in the current year would result in changes to the accounting judgements determined at inception of the lease agreement.
- tested a sample of new leases acquired in the period to assess whether the accounting policies determined at inception of the lease continue to be appropriately and consistently applied.
- tested a sample of leased and owned asset

and estimation procedures, including:

- whether the arrangements should be accounted for as service arrangements or lease arrangements; the treatment of future contingent rentals; the proportion of cash lease payments that are expenses in nature; and the appropriate discount rate used to calculate the present value of the minimum lease payments for leased assets; and
  - Estimating the number of disconnected Telstra's services within an agreed period for which nbn Group is required to make payments. Judgements are involved to enable nbn Group to estimate how many Telstra services have been disconnected and hence the amount to accrue as at 30 June 2017. This requires an estimation of disconnection levels, based upon historical information.
- additions to external source documentation to check that these sample assets were recognised at the appropriate time.
- considered the possible ranges of current period disconnection levels by considering past Telstra disconnection history. I assessed the nbn Group's accrual balance with reference to these ranges.
  - tested a sample of the key inputs used in the accrual calculation by agreeing to external source documentation, including invoices received from Telstra.
  - re-performed the mathematical calculations of the accruals balance.

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#### 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 2017, 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### Directors' Responsibility for the Financial Report

The directors of nbn co limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the nbn Group's ability to continue as a going concern, disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the directors either intend to liquidate the nbn Group or to cease operations, or have no realistic alternative but to do so.

#### Auditor's Responsibilities for the Audit of the Financial Report

My objective is to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditor's report *(continued)*

- 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 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 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 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 Group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the nbn Group audit. I remain solely responsible for my audit opinion.

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

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

From the matters communicated with those charged with governance, 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  
10 August 2017



# Regulatory report

For the year ended 30 June 2017

**nbn** 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;*
- *Work Health and Safety Act 2011;*
- *Superannuation Benefits (Supervisory Mechanisms) Act 1990;*
- *Environment Protection and Biodiversity Act 1999;* and
- *National Greenhouse and Energy Reporting Act 2007.*

The Regulatory report provides information on **nbn**'s compliance with the applicable laws and regulations.

A number of matters are disclosed in the main body of the annual report. Other matters are disclosed in this Regulatory report.

The regulatory reporting requirement index on pages 156 and 161 shows where the relevant information can be found in this annual report.

## Legislation

The *National Broadband Network Companies Act 2011* (**nbn** Act) is a standalone law which establishes:

- **nbn**'s ownership arrangements and wholesale mandate;
- Certain line of business restrictions on **nbn**; and
- The framework for the eventual privatisation of **nbn**.

### nbn ownership and structure

Under the **nbn** Act, the Commonwealth must retain ownership of **nbn** until at least:

- The Communications Minister has declared that the **nbn**<sup>TM</sup> 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** has examined the report; and
- The Finance Minister has declared that conditions are suitable for **nbn** sale scheme.

### Corporate Plan

**nbn** published the Corporate Plan 2017 which covers the reporting periods of FY2017 to FY2020 inclusively, in August 2016. **nbn** has also prepared a draft Corporate Plan 2018 for the reporting periods of FY2018 to FY2021.

### Objective

**nbn**'s key objective is to ensure all Australians have access to fast broadband as soon as possible, at affordable prices, and at least cost.

To achieve this objective, the **nbn**<sup>TM</sup> 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**'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**'s current objectives are set out in the 24 August 2016 SoE, which outlines the Australian Government's commitment to complete the **nbn**<sup>TM</sup> 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** will use flexible discretion in the design, build and operation of the **nbn**<sup>TM</sup> network, within the constraints of a public equity capital limit of \$29.5 billion and debt capital funding of up to \$19.5 billion to provide access to fast broadband to Australian premises. The Commonwealth Government expects **nbn** to provide download data rates of at least 25 Mbps at the wholesale level to all premises and at least 50 Mbps at the wholesale level to 90 per cent of Australian fixed line premises<sup>1</sup>.

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 their end-users.

The Commonwealth Government's vision for **nbn** is that it operates as a commercial entity. **nbn** has been established as a wholly-owned Government Business Enterprise (GBE).

The role of the **nbn** Security Group is to protect **nbn**'s people and assets from personnel, physical and cyber security threats. **nbn** is building a network that will give Australians access to reliable and fast broadband. Part of being reliable is being trusted and secure.

<sup>1</sup> The **nbn**<sup>TM</sup> network is being designed to provide these peak speeds to **nbn**'s Retail Service Providers at **nbn**'s network boundary.

## Regulatory report *(continued)*

The convergence of physical and cyber security within the Security Group enables **nbn** to better protect its people and assets against evolving security threats. **nbn**'s role as a provider of "critical infrastructure" requires it to maintain robust controls and detection capabilities, plus high levels of resilience to attack.

**nbn** continues to develop its security resilience focusing on its capabilities to plan and prepare, adapt to changing circumstances, and withstand and recover rapidly from disruptions. Resilience includes the capability to withstand and/or recover from deliberate attacks, accidents, or naturally occurring threats or incidents.

**nbn** has adopted a holistic security framework, aligning its overall security compliance against Australian Government security requirements and telecommunications industry obligations. The multi-disciplinary **nbn** Security Group, supported by investment in cyber security and independent security reviews, provides a balanced security team committed to protecting **nbn**'s people and assets.

## Parliamentary oversight

### Responsible Minister

**nbn** has two Shareholder Ministers. As at the date of this report these were the Minister for Communications and the Arts, Senator the Hon Mitch Fifield and the Minister for Finance, Senator the Hon Mathias Cormann.

## Reporting requirements and transparency

As part of regular reporting to the Commonwealth Government and Parliament, **nbn** provides regular reporting to its Shareholder Ministers and the public in accordance with the Government's requirement for a high degree of transparency of the project. This includes weekly online reporting of key network deployment metrics, monthly reports to Shareholder Ministers and quarterly financial and operational briefings of stakeholders and the media.

## Parliamentary and other Committees

During the year, **nbn** made appearances at the Senate Environment and Communications Legislative Committee (six hearings). **nbn** was the subject of, but did not make any appearances at the Joint Standing Committee on the National Broadband Network.

In addition to the questions answered during the hearings, **nbn** received 372 questions on notice arising from these hearings for FY2017.

During FY2017, **nbn** 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 (August 2016)* and the *Public Governance, Performance and Accountability Act 2013*.

No Ministerial directions were received by **nbn** during FY2017 (FY2016: nil).

## Other Commonwealth Government obligations

### Superannuation

During FY2017, **nbn** complied with all relevant guidelines and made no significant changes to superannuation arrangements for employees.



# Health, Safety and Environment

**nbn**'s HSE Statement of Commitment describes our organisation's dedication to ensuring that health, safety and the environment are considered above all other business matters. The supporting *HSE Policy* describes **nbn**'s approach to achieving safe workplaces and environments. Employees and contractors are required to comply with all applicable laws and regulations in relation to their work on the **nbn**<sup>TM</sup> network. **nbn** also has an ongoing commitment to adopt and apply ecologically sustainable development principles. Both the HSE Statement of Commitment and the HSE Policy are endorsed by the **nbn** Board of Directors and are operationalised in the business through our HSE Management System.

**nbn** reports on HSE matters as per Schedule 2, Part 4 of the *Work Health and Safety Act 2011* (WHS Act), and Section 516A of the *Environment Protection and Biodiversity Conservation (EPBC) Act 1999*.

## Our governance

At **nbn**, HSE is governed through the following forums:

- Executive Committee has accountability for HSE governance and oversight;
- the Board of Directors reviews HSE performance and compliance;
- the Board Audit and Risk Committee reviews HSE risk and assurance;
- the Executive Safety Leadership Team governs operational, strategic and transformational safety initiatives for network design, build and operations; and
- the Energy and Carbon Committee governs mitigation strategies and initiatives to reduce **nbn**'s energy demand and the carbon impact of the network.

## Our Certifications

During FY2017, we maintained our HSE Management System certification to the following Australian and international standards:

- AS/NZS 4801:2001 Occupational Health and Safety Management Systems;

- OHSAS 18001:2007 Occupational Health and Safety Management Systems; and
- ISO 14001:2004 Environmental Management Systems.

## Our approach

**nbn** has a robust approach to HSE risk management. We aim to proactively identify and manage HSE risks and implement effective controls and systems of work. Our approach to controlling our critical HSE risks includes:

- A risk based HSE assurance program of internal, supplier and external audits and field inspections;
- Minimum HSE training requirements for delivery partner workers;
- The evaluation of Supplier HSE Management Plans before the commencement of work;
- The integration of HSE performance into delivery partner commercial governance forums;
- The development of minimum HSE training requirements for delivery partner workers;
- The completion of HSE business unit risk workshops; and
- HSE alerts and lessons learnt issued in response to high potential incidents and issues identified.

## Key HSE improvement initiatives

**nbn** is committed to ensuring that material changes in our business are reflected in our HSE risk management approach. In FY2017, we undertook a number of initiatives to mitigate the HSE risks associated with **nbn**'s scaling activities including:

- Conducting a range of HSE inspections and audits through our national HSE assurance program. The purpose of these assurance activities is to ensure that controls to manage our critical HSE risks are implemented within the business and by our Delivery Partners;
- Completing a review of HSE critical risk controls. Our review involved industry benchmarking and consideration of material changes to **nbn**'s<sup>TM</sup> network and operations;

## Regulatory report *(continued)*

- Embedding HSE into commercial governance forums with our service delivery partners. We use these forums to engage with our delivery partners on their performance against contractual health, safety and environment KPIs; and
- Utilising HSE reporting and data analytics processes to identify trends in performance and areas for improvement.

## Our people initiatives

In FY2017, **nbn** completed a number of initiatives to support the health and safety of our people:

- Embedding our company-wide health and wellbeing program. Our initiatives focused on improving the physical health, diet and nutrition, and mental health of our employees. The program is now fully embedded with measurable results;
- Developing working groups made up of **nbn** employees and our delivery partners. The working groups aimed to deliver a safer and more sustainable **nbn**™ network by covering topics such as preventing accidental damage to utilities and protecting workers and members of the public when undertaking work near traffic;
- Implementing the **nbn** Travel Safe Program. This program gives **nbn** travellers 24/7 access to security, medical and logistical advice, as well as providing an international emergency response capability; and
- Centralised our monitoring capability for security and emergency response. This includes centralisation of 24/7 monitoring and response capability for building alarms, vehicle and emergency alerts, as well as welfare checks for workers conducting remote or isolated activities.

For further details on our HSE performance see pages 28 to 31.

## Our environment initiatives

In FY2017, **nbn** completed a number of projects to proactively manage our environment risks including:

- Establishing an Executive Energy and Carbon Leadership Committee to govern mitigation strategies and initiatives to reduce **nbn**'s energy demand and the carbon impact of the network;
- Publishing Design Standards for the sighting of FTTN cabinets to better manage the risks related to bushfires, floods and noise as well as impacts to vegetation, soil and areas of heritage significance;
- Providing **nbn** field employees with environmental awareness training and made this content available to our delivery partners. We also published an Environment Handbook to enable **nbn** staff to monitor compliance with our environment requirements in the field;
- Delivering the Environmentally Connected staff environment awareness and savings campaign focussing on energy, waste and paper which encouraged more than 1,100 employees to participate in voluntary environment training; and
- Continuing to rollout waste and recycling bins as part of **nbn**'s national waste recycling program. **nbn** added the additional waste streams of sharps and batteries and introduced standardised signage to drive improvements in our recycling rates.

## Our performance

### Health and Safety

In FY2017, we achieved our target of an overall reduction in TRIFR. This included a reduction in our Lost Time Injury Frequency Rate which decreased from 1.4 in FY2016 to 0.7 in FY2017 for employees and contractors.

We also reduced the frequency of HSE incidents with the potential to cause serious harm. **nbn** did not record any serious harm HSE incidents.

Indicators	FY2017	FY2016
TRIFR* - employees and contractors	2.8	3.8
TRIFR* - employees	1.1	1.9
TRIFR* - contractors	3.6	4.7

\*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 by medical professionals (Medical Treatment Injuries or MTIs). It does not include any first aid injury/illness.

In FY2017, **nbn** notified Comcare of 21 work health and safety incidents, all of which related to contractors. **nbn** did not receive any notices under Part 10 of the WHS Act. Where appropriate, we conducted investigations in line with our **nbn HSE Incident Management Procedure**. **nbn**'s delivery partners also conduct investigations in line with our HSE Incident Management Procedure for Contractors.

## Environment

In line with the growth of the **nbn**<sup>TM</sup> network, energy usage increased in FY2017 from FY2016.

The table below provides an estimate of **nbn**'s scope 1 and 2 greenhouse gas emissions for FY2017 in comparison with prior years' data.

Indicator	FY2017	FY2016
Scope 1 emissions (tCO <sub>2</sub> -e)	7,099	6,378
Scope 2 emissions (tCO <sub>2</sub> -e)	122,597	69,413
Total scope 1 and 2 emissions (tCO <sub>2</sub> -e)	129,696	75,791
Energy consumed (GJ)	605,241	379,750

**nbn** is subject to the reporting requirements in the *National Greenhouse and Energy Reporting Act 2007*. The Act requires **nbn** to report its annual Australian greenhouse gas emissions, energy consumption and energy production. **nbn** will submit its final, externally assured report for FY2017 energy and greenhouse gas emissions data to the Clean Energy Regulator in October 2017.

During FY2017 **nbn** did not receive any fines or notices under any environmental regulations.

## Environment Protection and Biodiversity Conservation Act 1999

As a Commonwealth GBE, **nbn** reports each year in compliance with Section 516A of the *EPBC Act 1999* on the following matters:

- How the activities of **nbn** accorded with the principles of ecologically sustainable development (ESD);
- The effect of **nbn**'s activities on the environment; and
- Measures being taken to minimise the impact of activities by **nbn** on the environment and the mechanisms for reviewing and increasing the effectiveness of these measures.

## Accordance with and contribution to Ecologically Sustainable Development (ESD)

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** has an ongoing commitment to ESD principles as articulated in its HSE Policy and embedded into the business activities via its management systems and standards.

During FY2017, this was demonstrated by:

- Continuing to build out the **nbn**<sup>TM</sup> network which aims in conjunction with our RSPs to provide fast, reliable and affordable landline phone and internet services to Australians. The **nbn**<sup>TM</sup> network will benefit the health, education, wealth of Australians and be a digital enabler of Australia's low carbon future. With increased connectivity to fast broadband enabling benefits such as reduced travel and resource efficiency. (*Integration and Intergenerational Principle*).
- Establishing an Executive Energy and Carbon Leadership Committee charged with providing energy and carbon leadership to **nbn**, driving understanding of energy and carbon reduction opportunities and setting and monitoring **nbn**'s objectives, targets and key programs relating to energy efficiency. (*Precautionary Principle*).

## Regulatory report *(continued)*

- Continuing to embed environment principles and minimum standards into our procurement processes. These relate to energy efficiency, hazardous materials, the United Nations Global Compact and certified environment management systems. (*Intergenerational Principle*).
- Preparing Planning Assessment Reports (PAR) for all major construction works to identify areas of environmental significance. PARs help ensure compliance with the EPBC Act and that statutory permits are secured. PARs also help ensure that designs reflect issued conditions or environmental constraints before construction commences. (*Biodiversity principle*).
- Developing energy and carbon modelling to support **nbn** business planning and decision making. (*Valuation Principle*).

## Freedom of information report

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**. In addition to the general exemptions under the FOI Act, Parliament has determined that documents relating to **nbn**'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 FY2017, **nbn** received 72 new FOI requests, finalised 78 requests under the FOI Act and carried over 5 FOI requests into the next financial year.

Those applications were processed as follows:

Granted in full	3
Granted in part	6
Access refused	2
No documents held	4
Request transferred	0
Application withdrawn	63

The Office of the Australian Information Commissioner (OAIC) initiated a review of one of **nbn**'s FOI determinations in FY2017. The FOI applicant withdrew their review request after consultations with the OAIC, effectively upholding **nbn**'s decision. There were no Internal Review requests during this period. In addition, the Company was not subject to any reviews or appeals at the Administrative Appeals Tribunal.

## How to make FOI requests

**nbn** recognises that information is a vital and an invaluable resource, both for the Company and for the broader Australian community. **nbn** 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**'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; and
- 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:  
[FOlofficer@nbnco.com.au](mailto:FOlofficer@nbnco.com.au)

Or posted to:

FOI Requests  
nbn co limited  
Level 11, 100 Arthur Street  
North Sydney NSW 2060

## Information publication scheme

Part 2 of the FOI Act requires Commonwealth Government agencies, Ministers and certain Government Business Enterprises to establish an Information Publication Scheme (IPS). As a GBE, **nbn** 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** has published its IPS Plan, which explains how the Company implements and administers its publication scheme. 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** from releasing information relating to its commercial activities, **nbn** regularly releases information about its operations on a proactive basis. **nbn**'s objective is to continue along this path without compromising its commercial, business or operational objectives, or those of its partners.

**nbn** welcomes input from the community regarding its IPS, along with suggestions regarding information that our Company might consider publishing. In that regard, please forward any comments or suggestions to the [FOlofficer@nbnco.com.au](mailto:FOlofficer@nbnco.com.au). If **nbn** is unable to publish the information requested, **nbn** staff will be in contact to discuss the reasons that the information was unavailable. **nbn** 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 see **nbn**'s Privacy Policy, available on our website.

Individuals may apply for access to their personal information held by **nbn** by writing to:

Privacy Officer  
nbn co limited  
Level 11, 100 Arthur Street  
North Sydney NSW 2060

Or email to: [privacyofficer@nbnco.com.au](mailto:privacyofficer@nbnco.com.au)

## Other matters

During FY2017, no reports on **nbn** were given by any of the Auditor-General, a Committee of either House or both Houses of Parliament, the Commonwealth Ombudsman, the Office of the Australian Information Commissioner or the Australian Securities and Investment Commission.

# Regulatory reporting requirements index

For the year ended 30 June 2017

## *Public Governance, Performance and Accountability Act 2013 (PGPA Act)*

Section	Subject	Location	Pages
s. 97	Financial report	Financial report	95-141
	Directors' report	Directors' report	11-61
	Auditor's report	Independent auditor's report	142-146

## *Corporations Act 2001*

Section	Subject	Location	Pages
s. 295	Financial statements	Financial report	96-99
	Notes to financial statements	Financial report	100-140
	Directors' declaration	Directors' declaration	141
s. 298 – s. 300	Directors' report	Directors' report	11-61
s. 301 and s. 308	Audit of annual report and auditor's report	Independent auditor's report	142-146

## *Public Governance, Performance and Accountability Amendment (Commonwealth Company Annual Reporting) Rule 2014*

Section	Subject	Location	Pages
28E	Contents of annual report		
28E (a)	The purposes of the company as included in the company's corporate plan for the period	Regulatory report	149
28E (b)	The names of the persons holding the position of responsible Minister or responsible Ministers during the period, and the titles of those responsible Ministers	Regulatory report	150
28E (c)	Any directions given to the entity by a Minister under the company's constitution, an Act or an instrument during the period	Regulatory report	150
28E (d)	Any government policy orders that applied in relation to the company during the period under section 93 of the Act	Regulatory report	149-150
28E (e)	If, during the period, the company has not complied with a direction or order referred to in paragraph (c) or (d) – particulars of the non-compliance	Not applicable	Not applicable

**Public Governance, Performance and Accountability Amendment  
(Commonwealth Company Annual Reporting) Rule 2014**

Section	Subject	Location	Pages
28E (f)	Information on each director of the company during the period, including: <ul style="list-style-type: none"> <li>(i) the name of the director; and</li> <li>(ii) the qualifications of the director; and</li> <li>(iii) the experience of the director; and</li> <li>(iv) the number of meetings of the board of the company attended by the director during the period; and</li> <li>(v) whether the director is an executive director or non-executive director</li> </ul>	Directors' report	48-51
28E (g)	An outline of the organisational structure of the company (including any subsidiaries of the company)	Financial report	131
28E (h)	An outline of the location (whether or not in Australia) of major activities or facilities of the company	Directors' report	22-47
28E (i)	Information in relation to the main corporate governance practices used by the company during the period	Corporate governance statement	75-92
28E (j)	The decision-making process undertaken by the directors of the company for making a decision if: <ul style="list-style-type: none"> <li>(i) the decision is to approve the company paying for a good or service from a Commonwealth entity or a company, or providing a grant to a Commonwealth entity or a company; and</li> <li>(ii) the company, and the Commonwealth entity or the company, are related entities; and</li> <li>(iii) the value of the transaction, or if there is more than one transaction, the aggregate value of those transactions, is more than \$10,000 (GST inclusive)</li> </ul>	Not applicable	Not applicable
28E (k)	If the annual report includes information under paragraph (j): <ul style="list-style-type: none"> <li>(i) if there is only one transaction – the value of the transaction; and</li> <li>(ii) if there is more than one transaction – the number of transactions and the aggregate of value of the transactions</li> </ul>	Not applicable	Not applicable

Regulatory reporting requirements index *(continued)*

<b>Public Governance, Performance and Accountability Amendment (Commonwealth Company Annual Reporting) Rule 2014</b>			
<b>Section</b>	<b>Subject</b>	<b>Location</b>	<b>Pages</b>
28E (l)	Any significant activities and changes that affected the operations or structure of the company during the period	Directors' report	60
28E (m)	Particulars of judicial decisions or decisions of administrative tribunals made during the period that have had, or may have, a significant effect on the operations of the company	Regulatory report	154
28E (n)	Particulars of any report on the company given during the period by:		
	(i) the Auditor-General; or	Independent auditor's report	142-146
	(ii) a Committee of either House, or of both Houses, of the Parliament; or	Regulatory report	155
	(iii) the Commonwealth Ombudsman; or	Regulatory report	155
	(iv) the Office of the Australian Information Commissioner; or	Regulatory report	155
	(v) the Australian Securities and Investments Commission	Regulatory report	155
28E (o)	If the directors have been unable to obtain information from a subsidiary of the company that is required to be included in the annual report – an explanation of the information that was not obtained and the effect of not having the information on the annual report	Not applicable	Not applicable
28E (p)	An index identifying where the requirements of this section and section 28F (if applicable) are to be found	Regulatory index	156-160
28F	Disclosure requirements for government business enterprises		
28F (1)	<i>Changes in financial conditions and community service obligations</i>  The annual report for a reporting period for a government business enterprise that is a Commonwealth company must include the following information:		
	(a) an assessment of:		
	(i) significant changes in the company's overall financial structure and financial condition during the reporting period; and	Directors' report	22-39
	(ii) any events or risks that could cause financial information that is reported not to be indicative of future operations or financial condition	Directors' report	41-45



### Public Governance, Performance and Accountability Amendment (Commonwealth Company Annual Reporting) Rule 2014

	(b) dividends paid or recommended in relation to the reporting period;	Directors' report	53
	(c) details of any community service obligations the government business enterprise has, including: <ul style="list-style-type: none"> <li>(i) an outline of actions the government business enterprise has taken to fulfil those obligations; and</li> <li>(ii) an assessment of the cost of fulfilling those obligations</li> </ul>	Not applicable	Not applicable
28F (2)	<i>Information that is commercially prejudicial</i> However, information may be excluded if the directors of the government business enterprise believe, on reasonable grounds, that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise. The annual report must state whether such information has been excluded	Not applicable	Not applicable

### Work Health and Safety Act 2011

Section	Subject	Location	Pages
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	Regulatory report	151-153
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 paragraph (a) or previous initiatives	Regulatory report	151-153
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	Regulatory report	151-153
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 this Act	Regulatory report	151-153
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	Regulatory report	151-153

Regulatory reporting requirements index *(continued)****Environment Protection and Biodiversity Conservation Act 1999***

Section	Subject	Location	Pages
s. 516A(4) and (6)	Report on the implementation of the Ecologically Sustainable Development program within <b>nbn</b> including social, economic, culture and environmental performance	Regulatory report	153-154

***Superannuation Benefits (Supervisory Mechanisms) Act 1990***

Section	Subject	Location	Pages
s. 6(1)(b)	Report on operation of superannuation arrangement	Regulatory report	150

***The Freedom of Information Act, 1982***

Section	Subject	Location	Pages
s. 93	Provide information to the Information Commissioner (IC)	Regulatory report	154-155

***National Greenhouse and Energy Reporting Act 2007***

Section	Subject	Location	Pages
s. 19	Report to be given to the Regulator: <ol style="list-style-type: none"> <li>(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:               <ol style="list-style-type: none"> <li>(a) greenhouse gas emissions</li> <li>(b) venergy production</li> <li>(c) energy consumption</li> </ol>               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             </li> <li>(2) A report under subsection (1) is required for: 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</li> </ol>	Regulatory report	153

# Glossary

Abbreviation or term	Definition
<b>ABS</b>	Australian Bureau of Statistics.
<b>ACCC</b>	Australian Competition and Consumer Commission.
<b>Access Seeker</b>	A customer acquiring <b>nbn</b> wholesale services with the intention to supply broadband services to Service Providers or End-Users.
<b>Access Technology</b>	The technology used by <b>nbn</b> to deliver the <b>nbn</b> <sup>TM</sup> network from the exchange location to the network distribution point.
<b>Access Virtual Circuit (AVC)</b>	The bandwidth acquired by RSPs which can be allocated to end-user premises. The AVC is a virtual point to point connection from <b>nbn</b> 's network boundary point associated with end-user premises back to the POI.
<b>Australia's broadband network</b>	The nation-wide wholesale-only access network, available on equivalent terms to all access seekers, that will be deployed by <b>nbn</b> and third parties engaged on behalf of <b>nbn</b> .
<b>Average Revenue Per User (ARPU)</b>	Calculations include all telecommunications revenue generated including AVC, CVC and other products.
<b>Brownfields</b>	Pre-existing premises.
<b>Business Process Excellence (BPE)</b>	Optimisation of business processes through adoption of best practices and frameworks to standardise work processes to improve business performance and efficiency.
<b>Committed Information Rate (CIR) products</b>	Products with a prioritised traffic feature. These products include defined rate, latency, jitter and loss characteristics.
<b>Complex premises</b>	Premises categorised as requiring bespoke engagement, cabling or project management. These include premises such as offices and apartment blocks.
<b>Compound Annual Growth Rate (CAGR)</b>	The average annual growth rate in a metric over a period of greater than one year.
<b>Connectivity Serving Area (CSA)</b>	A logical collection of End-User premises defined by <b>nbn</b> . Each CSA has approximately the same number of End-User premises.
<b>Connectivity Virtual Circuit (CVC)</b>	Determines the capacity of an RSP to be able to serve each CSA. The CVC is virtual Ethernet broadband capacity acquired by an RSP that can be allocated by them to their aggregated AVCs at a CSA.
<b>Copper Network</b>	Telstra's copper-based customer access network, which is used to deliver standard voice telephony and broadband services.
<b>Cost Per Premises (CPP)</b>	An internal <b>nbn</b> management calculation used to assess the comparative incremental costs of construction of each access technology.

## Glossary (continued)

Abbreviation or term	Definition
<b>Customer</b>	A customer is a customer acquiring <b>nbn</b> wholesale services with the intention to supply broadband services to end users. It is also defined as an Access Seeker or a Service Provider.
<b>Customer Engagement Metric (CEM)</b>	The Customer Engagement Metric (CEM) is measured as part of <b>nbn</b> 's Customer Experience Index (CEI), a measure of <b>nbn</b> 's Customer (RSP) sentiment of working with <b>nbn</b> and is conducted by an external independent agency on behalf of <b>nbn</b> . The CEM is measured annually on a rating scale from 0 to 10.
<b>Dark Fibre</b>	Optical fibre with no active electronics attached.
<b>Data Over Cable Service Interface Specification (DOCSIS)</b>	A telecommunications standard that permits the addition of high-speed data transfer and internet access through HFC infrastructure.
<b>Delivery Partner</b>	A third party involved in the build of the <b>nbn</b> <sup>TM</sup> network. A Delivery Partner is a contractor, which has a contract with <b>nbn</b> for the delivery of a certain amount of work/activities in relation to the build and operation of the <b>nbn</b> <sup>TM</sup> network.
<b>Dimension Based Discounting (DBD)</b>	A discount is provided on the CVC unit price to RSPs based on purchased CVC capacity per AVC. The greater the CVC capacity allocated per end-user, the greater the discount.
<b>Distribution Point Unit (DPU)</b>	The DPU is one of the main components used in FTTC architecture. A DPU is typically connected to a GPON network and uses either VDSL2 or G.fast technology for the last run of copper into the premises.
<b>EBITDA</b>	Earnings Before Interest, Taxes, Other Income, Depreciation and Amortisation.
<b>End-User</b>	Final downstream customer to <b>nbn</b> 's Service Providers.
<b>Engagement Score</b>	Measure of the total number of engaged employees as a percentage of the total number of respondents to a bi-annual engagement survey. <b>nbn</b> 's engagement surveys are undertaken through Aon Hewitt, allowing <b>nbn</b> to track progress year on year and benchmark itself against Best Employers in the Australia and New Zealand region.
<b>Fibre Network</b>	<b>nbn</b> 's optical fibre telecommunications network that is owned or controlled by <b>nbn</b> and which has been accepted into service, ready for the provision of commercial (non-trial) <b>nbn</b> <sup>TM</sup> network services.
<b>Fibre-to-the-Premises (FTTP)</b>	Network design in which the Fibre Network is deployed to each premise. It involves connecting homes and businesses with an optical fibre cable which can be used to provide a range of high-speed broadband services and phone services.
<b>Fibre-to-the-Basement (FTTB)</b>	Network design in which the Fibre Network is deployed to the basement of a building and copper lines are used to the connection to the end-user premises.

Abbreviation or term	Definition
<b>Fibre-to-the-Curb (FTTC)</b>	Network design in which the Fibre Network is deployed to a distribution point near the premises and copper lines are used for the connection between the distribution point and the premises.
<b>Fibre-to-the-Node (FTTN)</b>	Network design in which the Fibre Network is deployed to the node (i.e. a VDSL cabinet), while copper lines are used for the connection between the node and the premises.
<b>Fixed Line (FL)</b>	Delivery of voice, data and broadband services over a physical line from the exchange location to the End-User premises (with termination at that premises).
<b>Fixed Wireless (FW)</b>	Network design in which network connections are provided through radio signals.
<b>FYXX</b>	The financial year ending 30 June 20XX.
<b>FY17(A)</b>	Actuals for the financial year ending 30 June 2017.
<b>GAAP</b>	Generally Accepted Accounting Principles.
<b>Gigabits Per Second (Gbps)</b>	A unit of measurement of transmission speeds equal to one billion bits per second. X/Y Gbps means a maximum downstream speed of X Gbps and a maximum upstream speed of Y Gbps.
<b>G.Fast</b>	A technology similar to digital subscriber line (DSL) for carrying broadband signals over copper pairs. It uses different signalling method and much higher frequency spectrum to deliver potential speeds higher than traditional DSL.
<b>Government</b>	Reference to the Commonwealth or Cth is used interchangeably with Government.
<b>Government Business Enterprise (GBE)</b>	Commonwealth entity or wholly-owned Commonwealth company as defined by the PGPA Act and as prescribed as a GBE under the PGPA Rule.
<b>Greenfields</b>	A new development that can be either New Developments or Infills. Greenfields developments represent the growth of the premises market.
<b>Health, Safety &amp; Environment (HSE)</b>	The activities responsible for establishing and maintaining policies regarding employee health, safety and environment issues.
<b>Hybrid Fibre Coaxial (HFC) Cable Networks</b>	Networks utilising both optical fibre and coaxial cable for the delivery of Pay TV, internet and voice services.
<b>Infills</b>	A type of Greenfields development where new premises or a redevelopment (i.e. demolition and rebuild) are planned to be built on currently developed land that is surrounded by established areas, where Telstra copper services are currently available.
<b>Information Technology (IT)</b>	Underlying operating and business systems and processes providing the platform and flow of information through <b>nbn</b> to enable the deployment, activation and operation of Australia's broadband network.

## Glossary (continued)

Abbreviation or term	Definition
<b>Interim Satellite Service (ISS)</b>	nbn's Interim Satellite Service was launched on 1 July 2011 to provide access to broadband services to people in homes, small businesses and indigenous communities in some of the most remote areas of Australia. The Interim Satellite Service was a temporary measure until nbn launched its own Sky Muster™ satellite service in 2016.
<b>Lead-in</b>	The part of the network from the pit in the street to the end-user premises.
<b>Local Network</b>	The part of the network from the Fibre Distribution Hub down each street.
<b>Megabits Per Second (Mbps)</b>	A unit of measurement of transmission speeds equal to one million bits per second. X/Y Mbps means a maximum downstream speed of X Mbps and a maximum upstream speed of Y Mbps.
<b>nbn</b>	nbn co limited.
<b>New Developments (Greenfields Estates)</b>	A New Development is defined as an estate that complies with the New Development Policy statements released by the Government. New Developments includes commercial, industrial and residential estates comprising of more than 100 lots with development approval to be released within a 3 year period located in nbn's long term fibre footprint.
<b>Next Generation Passive Optical Network (NG-PON)</b>	A telecommunications network standard capable of increasing speeds over the fibre cables.
<b>Operations and Maintenance Master Agreement (OMMA)</b>	OMMA governs activities with service delivery partners and aims to provide field services across all regions of Australia. OMMA includes field services across service activations, service assurance, network restoration, preventative maintenance, and moves, adds and changes (MACs).
<b>Point of Interconnect (POI)</b>	The connection point that allows RSPs and WSPs to connect to the nbn™ network access capability. In the field, this is the physical port on the Ethernet Fanout Switch (EFS) located at nbn™ network's POI, where an Access Seeker connects to establish exchange of traffic with the nbn™ network.
<b>Premises</b>	A premises which nbn is required to connect is: <ol style="list-style-type: none"> <li>1. an addressable location currently used on an ongoing basis for residential, business (whether for profit or not), government, health or educational purposes;</li> <li>2. a school as defined by the Department of Education, Employment and Workplace Relations;</li> <li>3. within a new development at an addressable location for which nbn is the wholesale provider of last resort; or</li> <li>4. a standard telephone service activated in compliance with the USO.</li> </ol>

Abbreviation or term	Definition
<b>Premises Activated</b>	Refers to premises which have an active service installed. Premises are activated after receiving and provisioning a service order from a Retail Service Provider (Service Provider) to install a new service at the premises.
<b>Product Development Forum</b>	See <a href="http://www.nbnco.com.au/sell-nbn-services/industry-consultation/product-development-forum.html">http://www.nbnco.com.au/sell-nbn-services/industry-consultation/product-development-forum.html</a>
<b>Ready for Service (RFS)</b>	A Rollout Region is Ready for Service when <b>nbn</b> is ready to begin connecting premises in that Rollout Region to the <b>nbn</b> <sup>TM</sup> network, which is when the <b>nbn</b> <sup>TM</sup> network has passed at least 90 per cent of the premises in the <b>nbn</b> fibre footprint in that Rollout Region.
<b>Retail Service Provider (RSP)</b>	A third party provider of retail broadband services to End-Users.
<b>Rollout Region</b>	A region served by the <b>nbn</b> <sup>TM</sup> network.
<b>Service Delivery Providers (SDPs)</b>	A third party that provides services and supports <b>nbn</b> in the planning, design, construction, activation and assurance associated with the deployment and operation of the network as well as other enabling functions including IT.
<b>Service Providers</b>	A third party provider of broadband services whether to End-Users and/or Retail Service Providers.
<b>Sky Muster<sup>TM</sup> satellite service</b>	<b>nbn</b> satellite service which will provide broadband services to Australians in predominantly rural locations.
<b>Statement of Expectations (SoE)</b>	Letter to <b>nbn</b> from its Shareholder Ministers dated 24 August 2016. See: <a href="http://www.nbnco.com.au/content/dam/nbnco2/documents/soe-shareholder-minister-letter.pdf">http://www.nbnco.com.au/content/dam/nbnco2/documents/soe-shareholder-minister-letter.pdf</a>
<b>Technology Choice Program</b>	A program which provides individual or groups of premises with the option to pay for a switch to a different <b>nbn</b> <sup>TM</sup> network technology.
<b>User Network Interface (UNI)</b>	The physical port on the <b>nbn</b> Network Termination Device (NTD) at the End-User premises which connects the End-User's residential gateway or Ethernet enabled device to the <b>nbn</b> <sup>TM</sup> network which could be either a UNI-D (User Network Interface - Data) or UNI-V (User Network Interface - Voice).
<b>VDSL</b>	Very-High-Bit-Rate Digital Subscriber Line.
<b>Wholesale Broadband Agreement (WBA)</b>	A document which sets out <b>nbn</b> 's supply terms for the <b>nbn</b> Ethernet Bitstream Service and other related products and services.
<b>Wholesale Service Provider (WSP)</b>	A provider of wholesale services to Service Providers.

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