SYD

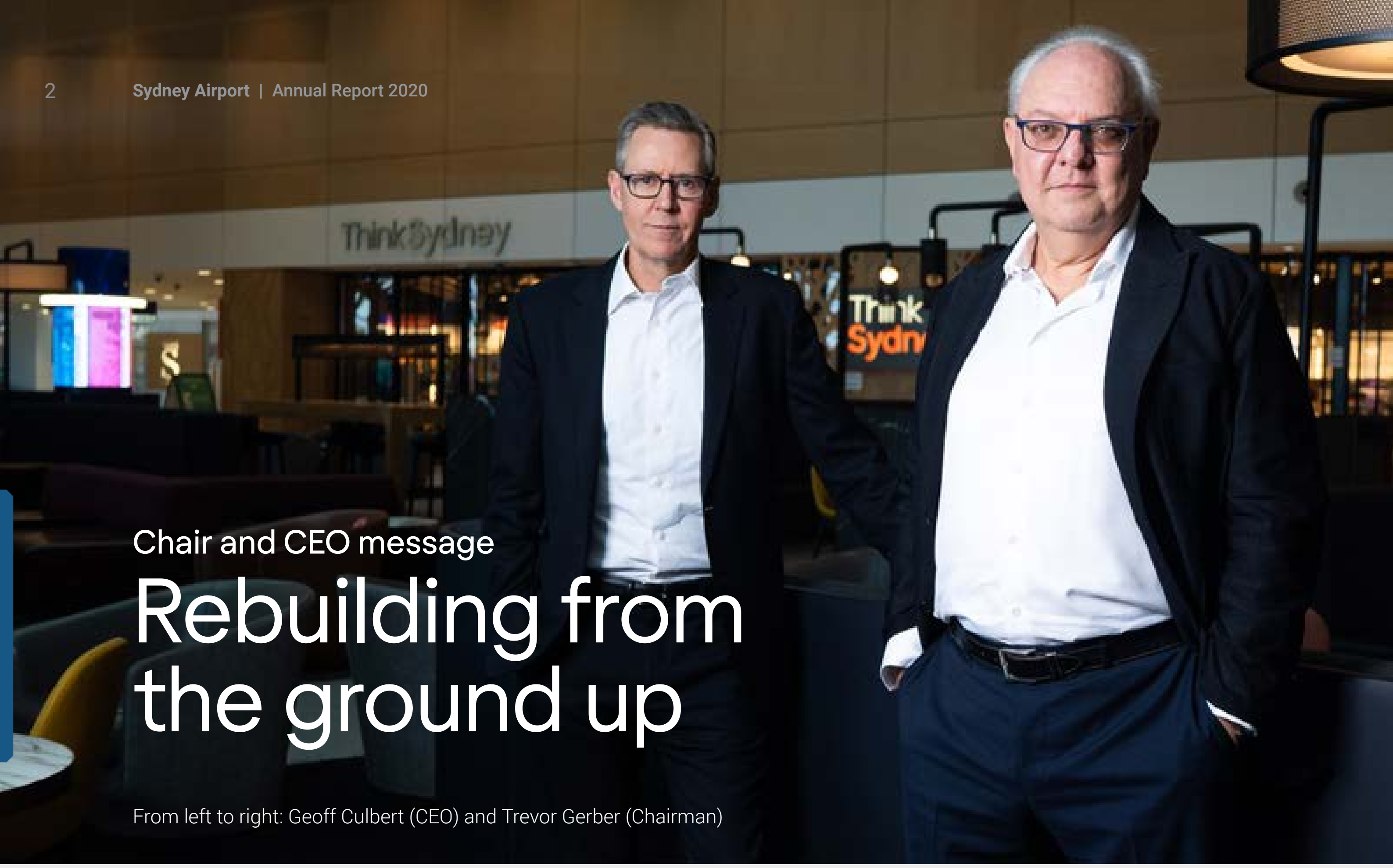
Annual Report 2020

Protect and Rebuild

Contents

About Us

ASX-listed Sydney Airport (the Group) is comprised of Sydney Airport Limited (ABN 18 165 056 360) (SAL) and Sydney Airport Trust 1 (ARSN 099 597 921) (SAT1). The Trust Company (Sydney Airport) Limited (ABN 83 115 967 087) (AFSL 301162) (TTCSAL) is the responsible entity of SAT1. This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in Sydney Airport, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.



Chair and CEO message

Rebuilding from the ground up

From left to right: Geoff Culbert (CEO) and Trevor Gerber (Chairman)

2020 revenue
$803.7m
↓51% from 2019

2020 total passengers
11.24m
↓75% from 2019

During our centenary year in 2019, when Sydney Airport celebrated record passenger numbers and the arrival of our billionth passenger, it would have been impossible to imagine the challenges 2020 would bring.

The COVID-19 pandemic, with its subsequent border closures and collapse in travel, delivered a crisis of unprecedented magnitude to the global aviation industry. Sydney Airport has been on the frontline of this crisis, operationally and financially, making 2020 the most challenging year in the airport's history. We bore most of the impact from April onwards. Passenger volumes in the March quarter were down 18 per cent on the same period in 2019, with a 93.4 per cent reduction across the remaining nine months of 2020.

Our immediate response to the crisis was guided by two simple principles: 'protect our people' and 'protect the business.' Alongside our purpose, 'to make Sydney proud every day', and our values, these principles served us well as we contemplated difficult and unique decisions throughout 2020.

As consuming as the crisis was and continues to be, we remained committed to keeping the airport open as an essential service. Indeed, in 2020 Sydney Airport reaffirmed its position as Australia's gateway, handling the bulk of Australia's air freight and 50 per cent of the more than 210,000 Australians who have repatriated so far. Together with this commitment to keep the airport open, we took a principled approach to how we would operate it. We have looked to fairly and appropriately share the impact amongst our commercial partners, tenants, suppliers, retailers, securityholders and our own people, with the Board and senior management foregoing elements of their remuneration this year.

Guided by these commitments and principles, we took the following actions:

- Deployed a comprehensive COVID-safe Terminal and Workplace Plan to keep our people, passengers, and visitors safe (page 34)
- Raised $850 million in debt and $2 billion in equity (page 16), to give us a prudently buffered liquidity position, which will enable us to manage through the crisis regardless of the shape or pace of the recovery
- Significantly reduced both operating expenses (page 18) and capital expenditure (page 20), to further preserve cash and bolster our liquidity position
- Provided extensive support to state and federal government agencies, adapting to their evolving needs and playing a key role in the operation to keep Australia safe from COVID-19 (page 24)

- Gave proportionate and significant relief to our retail and commercial tenants (pages 26 & 30), whilst negotiating a series of relief agreements with our airline partners (page 22)

We also appreciated the support of the Australian and NSW Governments, including the $13 million received in Jobkeeper support.

Financial and operational snapshot

Passenger volumes during 2020 fell to levels not seen since the late 80s. The impact of the passenger decline was felt across all businesses, from aviation to property and retail.

Revenue declined by 51 per cent in 2020, with EBITDA (excluding other income and other expenses) down by 62 per cent and Net Operating Receipts down by 95 per cent to $45.5 million over the same period. Loss after tax for 2020 was $107.5 million.

Aviation revenues were decimated by the closure of international borders in March 2020, with a decline of 67.8 per cent on 2019 results in line with the collapse of aircraft movements and passenger traffic. Our non-aeronautical portfolio was likewise affected by the drop in passenger volumes, which led to a decline in non-aeronautical revenues of 37.5 per cent from 2019. As a consequence of the impact of COVID-19 we were not able to pay a distribution to securityholders for 2020, the first time since 2002, (but please refer to Note 12 of the Group's financial statements for information regarding the income earned by SAT1 during the 2020 year). This decision was not taken lightly, but it was the prudent course of action given the impact to our revenue and the need to preserve liquidity in the face of the crisis. We understand the importance of the distribution to our investors, and it is our intention to restart the distributions once a sustainable recovery emerges.

Although it has been a year dominated by the financial impact of COVID-19, we haven't lost sight of other critical programs that determine our success, particularly in the areas of safety, sustainability, and our community.

Safety

During 2020 our focus and commitment to building an industry-leading safety culture did not waiver. The number of workplace injuries reduced by 43 per cent and we expanded our safety walks program. With many of our people working remotely we extended our program to include safety talks - many of which were focused on mental health and wellbeing. We also exceeded our target of 95 per cent of people leaders completing four safety walks or talks during the year.

We increased our focus on the mental health and wellbeing of our staff during this difficult year, ensuring we had the right training and channels in place to provide support when needed. Whilst our three year Safety Strategy covers physical, mental and workplace health for all our people the mental health impact of COVID-19 cannot be underestimated, particularly in the aviation industry where the impact has been severe and is ongoing.

Sustainability

Despite the challenges of 2020, we remained focused and committed to delivering on our sustainability agenda. Over the year we made meaningful progress on our commitments and focused on continuing to do business responsibly and transparently. In February we were very proud to issue the first two-way Sustainability Linked Bond in the US private placement and global bond markets.

Over the year we maintained our ACI Level 3 Airport Carbon Accreditation and reduced emissions where possible by managing our assets to reflect the step-down in activity on the airport precinct.

For the first time ever we achieved 50:50 male:female representation on our leadership team, and our gender pay equity ratio improved to 99.8 per cent.

While much of the construction around the airport slowed this year, the Northern Ponds development was completed, which includes ground power and pre-conditioned air. This will enable aircraft at these bays to switch off auxiliary power units, reducing emissions and ground-based noise. We also resurfaced our main runway from which we recycled more than 24,700 tonnes of pavement material for reuse.

As a result of our work we continue to be recognised for our sustainability leadership by global ratings agencies, ranking 3rd globally in Sustainalytics' Airports sub industry sector, as sector leaders in S&P Global's Sustainability Yearbook 2021 and rated 'AAA' by MSCI.

We encourage you to read the in-depth information on our achievements and progress in 2020 contained in our 2020 Sustainability Report.

Community

COVID-19 has reinforced the importance of the relationship between the airport and the local community. More than 10,000 jobs have been lost from the airport precinct, with the majority of those from the community who live around the airport. As the industry recovers, those jobs will come back and the airport will resume its critical role as an economic driver and job creator for the local community. In the meantime, we will continue to support our local community as best we can.

Throughout 2020, COVID-19 impacted some of our annual community activities, such as the Runway Run, but we were still able to deliver several important initiatives and events for our local community. We were proud to award our first SYD100 Scholarship, which supports the next generation of aviation leaders. We donated to bushfire-affected communities and through fundraising efforts we supported the Sydney Children's Hospitals Foundation. At the depths of the crisis, when activity at the airport was slow, we established Secondment@SYD, a program that gave our staff the opportunity to share their skills and expertise with local organisations requiring support, including the Marrickville Legal Centre and the Harding Miller Education Foundation.

Outlook

2020 was a year we hope never to repeat and we look patiently and optimistically to the future. We believe there is strong pent-up demand for air travel, which we see each time state borders open. We believe international travel will follow a similar albeit perhaps later path, with travellers keen to re-establish connections with family, friends and business partners.

The roll out of COVID-19 vaccines will be the foundation upon which the recovery is built, but the measures we have taken throughout 2020, financially and operationally, put us in a strong position to manage through until that time, and to make the most of the recovery when it arrives.

On behalf of the Board and senior management we would like to thank our people for their incredible efforts in 2020, and our investors for their ongoing support.

Regards,

Trevor Gerber
Chairman

Geoff Culbert
Chief Executive Officer

Highlights

Financial

The COVID-19 pandemic had a catastrophic impact on the global aviation industry. Sydney Airport has been on the frontline of this crisis from the very start, making 2020 the most challenging financial year in the airport's history.

Total revenue

$803.7m

↓51.0%

EBITDA

$627.8m

↓45.2%

Net profit/(loss) after tax

($107.5m) in 2020

$215.0m in 2019

Net operating receipts[1]

$45.5m

↓95%

Total distribution

0.0¢

↓100%

Capital investment

$237.5m[2]

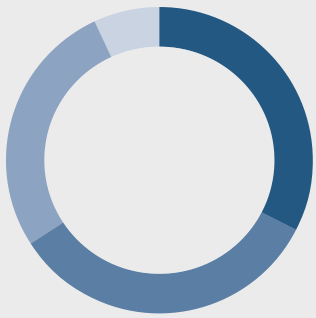
↓21.1%

Cash flow cover ratio

1.8x

↓1.5x

Revenue contributions by business unit



- **$238.2m** *Aeronautical services*
- **$244.2m** *Retail*
- **$199.1m** *Property and car rental*
- **$49.1m** *Parking and ground transport*

1. NOR excludes gains on the derecognition of leasehold lands relating to the Sydney Gateway transaction, refund under the Danish tax indemnity and adds back the amortisation of interest rate swap resets over the reset period recognised in the Change in fair value of swaps.
2. Excludes the acquisition of Jet Fuel Infrastructure for $85 million and associated transaction costs.

Highlights

Sustainability

As every aspect of our business and operations was disrupted in 2020, our commitment to long-term sustainability never changed. We continued our sustainable finance journey in the year by issuing the first Sustainability Linked Bond in the US private placement market in February, and continued to improve our sustainability performance in key areas.

Safety

43%
reduction in injuries across our workforce

736
safety walks completed

>1,000hrs
of mental health training

Our people and the community

>1,980hrs
volunteering in the community

Gender pay equity ratio[1]
99.8%
↑ from 95.9% in 2019

Employee engagement
80%
↑ from 70% in 2019

Environment

75,854tCO_2e
Scope 1 & 2 emissions[2]
↓from 83,620tCO_2e in 2019

Waste recycling rate
44.7%
↑ from 43.4% in 2019[2] (excluding quarantine waste)

Level
3
maintained level 3 'optimisation' Airport Carbon Accreditation'

1. Employee fixed annual remuneration paid to men and women in management roles vs non-management roles.
2. Environmental data has transitioned to calendar year reporting from 2020, and includes T3. 2019 environmental data is reported for the period 1 July 2018 to 30 June 2019.

Highlights

Aviation and operations

In 2020 Sydney Airport navigated the biggest global downturn in passenger traffic in the history of aviation. The impact of COVID-19 was also seen in an increase of freight movements, driven by the unprecedented decline in passenger aircraft movements which traditionally carry up to 80 per cent of total freight in the belly hold.

Passenger movements

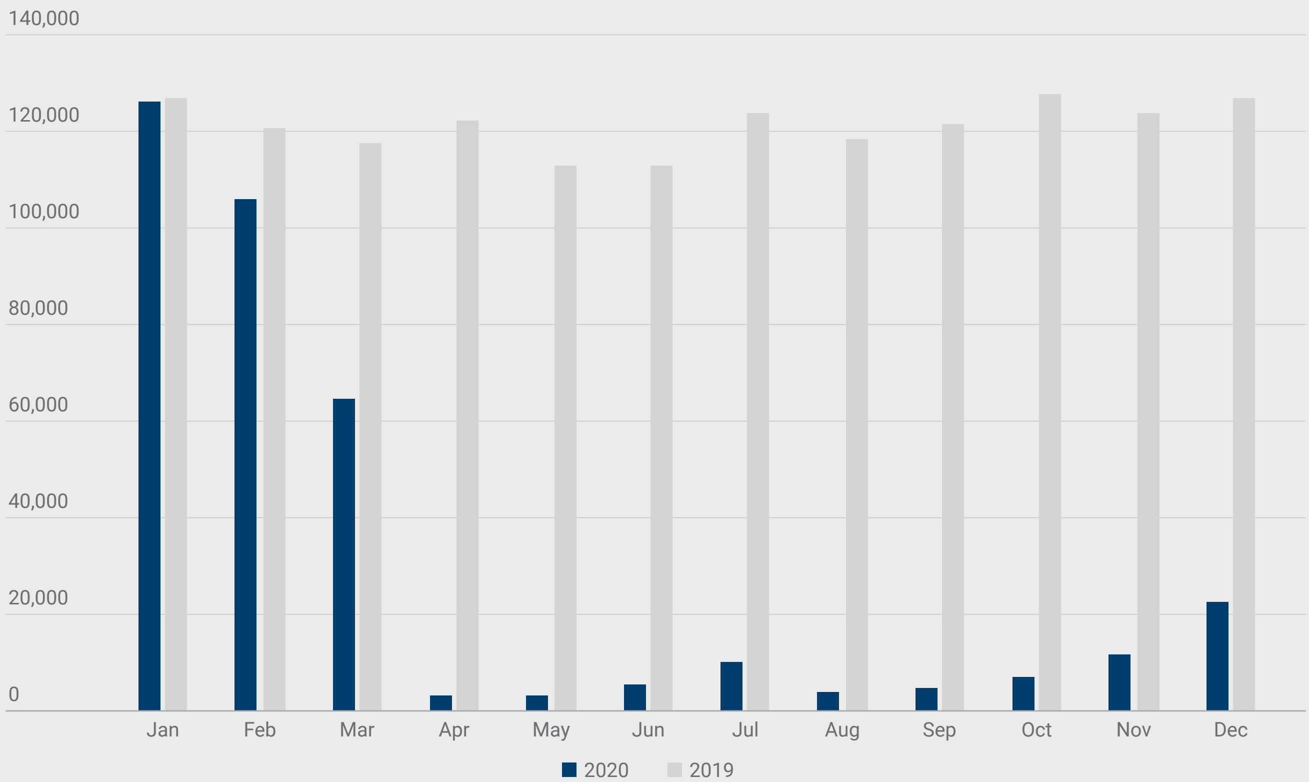
Total passengers
11.24m
↓75% on PCP*

Domestic passengers
6.55m
↓74% on PCP

Regional passengers
901k
↓60% on PCP

International passengers
3.79m
↓78% on PCP

Passenger comparison 2019 vs 2020 – Average passengers per day



* Prior corresponding period.

Passenger aircraft movements

Total passenger aircraft movements
99.2k
↓69% on PCP

Domestic and regional passenger aircraft movements
76.8k
↓68% on PCP

International passenger aircraft movements
22.4k
↓72% on PCP

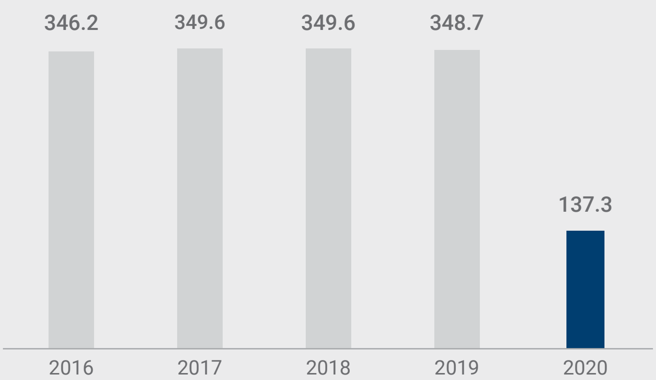
Freight aircraft movements

Total freight movements
21.4k
↑124% on PCP

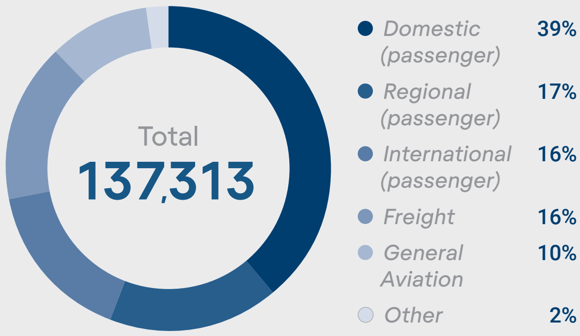
Domestic freight movements
5.4k
↑26% on PCP

International freight movements
16k
↑203% on PCP

Five year history of total aircraft movements ('000s)



2020 Aircraft movement breakdown



From left to right: Karen Tompkins, Dhruv Gupta, Geoff Culbert, Vanessa Orth, Greg Botham and Karen Halbert

Leadership Team

Karen Tompkins

General Counsel and Company Secretary, BA LLB (Hons)

Karen joined Sydney Airport in 2016 and was appointed as General Counsel and Company Secretary in July 2019. In her role, Karen is responsible for the airport's Legal, Compliance and Company Secretariat. Prior to Sydney Airport, Karen worked in the legal team of ASX-listed Stockland for nine years. Her previous experience includes positions in law firms including Minter Ellison, Herbert Geer and Henry Davis York. Karen has more than 16 years' legal experience.

Dhruv Gupta

Chief Aviation Officer, BS, BA (Hons), MBA

As Chief Aviation Officer, Dhruv is responsible for Sydney Airport's aviation business and operations. He joined Sydney Airport in January 2019 as Chief Strategy Officer after his role as Group Director, Strategy and Corporate Development for Fairfax Media. Dhruv has also worked in investment banking with Macquarie Group, on strategy with Publishing and Broadcasting Limited and with Boston Consulting Group.

Geoff Culbert

Chief Executive Officer, BComm, LLB (Hons)

Geoff joined Sydney Airport as Chief Executive Officer in January 2018. He brings extensive commercial and operational experience to the airport from a number of senior global and domestic roles at General Electric (GE), including most recently as the President and Chief Executive of GE Australia and New Zealand & Papua New Guinea.

Geoff currently serves on both the World Governing Board and Asia-Pacific Board of the Airports Council International (ACI), the global industry association representing airports around the world.

Vanessa Orth

Chief Commercial Officer, BAppSc (Land Economics)

Vanessa joined Sydney Airport in 2018 and is responsible for all commercial business including retail, property and ground transport. Vanessa has substantial commercial strategic and asset management experience and was previously the Head of Retail for the General Property Trust Group (GPT), where she held a number of leadership roles since 2007.

Greg Botham

Chief Financial Officer, BBus, MAppFin, CA

Greg Botham has been CFO of Sydney Airport since May 2017. He is responsible for all aspects of finance as well as the Airport's functions across human resources, technology, safety, sustainability and environment. Having commenced his finance career at Qantas, Greg has worked in listed infrastructure businesses for the past 17 years, including previous planning and analysis roles at Sydney Airport and 5 years as CFO of the ASX-listed Spark Infrastructure. A chartered accountant, Greg completed his Master of Applied Finance at Macquarie University and also holds a Bachelor of Business from UTS.

Karen Halbert

Executive General Manager Corporate Affairs, BEc LLB

Karen leads Sydney Airport's Corporate Affairs team and is responsible for internal and external communication, government relations, corporate social responsibility, media relations, brand and stakeholder engagement. Joining the airport in 2019, Karen brings 20 years' experience leading corporate affairs across ASX-listed mining and infrastructure businesses as well as with the national tourism board, Tourism Australia.

Australia's gateway in a time of crisis

At no other time in its 100-year history has Sydney Airport had to respond as quickly to external factors. The impacts of COVID-19 have been felt across every part of the business. In this snapshot we capture some of the key dates of the pandemic in Australia, and actions we took to protect our people and our business.

30 JAN

- WHO declares COVID-19 a global Public Health Emergency

1 FEB

- Travel restrictions imposed on China. SYD coordinates with NSW Health officials on passenger processing and screening

2 FEB

- NSW Health starts screening international arrivals. SYD devises and implements operational changes with less than 24 hours' notice
- SYD introduces increased cleaning regimes and sanitation stations in line with NSW Health advice

29 FEB

- Travel restrictions imposed on Iran

5 MAR

- Travel restrictions imposed on South Korea and enhanced screening for arrivals from Italy
- NSW Health international inbound passenger screening at full capacity
- SYD starts communications campaign on COVID-19 health measures in terminals

20 MAR

- Australian government closes international border to anyone but citizens, permanent residents, and their immediate family

21 MAR

- TAS is the first state to close its domestic border, followed by NT, SA, WA and QLD days later

25 MAR

T1

- Retail restrictions imposed at T1 international terminal leading to business closures

28 MAR

- NSW Health mandates hotel quarantine and health screening for all international arrivals
- SYD devises and implements operational changes with less than 48 hours' notice
- 3,000 passengers processed in first day
- Entire T1 international terminal declared a customs-controlled area. Closed to all but authorised passengers and ASIC card holders

30 MAR

- First repatriation flight arrives
- SYD devises and implements protocols and procedures at T1 international terminal for diplomatic staff, departing passengers and airlines new to the airport

23 APR

- SYD collaborates on a multi-agency operation to repatriate 375 Ruby Princess crew to the Philippines via charter flight

2 JUL

- NSW government mandates screening of all domestic arrivals from Melbourne
- SYD devises and implements operational changes with minimal notice regarding requirements

31 DEC

- VIC, NT and SA close their borders to NSW. WA closes its border with VIC

22 DEC

- International flight crews landing at SYD required to stay at specific monitored quarantine hotels, requiring changes to processing at T1 international terminal

20 DEC

- VIC, QLD, SA, WA, NT and TAS close borders to Greater Sydney residents

11 DEC

- QLD closes border to NSW

17 NOV

- NSW Health begins screening SA arrivals at SYD

23 NOV

- VIC reopens border with NSW
- Victorian flights transitioned back to domestic precinct

1 DEC

- QLD reopens border with NSW

8 DEC

- WA reopens border with NSW

16 OCT

- SYD devises and implements operational changes to process NZ non-quarantine arrivals at T1 international terminal, separately to other inbound international flights and arrivals from VIC

8 AUG

- QLD again closes border with NSW and ACT

7 AUG

- SYD devises and implements operational changes to process domestic flights and passengers from VIC via T1 international terminal and separately to inbound international passengers
- SYD liaises with all domestic airlines to deliver operational changes

5 AUG

- NSW government mandates domestic arrivals from VIC go into hotel quarantine

20 JUL

- Australian government implements cap on international arrivals to 350 per day, maximum 30 pax per plane

6 JUL

- NSW and VIC announce border closure after largest daily increase in COVID-19 cases in VIC

10 JUL

- QLD reopens border with NSW

4 JUL

- Australian government implements cap on international arrivals to 450 per day, maximum 50 pax per plane

Our purpose and values

In a year which required us to make difficult decisions in ambiguous circumstances, we were guided by our Purpose and our Values. They gave us direction and meaning as we navigated the complexity associated with running Australia's most significant infrastructure asset during a global pandemic.

Our purpose

To make Sydney proud every day

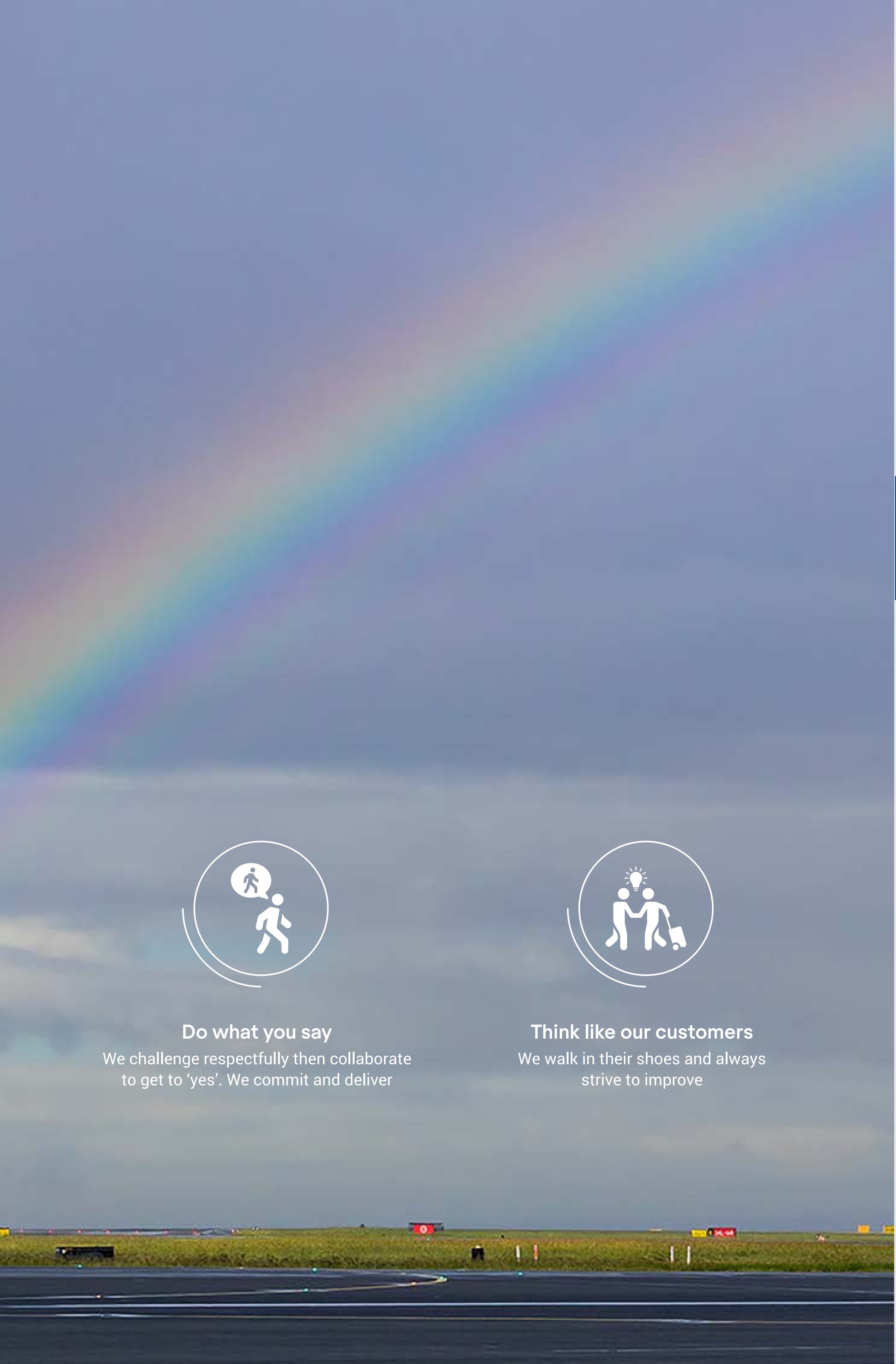
Our values

Always do the right thing

Integrity and honesty are at the heart of everything we say and do

Have each other's back

Working at SYD is a team effort. We care. We keep each other safe and well



Do what you say

We challenge respectfully then collaborate to get to 'yes'. We commit and deliver

Think like our customers

We walk in their shoes and always strive to improve

Financial performance

A year like no other

Traditional sources of revenue faced critical challenges during 2020, with the collapse of passenger numbers affecting every part of our business.

Total revenue

$803.7m

↓51.0%

EBITDA

$627.8m

↓45.2%

Net operating receipts[1]

$45.5m

↓95.0%

Key performance measures

Key measures of Sydney Airport's 2020 financial performance are shown in the table below.

		% Change from 2019
Passengers	11.24 million	(74.7%)
Revenue	$803.7m	(51.0%)
Operating expenditure (excluding security recoverable expenses and other expenses)	$138.8m	(32.3%)
EBITDA	$627.8m	(45.2%)
Net operating receipts (NOR)	$45.5m	(95.0%)
Distributions per security to investors	0.0c	(100.0%)
Net movements in cash and cash equivalents held	$450.5m	202.8%

Revenue streams

	Revenue ($m)	Revenue contribution	% change from 2019
Aeronautical Services (excluding security recovery)	238.2	33%	(67.8%)
Retail	244.2	33%	(34.9%)
Property and Car Rental	199.1	27%	(20.7%)
Parking and Ground Transport	49.1	7%	(69.7%)

Table may not add to 100% due to rounding.

Distributions and Net Operating Receipts (NOR)

Net Operating Receipts (NOR) provide a proxy for cash flows available to pay distributions. As a result, it is a key measure of ASX-listed Sydney Airport's financial performance. NOR is a non-IFRS measure of cash flow that ASX-listed Sydney Airport can sustainably return to investors while investing in the infrastructure. NOR is derived from both income statement performance and the cash position of SAL and SAT1.

1. NOR excludes gains on the derecognition of leasehold lands relating to the Sydney Gateway transaction, refund under the Danish tax indemnity and adds back the amortisation of interest rate swap resets over the reset period recognised in the Change in fair value of swaps.

Reconciliation of NOR

The following table reconciles the statutory result of ASX-listed Sydney Airport for the year ended 31 December 2020 to its NOR. Non-IFRS financial information has not been audited by the external auditor, but has been sourced from the Financial Reports.

	2020 $m	2019 $m
(Loss)/Profit before income tax expense [1]	(244.4)	286.6
Add back: depreciation and amortisation [1]	440.4	438.0
Profit before tax, depreciation and amortisation	**196.0**	**724.6**
Add/(subtract) non-cash expenses		
– Capital indexed bonds capitalised [2]	7.6	17.8
– Amortisation of debt establishment costs [2]	26.4	4.2
– Borrowing costs capitalised [2]	(7.2)	(9.7)
– Change in fair value of swaps [2]	60.4	0.1
Total non-cash expenses	**87.2**	**12.4**
Add/(subtract) other cash movements		
Movement in cash balances with restricted use [3]	(0.6)	(0.8)
Other	(19.3)	(18.1)
Total other cash movements	**(19.9)**	**(18.9)**
Add back		
– Net indemnity (refund)/costs [1] and MALSA costs	(39.7)	187.6
– Sydney Gateway transaction [5]	(118.0)	–
– Amortisation on interest rate swap resets [6]	(60.1)	–
Net operating receipts	**45.5**	**905.7**
Average stapled securities on issues (m) [4]	2,408.6	2,257.4
Net operating receipts per stapled security	1.9	40.1
Distributions declared per stapled security	–	39.0
Ratio of net operating receipts to distributions	n/a	103.0

1. Taken from the Consolidated Statements of Comprehensive Income in the Sydney Airport Financial Report for the Year Ended 31 December 2020.
2. Taken from note 6 in the Sydney Airport Financial Report for the Year Ended 31 December 2020.
3. Taken from note 3 in the Sydney Airport Financial Report for the Year Ended 31 December 2020.
4. Taken from note 8 in the Sydney Airport Financial Report for the Year Ended 31 December 2020.
5. Gain on de-recognition of leasehold land relating to Sydney Gateway of $115.7 million and interest income recognised for accounting purposes pursuant to the Sydney Gateway Implementation Deed of $2.3 million. Refer to note 15 in the Sydney Airport Financial Report for the year ended 31 December 2020.
6. This is a straight line amortisation of interest rate swap resets over the reset period recognised in the Change in fair value of swaps.

Financial performance

Protecting the business

Raising equity allowed us to reduce debt and strengthen our financial position during the biggest crisis to hit the airport in its history.

Capital management and distribution

Sydney Airport's liquidity position as at 31 December 2020 was $3.5 billion (31 December 2019: $1.7 billion), comprising $1.1 billion of available cash and $2.4 billion of undrawn bank debt facilities.

In February 2020, Sydney Airport successfully priced an AUD598 million equivalent multi-tranche US private placement (USPP) bond over 15, 20 and 30-year tenors. Proceeds from the bond, received on 16 June 2020, further enhanced the Group's strong liquidity position.

The bond included an AUD100 million sustainability-linked tranche, demonstrating continued leadership and innovation across finance and sustainability. The sustainability-linked tranche coupon will decrease or increase depending on the airport's sustainability performance over time, further incentivising the delivery of sustainability commitments (including achieving carbon neutrality by 2025) and other sustainability improvements. The market-leading transaction represented the first Sustainability Linked Bond in the USPP bond market and the first Sustainability Linked Bond with two-way pricing across all bond markets globally.

In April 2020, Sydney Airport successfully established AUD850 million of bilateral bank debt facilities with existing lenders over two and three year tenors, further improving the airport's liquidity position.

In August 2020, Sydney Airport took further decisive action by raising $2 billion of equity to strengthen its balance sheet and help ensure it remains well capitalised to meet the challenges presented by an uncertain COVID-19 operating environment, and to ensure it is positioned for growth in the future. The equity was raised via an accelerated renounceable entitlement offer on the basis that it was the fairest structure for all securityholders, particularly retail securityholders. Securities were offered on a pro-rata basis, (1 new security for every 5.15 securities held) and participating securityholders were not diluted, which was important to the Boards of Sydney Airport given many securityholders have been long term investors in the airport. The new securities were offered at a price of $4.56, which represented a 13.2 per cent discount to the theoretical ex-entitlement price of $5.26 based on the closing price of Sydney Airport securities on 10 August 2020.

The successful completion of the equity entitlement offer:

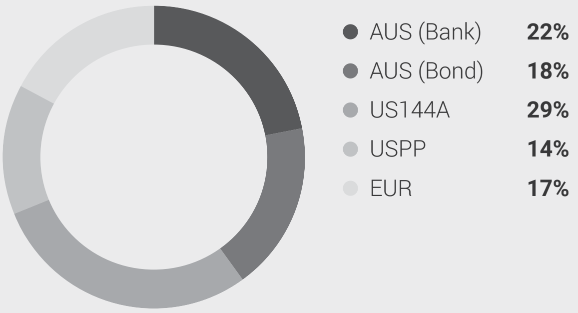
- substantially reduced Sydney Airport's net debt;
- further enhanced financial resilience;
- supports our commitment to maintaining a strong investment grade credit rating; and
- further increased liquidity available to Sydney Airport

Combined with existing liquidity sources, (cash and undrawn bank facilities), the additional equity capital raised via the entitlement offer covers debt maturities, (including bond maturities paid in November 2020 and February 2021) as well as providing additional funding to be used for general corporate purposes, including but not limited to capital expenditure. It provides Sydney Airport with flexibility to respond to a range of recovery scenarios and pursue sensible growth opportunities as the recovery from the COVID-19 pandemic unfolds.

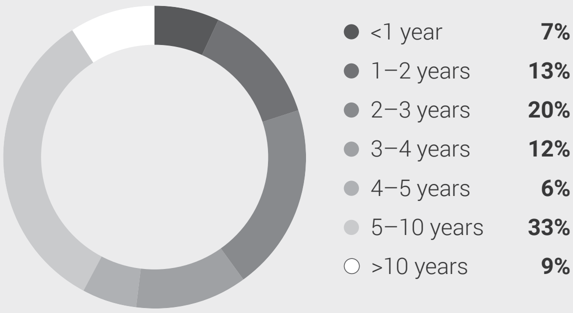
Category	2020	2019
Net debt [2]	$7.5 billion[1]	$8.6 billion[1]
Net debt/EBITDA[3]	11.9x[1]	6.6x[1]
Cash flow cover ratio [3,4]	1.8x[1]	3.3x[1]
Average maturity	Mid-2026	Mid-2025
Credit rating (S&P/Moody's)	BBB+/Baa1[5]	BBB+/Baa1[6]

1. Calculations include lease liabilities and related interest expense due to the application of AASB 16.
2. Includes drawn amounts under the $150 million SAL bank debt facility.
3. Calculated on a rolling 12 month basis, reflecting reported performance for the 12 months to 31 December.
4. Cash flow cover ratio (CFCR) is summarised by cash flow divided by senior interest expense, calculated for the SCACH Group.
5. Negative outlook for both S&P and Moody's.
6. Stable outlook for both S&P and Moody's.

Funding portfolio by category



Debt maturity on drawn and undrawn debt



Distributions

During the year ended 31 December 2020, no interim or final distributions were payable by the SAL Group or the SAT1 Group. This is in line with guidance provided at 2020 Half Year results and is a decision made in to order to preserve liquidity, taking in to account the uncertainty regarding the pace of the recovery of travel.

Distributions paid in 2019 are shown in the table below.

	2020	2019
$m		
Final distribution	–	440.4
Interim distribution	–	440.1
	–	880.5
Cents per stapled security		
Final distribution	–	19.5
Interim distribution	–	19.5
	–	39.0

The Group's distributions are 100 per cent unfranked.

The distribution portions paid / payable by SAL and SAT1 are as follows:

	SAL		SAT1	
	2020	2019	2020	2019
Distributions were paid/payable as follows:				
$m				
Final distribution	–	322.9	–	117.5
Interim distribution	–	325.0	–	115.1
	–	647.9	–	232.6
Cents per stapled security				
Final distribution	–	14.3	–	5.2
Interim distribution	–	14.4	–	5.1
	–	28.7	–	10.3

Distribution Reinvestment Plan (DRP)

The distribution reinvestment plan (DRP) provides stapled security holders with a method of automatically reinvesting all or part of their distributions in stapled securities.

As there were no distributions declared for the year ended 31 December 2020, there was no DRP in operation for the year.

Operating expenses and cash flow

Taking every action

In 2020 we moved quickly to reduce costs whilst ensuring we maintained the right level of resources to support our business.

Operating expenses

Since March 2020, we have focused on mitigating the impact of COVID-19 and carefully and deliberately pulling every lever available to us. We targeted at least a 35 per cent decrease in operating costs, (excluding security recoverable and expected credit loss expenses) for the 12 months from 1 April 2020 and are meeting this target.

Total operating expenses, (excluding security recoverable and expected credit loss expenses) for the second half of 2020 decreased by 43.7 per cent when compared to the prior comparative period. This resulted in a total operating expense decrease of 32.3 per cent for the year following the implementation from April onwards of cost reduction actions across every aspect of the Group's controllable cost base.

	2020 $m	2019 $m	Change %
Employee related expenses [1]	46.8	60.0	(22.0)
Services and utilities expense	49.0	83.4	(41.2)
Property and maintenance expense	19.5	29.6	(34.3)
Security recoverable expense	62.9	98.3	(36.0)
Expected credit loss expense	93.9	—	n/a
Other operational costs	31.0	35.3	(12.2)
Total operating expenses including restructuring & redundancy expenses	**303.1**	**306.6**	**(1.1)**
Excluding:			
Security recoverable expense	(62.9)	(98.3)	
Expected credit loss expense	(93.9)	—	
Restructuring and redundancy expenses	(7.5)	(3.2)	
Total operating expenses (excluding security recoverable and expected credit loss expenses)	**138.8**	**205.1**	**(32.3)**

1. Includes Employee benefits expense $52.3 million, $(13.0) million Jobkeeper benefits and $7.5 million restructuring and redundancy expense.

Employee benefits expense

At the start of April 2020, we guaranteed the jobs of all Sydney Airport employees for six months through to the end of September. Without clear visibility on the potential duration and severity of the crisis, this ensured we had the right resourcing and staff ready to take advantage of any potential recovery of aviation and business.

With greater clarity on the severe and prolonged impact of COVID-19, in the second half of the year we took the decision to restructure the organisation to reflect the significantly lower levels of activity at the airport. Taking into account the restructure as well as $13 million of Australian Government Jobkeeper support received during 2020, employee expenses reduced by 22.0 per cent year on year.

Services and utilities expense

Services and utilities expenses reduced by 41.2 per cent driven by a range of operational measures taken in response to COVID-19. These included the closure of car parks and certain terminal areas, reductions in the cost of operating our two hotels, (Ibis and Mantra), and a scale back in passenger facilitation services across kerbside and terminal areas. Included in this category are new costs incurred from the beginning of October associated with operating Jet Fuel Infrastructure (JFI).

Property and maintenance expense

Most of the maintenance activity conducted at the airport is undertaken by our outsourced service providers. With lower passenger volumes and lower demand on our assets, we were able to work with our service providers to prudently reduce and optimise the level of maintenance activity required for terminal areas, baggage systems, aerobridges, aprons and roads. As a result, property and maintenance expenses reduced by 34.3 per cent.

Security recoverable expenses

These expenses relate to the cost of providing government mandated security measures, such as passenger and baggage screening. Since April 2020, Sydney Airport has maintained a number of security services to support the repatriation of international travellers (both to and from Australia) and reduced domestic flight activity. Consequently, security recoverable costs have reduced 36.0 per cent on the prior comparative period.

Other operating costs

Other operating costs reduced by 12.2 per cent following actions taken to largely eliminate discretionary spending, scale back marketing activity and reduce technology related support costs. These actions were offset by increases in insurance premiums, (the largest component of other operational costs) and in listing costs following the equity raising in August.

Expected credit loss expenses

This year $93.9 million of expected credit loss expenses were recognised in relation to abatements provided to commercial tenants and debts owed to us where there were indications that the debt owed will not be repaid. These were individually assessed and based on management's judgement of information available at the time. The total expected credit loss allowance includes provisions of $52.5 million for abatements provided to retail and property tenants, $41.4 million for debts owed by aeronautical and commercial debtors. Included in the provision is $13.8 million in relation to the Virgin Group for debts owed pre-administration and during the administration, until the administrator's personal liability commenced.

Cash flow

Net cash inflows from operating activities decreased during the year due to the impact of COVID-19 on airport revenues, partly offset by the decrease in operating expenses paid.

Net cash flows used in investing activities reflected the Group's capital investments, including the acquisition of Jet Fuel Infrastructure (JFI) assets of $85.0 million. This is reflected in note 10 of the Sydney Airport Financial Report.

Net cash flows from financing activities reflected gross proceeds of $2.0 billion received in the equity raising during the year, interest rate swap reset of $137.6 million, and repayment of borrowings of $1.9 billion offset by proceeds received from borrowings of $1.3 billion.

No distributions were declared or paid for the 2020 financial year. Distributions relating to the 2019 final dividend were paid in February 2020 to ASX-listed Sydney Airport securityholders amounting to $440.4 million.

Category	2020 $m	2019 $m
Net cash flows from operating activities	434.3	1,370.7
Net cash flows used in investing activities	(354.3)	(313.5)
Net cash flows from/(used in) financing activities	370.5	(908.4)
Net movements in cash and cash equivalents held	450.5	148.8

2021 Cost outlook

We will maintain our cost discipline into 2021 and plan to only scale up operating activities in line with the recovery of travel and when it is prudent to do so. In 2021 we expect to re-activate terminal areas, re-open car parks and scale up passenger facilitation services as aviation recovers.

Capital expenditure

Restraint and opportunity

One of the immediate responses we took to protect the business in 2020 was to streamline our capital expenditure program to include only critical projects and a small number of opportunistic projects that were able to be undertaken in the low-passenger environment.

Capital investment since 1 April 2020 has totalled $149.4 million. Total capital investment for 2020 is $237.5 million [1] and includes higher levels of expenditure incurred over the first quarter of 2020.

Several other major projects have been paused and will not be reactivated until there is clarity around the timing of the expected recovery of travel and the volume of passenger traffic. These include the South East Sector Apron expansion, the T1 international terminal expansion and the retail development at T2 domestic terminal.

Despite this lower level of investment relative to prior years, a number of critical projects have been delivered over the course of 2020.

Airfield

Northern Ponds Aprons

Delivered

We completed the Northern Ponds project in December, which saw the conversion of a layover area into three new active bays where planes can refuel. A new underground fuel line was also laid under the main runway, improving operational flexibility on the apron and environmental performance.

Runway re-sheet

Stage One delivered

In April, we finalised stage one of a project to resurface the main north-south and east-west runways and associated taxiways. 3,030 metres of runway were resurfaced, which will extend the life of the main runway for 10 to 12 years.

Landside operations and transport

Sydney Gateway

Ongoing through 2024

We commenced a program to relocate services, make way for the future road corridor and prepare sites for handover to Transport for NSW.

Terminal works

T1 Duty Free project

Stage One delivered

We remodelled the Duty Free area at T1 international terminal to increase ceiling heights, enhance the shopping experience for our passengers and create new tenancy opportunities.

1. Excludes the acquisition of Jet Fuel Infrastructure for $85 million and associated transaction costs.

Major projects progressed during 2020

Category	Project Description	Benefits	Expected Delivery Timing
Airfield			
	Apron expansion	– Conversion of Northern Ponds layover bays to active (fuelled) bays to enhance apron flexibility	Delivered
	Runway works	– Re-sheeting works on the main runway to extend the runway life and improve its resilience	Ongoing to mid-2022
Terminal works			
	Baggage	– New conveyor sort line at T2 domestic terminal to improve outbound baggage capacity and system resilience	Ongoing to mid-2022
	Bathrooms	– Planned upgrades in the T1, T2 and T3 terminals to continue improving the customer experience	Delivered
	Terminals	– Remodelling of the Tax Refund Scheme and Heinemann Tax & Duty Free areas at T1 international terminal to raise ceiling heights, improve the customer experience and add additional retail tenancies	Ongoing to 2022
Landside operations and transport			
	Roads and access	– Sydney Gateway works to relocate services and prepare sites for handover to Transport for NSW	Ongoing to end-2024
		– Development of the ground transport interchange at the Domestic precinct	Ongoing to end-2024
Property			
	Hotel expansion	– Ongoing development of Sydney Airport's hotel portfolio, including expanding the existing Domestic hotel precinct	Ongoing to end-2024
Power			
	Electricity supply	– Planned works to upgrade the substations and high voltage infrastructure that services both terminal precincts and the airfield	Ongoing to end-2022
Technology			
	Wi-Fi	– Campus wide upgrades to improve Wi-Fi access for customers	Delivered
	Cyber resilience	– Ongoing enhancements to improve Sydney Airport's cyber resilience	Ongoing

Aeronautical services

2020 – Not business as usual

In the midst of the most significant upheaval in the history of aviation, we pivoted from developing new routes and attracting new airlines to supporting our existing partners in getting through the crisis.

In a normal year we would be scouting the world for new airline partners, and talking to our existing airlines about new routes to and from Sydney Airport. As the pandemic took hold, discussions about growth were replaced with conversations about government travel restrictions, arrival health caps, and quarantine arrangements.

With the majority of international airline partners suspending flights to Sydney, and our domestic partners largely grounded, we worked to deliver practical and pragmatic solutions to resolve pressing logistical issues.

With more grounded aircraft than places to park them, we supported our airline partners' operational requirements by facilitating the closure of our east-west runway. In doing so, we doubled aircraft parking capacity and created room for up to 50 aircraft. This change was made in consultation with the local community and involved engagement with government, Airservices Australia and the Civil Aviation Safety Authority to ensure all relevant safety and regulatory requirements were met.

We were flexible in our approach to negotiations around aeronautical agreements and made arrangements for the existing agreements with airline partners to be rolled over on short term bases.

As COVID-19 continued, we saw Virgin Australia head into voluntary administration in April 2020 and be sold to Bain Capital in November. We worked with Virgin through the administration period to ensure that they could continue their path to recovery, while protecting Sydney Airport's business interests.

The nature of the pandemic meant all airlines were affected in some way, but it also drove some surprising aviation outcomes. With international and interstate borders closed Ballina entered our top-three routes in 2020, assisted by Qantas' July service launch.

We also saw the accelerated retirement of older, fuel-intensive four engine aircraft, notably Qantas' much-loved Boeing 747 jumbo. When global traffic eventually returns to pre-COVID levels, we anticipate there will be a greater proportion of quieter, more fuel efficient 'next-generation' aircraft in the international fleets that come to Sydney Airport.

Taking people home

Over the course of 2020 Sydney Airport played a critical role in repatriating those stranded away from home. Working in partnership with airlines, multiple national and foreign government agencies and cross functional teams, we delivered an essential service for the thousands of passengers making their way home during the global pandemic.

As international borders including Australia's closed, Sydney became the major gateway for returning Australians, with over 100,000 making their way home via Sydney since March 2020. Sydney Airport was also the main gateway for those flying out to repatriate as we managed the COVID-19 safe passage of repatriation flights by Qantas, foreign armed forces aircraft and carriers never before seen in Australia.

International Repatriation Airlines

- Austrian Airlines (OS)
- Bamboo Airways (QH)
- Condor (DE)
- Edelweiss Air (WK)
- Iberia (IB)
- KLM (KL)
- Lot (LO)
- Miat Mongolian Airlines (OM)
- Myanmar Airways International (8M)
- Myanmar National Airlines (UB)
- Nauru Airlines (ON)
- Nepal Airlines (RA)
- Saudia (SV)
- Solomon Airlines (IE)
- South African Airways (SA)
- SriLankan Airlines (UL)

44

Number of international airlines flying to SYD pre-COVID-19

60

Number of international airlines including repatriation flights serviced at SYD in 2020

Aeronautical services

Operating in a COVID-19 world

COVID-19 continues to raise logistical and operational challenges. We have been adapting processes to protect people and the business from the very start of the crisis.

Despite the significant reductions in passenger traffic across most of 2020, our operational teams maintained a fast pace, implementing evolving health and government requirements, often at extreme short notice.

These actions have allowed us to keep the airport open and operational, facilitating the movement of essential workers, medical supplies, agricultural exports and Australians coming home.

We worked closely with Australian Border Force, the Australian Federal Police, Department of Agriculture, Water and Environment, NSW Health, and NSW Police to agree protocols for the safe passage of arriving, transiting and departing passengers.

Changes were made to airport operations to minimise the risk of community transmission of COVID-19.

To ensure the safe passage of arriving passengers through the terminal, three dedicated passenger travel corridors were established based on traveller risk levels within T1 international terminal. This system ensures passengers can be separated as they travel through the airport, meaning both quarantine arrivals and those from potential 'travel bubble' countries can be accommodated safely - crucial as we prepare for the recovery of international travel.

Health screening of all passengers was facilitated through NSW Health and we worked with the NSW Government and the Australian Federal Police and Australian Defence Forces to support mandatory quarantine requirements for new arrivals.

Creating a COVID-safe environment

Our priority is the health and safety of airport staff and frontline workers while maintaining critical airport functions, roles and processes to serve the community.

Early in 2021, Sydney Airport achieved the Airport Council International's Airport Health Accreditation following an assessment of health measures rolled out across our terminals in 2020 against global standards. This examined things like cleaning, staff protection, physical layout, passenger communications and passenger facilities.

We continue to work with our cleaning provider to enhance cleaning measures including the use of hospital grade disinfectant and more frequent cleaning of high-touch surfaces. Complimentary face masks continue to be provided for airport visitors and travellers, and hand sanitising stations have been installed throughout our terminals and offices.

We continue to encourage social distancing in gate lounges, check in-areas, and food courts. This is facilitated by additional security staff, floor decals, signage and announcements in terminal.

For our people

A precautionary approach was adopted and controls applied to reduce the risk of COVID-19 transmission and minimise the risk of infection where possible. Masks, gloves and hand sanitiser are available to all staff and airport workers and we continue to monitor the COVID-19 pandemic and follow the best available medical and government advice to ensure the safety of frontline workers.

Freight increases

Highlighting the importance of passenger aircraft movements in global freight distribution, the slow-down in passenger aircraft movements had a significant impact on how goods were moved in and out of Australia.

In 2020 freight movements increased by 124 per cent on the on 2019 to reach 21,393, with the biggest spike seen in international freight which increased 203 per cent on the previous comparable period to reach 16,023 movements.

Many scheduled passenger flights were converted to freight, with cabins remodelled to remove seats and create cargo holds. The increase in volume and movements required a strong logistical response including staffing, allocation of space and security arrangements.

Our ability to scale up operations to manage this change quickly and effectively ensured that vital goods including medical supplies were not delayed or diverted away from Australia's main aviation gateway.

Looking to the horizon – 2021 and beyond

In 2021 our focus will be on managing the return of passengers to our terminals in a sustainable way, ensuring their experience is safe and comfortable. Reassuring passengers that safety measures in terminal are consistent with health recommendations will be key to managing the ever-changing nature of COVID-19, and the 'new normal' of travel.

The recovery will require that we continue to be agile in our operations, and that we continue strengthen our relationships with stakeholders, airlines and government agencies. We will continue to work collaboratively with them to deliver a consistent and reassuring passenger experience, one that will help to raise consumer confidence and drive a sustainable return to air travel in 2021 and beyond.

Key aeronautical projects delivered

Despite the challenges of 2020, critical aeronautical projects continued to be delivered that will provide long term benefits to Sydney Airport.

Northern Ponds Project completed

In December 2020 we completed the Northern Ponds project, which saw the conversion of a layover area into three new active bays where planes can refuel. A new underground fuel line was laid under the main runway, with a deck built over the Northern Ponds to create more space while retaining the current storage capacity of the facility. The new bays are also connected to ground power and pre-conditioned air, allowing planes to turn off their idling engines - and thereby reducing emissions and noise. The Northern Ponds project will also provide the further benefit of creating additional capacity on the apron, a critical requirement for the airport as global aviation begins to recover from the impacts of COVID-19.

New era for fuel infrastructure

On 1 October 2020 Sydney Airport acquired the Jet Fuel Infrastructure (JFI) comprising five storage tanks with 29 mega litres of fuel storage capacity, 170 hydrant points across the airport and an 11km network of underground pipelines. This transition is designed to help enhance competition in the jet fuel supply chain at the airport, better align future infrastructure investments to our growth and assist in the introduction of sustainable aviation fuels (SAFs) in the future.

Leading global aviation fuel services provider Skytanking has been appointed to operate and maintain the facilities following a competitive process. Skytanking has a global footprint and currently operates in 80 airports across 13 countries.

Retail

Sharing the pain

In one of the most challenging years in our history, the team focused on the balance required to support our commercial partners whilst at the same time protecting the business.

2020 was a difficult year for many of our retail partners, particularly for those in the travel sector. We have worked closely with all tenants individually to create tailored, fair and equitable concessions that reflect the specific impact of COVID-19 on their business. We believe these equitable agreements with tenants at a time when they needed them the most will deliver the best long-term outcome for securityholders whilst strengthening relationships with retailers.

Sydney Airport recognised quickly the need to draw on our strong relationships with partners to ensure a thorough understanding of the impact of COVID-19 on their business. This impact included the March 2020 enforced closure of retail outlets at T1 international airport, mandated by the Australian Government in order to enhance health safety protocols for passengers.

Balancing responsive short and long term strategies to mitigate an ongoing challenging environment was a key focus of 2020.

A standard set of principles under the Australian Government's National Code of Conduct for Commercial Leases framework was applied to all negotiations to ensure fair and equitable outcomes for Sydney Airport and our partners, and to provide relief proportionate to the specific situation.

This approach included a fair and equitable sharing of pain with Sydney Airport retail tenants, which resulted in $92.1 million of rent relief across the three terminals reflecting 24.5 per cent of 2019 revenue.

Between the period of April 2020 to December 2020 Sydney Airport offered temporary concessions to tenants in the form of rent deferrals and rent abatements ranging from 0 to 100 per cent of the total amount. Each concession offered was assessed on a case by case basis taking into consideration all factors affecting individual tenants.

Our approach saw 97 per cent of tenants remain in situ across our three terminals in 2020, demonstrating a strong belief in Sydney Airport as a promising long-term business, and optimism in the future of travel.

In 2021 we will continue to provide fair and reasonable support as needed to ensure we further grow our retail partnerships, diversify our revenue channels and strategically leverage the return of international travel.

Confidence in the future

Despite the pandemic vacancy rates for the retail portfolio at Sydney Airport remain low at three per cent, a sign of the confidence of our retail partners in the recovery of international and domestic travel demand and the long term continued success of travel retail.

This optimism is reflected in the over 1,000 square metres of new space being actively leased at Sydney Airport. The opportunity for these new tenancies was generated through the handback of space by Heinemann Tax & Duty Free, and the relocation of the Tax Refund Scheme (TRS) office.

These new tenancies will result in a complete remix of the international terminal luxury retail offering. The developments will take place from 2021 with a completion date of 2022.

In the coming year we will see a focus on leveraging touchless purchasing channels and digital messaging to enable deeper engagement by customers with our retail offering and increasing convenience.

Heinemann extends contract

One of our key retail partnerships was further strengthened this year with the Heinemann Tax & Duty Free contract extended to 31 December 2029. This includes the hand back of 790 square metres of retail to be utilised for the additional luxury brand boutiques.

Works on this redevelopment have been substantially progressed, with an acceleration being made possible by the significant downturn in passenger traffic. This work includes raising the ceiling to a higher-level forum ceiling height and preparatory works for the additional boutiques. Once completed, the redevelopment will strongly position Sydney Airport to take advantage of the recovery and growth of international travel and retail.

Advertising sites refresh

The advertising business at Sydney Airport was affected both by the multiple impacts of COVID-19 and by the NSW Government's Sydney Gateway project. Working closely with our advertising operator JCDecaux, replacement road-side signage sites were created to counter lost revenue associated with assets affected by this project. Work continues to identify and convert new opportunities for increased sales as the recovery from COVID-19 commences, including creating new assets and additional sites.

Parking and ground transport

Changing gears

COVID-19 affected traffic both on the airfield and off, with Sydney Airport's parking and ground transport business closely aligned to passenger numbers.

With the drop in both domestic and international passenger numbers in 2020, it was necessary to mitigate the significant decline in related parking revenue by reducing operating expenses. To this end we closed the long-term car park, P3 car park at the domestic terminal and P6 staff car park at T1 international terminal. The reduction in operating expenses included the cessation of cleaning, operating of lifts, travelators and lighting for all closed car parks and also allowed for the reduction of car park management fees.

P1 and P2 car parks at the domestic terminal and P7 and P9 car parks at T1 international terminal were kept open to service passengers and accommodate staff parking.

To support those workers critical to the response to COVID-19 and in recognition of health messaging urging private transport, we moved quickly to establish three hours free parking a day between April and July 2020.

Improving the customer experience

We took the opportunity during this quieter time to focus on improvements to the customer experience through enhancements to our pre-booking parking website. This included additional functionalities such as an improved booking amendment process and a redesign of the platform.

Our customer-focused approach also included enhancements to data gathering and analytics. This will continue in 2021, through a tailored customer research framework that will provide insights to be used in the development of new products, communications, and pricing.

Progress on Sydney Gateway

Sydney Gateway is a new, above ground, toll-free connection from St Peters Interchange to the airport and beyond, with construction set to commence in 2021. Once completed, the project will allow motorists to bypass 26 sets of traffic lights between Parramatta and Sydney Airport's domestic terminals. The project continued to achieve significant milestones in 2020, and throughout the year we have worked with all agencies and stakeholders, including the NSW Government to deliver progress.

We will continue to work in partnership with Transport for NSW and its appointed contractor to manage the delivery of Sydney Gateway.

Property and car rental

Impact and opportunities

In a difficult year there were still opportunities for our commercial partners, in particular in logistics and the need for cargo space at the airport.

Whilst arising from the worst of circumstances, in 2020 we took advantage of the ongoing relief discussions with property tenants to preserve and enhance relationships and gain insight into their growth strategies and recovery plans.

As Australia's main freight gateway we have continued to build on our long-term strategic partnerships with freight operators, capitalising on the industry's desire to enhance operational efficiency through proximity to the CBD.

Strong demand for freight and freight services, aligned with lease expiries also provided unique opportunities in 2020 to secure new leases with freight operators at market rates and on improved terms. Despite the COVID-19 crisis, the property portfolio remained resilient during the year with 39 per cent of rents abated through the year. As with all negotiations, we applied the National Code of Conduct principles to all discussions regarding abatements.

No relief was sought or granted to government agencies or freight operators.

In 2020, a total of 25 new leases for 122 sites were negotiated representing an uplift of 23 per cent to passing rents.

Approach to relief negotiations

A total of $49.3 million of abatements were provided to property tenants across April to December 2020, with no structural changes made to contracts.

The rents that were abated related to sites that had the greatest exposure to passenger traffic and therefore decline, including car rental, airline lounges and hotels.

Freight hub

Pre-COVID-19 dedicated freight aircraft represented less than 2 per cent of runway movements at the airport. By the end of the year, this averaged out to 17 per cent, as a result of an increase in demand and a decrease in passenger flights and their belly hold cargo space capacity.

This has led to continued and strong demand for logistics and cargo space on airport, driven by an increase in e-commerce, shipments of personal protective equipment and the importation of COVID-19 vaccines.

In 2020 we agreed to new commercial terms for on airport freight facilities with Menzies Cargo and dnata, providing long-term surety of tenure for both parties. This outcome also reflects the airport's strong offering for on airport operations, with our location just eight kilometres from the city centre and easy access to nearby major road networks.

Property leases in 2020

Airlines

Qantas has also demonstrated its commitment to Sydney Airport by renewing leases across 86 sites at the domestic terminals for another term of five years. This includes leases for the Business Class and Chairman's Lounges.

The Qantas Jet Base lease expired on 30 June 2020, and Qantas has been provided with a 12 month licence to continue to occupy the Jet Base. The 30-hectare site is located adjacent to the domestic terminals and has direct access to airside areas of the airport.

We are also in discussions with Virgin for new leases of lounge, office and ramp space at T2 domestic terminal.

Lounges

In a challenging year for passenger traffic, we have retained 100 per cent of lounge operators at the airport.

Plaza Premium Lounge

Following the introduction of the new Amex Lounge in Pier C T1 international terminal in 2019, Plaza Premium rebranded and completed a comprehensive refurbishment to convert the former Amex Lounge in Pier B T1 international terminal into a Plaza Premium Lounge which opened in Q1 2020.

Aerotel

The Aerotel Arrivals Hotel in T1 international terminal is scheduled to be delivered by Plaza Premium in 2021 and will be positioned to take advantage of the future opportunities presented by the return of international traffic. Aerotel will enhance the passenger experience at Sydney Airport by offering the opportunity to check-in and refresh immediately upon arrival. Passengers can also utilise the short-stay hotel to meet others or to relax prior to departure, increasing dwell time at the airport and ensuring a timely and easy check-in and boarding of their flight.

Department of Immigration and Border Protection

The Australian Government has also renewed its lease at the airport with the Department of Immigration and Border Protection committing to approximately 10,000 square metres of office space in the Charles Ulm Building until 2029. This will deliver resilient and ongoing rental revenue.

Hotels

Our hotel business was hit by the broader downturn in business and tourism travel due to COVID-19 from Q2 2020. Occupancy was 30.4 per cent for the year, which was largely supported by government contracts that will continue through into 2021. We took steps where possible to reduce operating costs by consolidating the operations of our hotels, including bringing cleaning services in house. This reduced operating expenses by 57 per cent. Simplifying the food and beverage offering also allowed us to bring down operational costs over the COVID-19 period, and some opex savings will remain in place indefinitely.

During 2020 our managing partner Accor introduced the ALLSAFE program which provided surety and clarity to guests on the COVID-19 safety measures adopted by both the Ibis and Mantra hotels at the airport.

Car rental

The decrease in both domestic and international travel significantly affected car rental revenue as business is closely aligned to passenger numbers. We continue to partner with car rental operators to look at future opportunities and to develop strategic initiatives that will provide an enhanced customer experience and operating efficiencies.

The rebuild has already started

Alignment of lease expiries will benefit the 2021 property strategy and we will use this opportunity to diversify the tenant mix, building resilient revenue and ensuring the best use of our land. Work is also ongoing on the strategic opportunities provided by the expiration of the Qantas Jet Base lease.

We will also continue our focus on the demand for logistics and cargo space at the airport and align tenure to Sydney Airport's longer-term plans for the creation of a dedicated freight, logistics and distribution hub.

Work continues on the introduction of a new hotel in the domestic precinct at Ross Smith Avenue, adjacent to the existing Mantra Hotel. Our focus on the customer will also see us exploring opportunities in enhancing the passenger experience at the airport, including through VIP services and lounge products.

Sustainability

Staying the course

We recognise the important role our airport can play in addressing sustainability challenges in our sector now and into the future. As we emerge from the COVID-19 pandemic, this remains a key priority as we work with our stakeholders towards a sustainable recovery.

Our sustainability strategy

Our sustainability strategy is an integral part of our broader business strategy and helps us deliver on our purpose: to make Sydney proud every day.

The strategy seeks to respond to our changing world, and the emerging challenges and opportunities that are shaping our business. It delivers to three themes: Responsible Business, Planning for the Future, and Supporting our Communities.

Our three-year sustainability commitments drive our focus on the material issues within these themes.

We are proud to continue to support the work of the United Nations Global Compact, a voluntary initiative based on CEO commitments to implement universal sustainability principles and to support UN goals. In 2020, we continued to contribute to the UN Sustainable Development Goals through the delivery of our sustainability strategy.

Sydney Airport's sustainability strategy and material sustainability issues are outlined on the following page. Our issues are reviewed annually.

This year's review considered the context of the COVID-19 pandemic, emerging global trends, key stakeholder interests, sustainability best-practice, and our overall business strategy. Details on our management approach for these material issues can be found on our website, and our progress in implementing our 2019-2021 sustainability strategy is discussed briefly in the following pages and in detail in our 2020 Sustainability Report.

Our sustainability strategy

Responsible business

We strive to be ethically responsible and transparent in how we do business

3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Material Issues

- Safety
- Security
- Cyber security
- Business continuity and resilience
- Environmental management
- Employee attraction, retention and development
- Diversity and inclusion
- Fair and ethical business
- Aircraft noise
- Operational efficiency and continuous improvement

Planning for the future

Delivering operational excellence through innovative technology-based solutions and supporting customer needs now and into the future

7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION

Material Issues

- Climate change
- Sustainable development of the airport
- Innovation and technology
- Airspace and airfield efficiency
- Customer experience
- Access to and from the airport

Supporting our communities

Working with communities to create shared value

4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Material Issues

- Community investment and engagement
- Indigenous engagement
- Economic contribution

Sustainability: Responsible business

Safety - Working through the pandemic

Our priority is the health and safety of airport staff and frontline workers while maintaining critical airport functions, roles and processes to serve the community.

43% reduction in employee injuries in 2020

>1,000hrs in new mental health training delivered

Four safety walks or talks completed by **96%** of people leaders

Since March, we have facilitated travel for thousands of essential workers, foreign nationals heading home, more than 100,000 Australians who have repatriated this year, as well as the critical freight flights that kept our export industries afloat.

This obligation to the people of NSW and Australia has shaped our response to COVID-19. Guided by our purpose — to make Sydney proud every day — and our values, there have been enormous efforts across the airport community to safely respond to, and look to recover from, the unprecedented COVID-19 crisis.

Early in 2021, Sydney Airport achieved the Airport Council International's Airport Health Accreditation following an assessment of health measures rolled out across our terminals against global standards. This examined things like cleaning, staff protection, physical layout, passenger communications and passenger facilities.

We are committed to keeping people safe, and giving passengers the confidence they need to travel.

Creating a COVID-safe environment

For our people

Our operations teams have been at the frontline of the COVID-19 pandemic, working with government departments and agencies to protect the health and safety of our community and keep our airport open.

Our COVID-Safe Workplace Plan sets out how we are continuing to monitor and respond to the COVID-19 pandemic, and government and medical advice. It applies to all Sydney Airport employees and in-house contractors and has been registered with SafeWork NSW.

A precautionary approach was adopted and controls applied to reduce the risk of COVID-19 transmission and minimise the risk of infection where possible.

Early in the pandemic, frontline teams were split into A and B teams and contactless handovers were introduced to ensure we had operational resilience and continuity if a COVID-19 case occurred during a shift. We provided appropriate personal protective equipment (PPE) and introduced mask-wearing protocols for our people, encouraging others working on airport to adopt these as well.

Airport workers and their immediate families were provided priority access to COVID-19 testing. Before staff returned to the workplace mid-year, they were required to complete an online COVID-19 safe training module which outlined the new office protocols. When they returned, room capacity requirements were put in place for meeting rooms, kitchens and breakout areas so as to maintain social distancing in the office. Additional cleaning was also introduced.

At the end of 2020, there were no COVID-19 cases reported among Sydney Airport employees. This is testament to the strength of our COVID-Safe plans and safety procedures and the commitment of our staff in adhering to these protocols.

Masks, gloves and hand sanitiser are available to all staff and airport workers and we continue to monitor the situation with COVID-19 and follow the best available medical and government advice to ensure the safety of frontline workers.

We also continue to communicate with our people and the airport community clearly and consistently with advice related to social distancing, hygiene measures, personal protective equipment requirements and managing contactless handovers.

In our terminals

Working with all relevant agencies, we ensured the safe passage of arriving, transiting and departing passengers.

This included making changes to airport operations to minimise the risk of community transmission of COVID-19. These are set out in our COVID-Safe Terminal Plan, which is endorsed by the Australian Health Protection Principal Committee and aligns with the Australian Aviation Recovery Coalition's COVID-Safe Flying Principles and Processes Framework.

To ensure the safe passage of arriving passengers, three dedicated lanes were established based on traveller risk levels within T1 international terminal. Health screening of all passengers was conducted by NSW Health and we worked with the NSW Government and the Australian Police and Defence Forces to support mandatory quarantine requirements for new arrivals.

The small number of confirmed cases amongst airport workers were tracked to ensure areas were disinfected, and to support notification and contact tracing.

We continue to work with our cleaning provider to enhance cleaning measures including the use of hospital grade disinfectant and more frequent cleaning of high-touch surfaces. Complimentary face masks continue to be provided for airport visitors and travellers, and hand sanitising stations have been installed throughout our terminals and offices.

We continue to encourage social distancing in gate lounges, check in-areas, and food courts. This is facilitated by additional security staff, floor decals, signage and announcements in terminal.

Increased focus on mental health and wellbeing

Our focus on mental health continued and expanded this year as we worked through the challenges of a changing work environment and the strain of the COVID-19 pandemic on our people.

Our mental health and wellbeing strategy, developed early in 2020, will be implemented over the next two years across the pillars of healthy mind, healthy body, and healthy environment.

During the year, we provided mental health training to equip our people leaders with the skills to identify and provide support for mental health concerns in their teams, and to raise awareness of topics such as anxiety and stress associated with change and uncertainty.

In addition to this, we introduced mental health first aid training this year which was completed by 35 of our people. The accredited Mental Health First Aiders offer support to both staff and visitors who experience mental health symptoms.

In 2020, a new Wellness@SYD program was introduced. Aligning with this program, three days of 'wellbeing leave' will be provided for each employee from 2021. The leave is intended to provide an additional measure of support to ensure the overall work/life balance of employees and nurture their emotional and mental wellness.

Safety performance

Our safety performance improved in 2020, with five employee Lost Time Injuries (LTI) during the year, over more than 930,000 hours worked. There were again no class 1[1] injuries or illnesses this year.

Safety Key Performance Indicators (KPIs) for people leaders continued to support our safety culture in 2020. This year, we expanded our safety walks program to include safety talks while our teams were working remotely. We provided materials to support these conversations, many of which focused on mental health and wellbeing. Four safety walks or talks were completed by 96 per cent of our people leaders in 2020, exceeding our 95 per cent target.

We continued to evolve our safety management systems with the introduction of Safeguards, a new incident management system in October 2020 and Critical Risk Standards, which focus on eliminating or minimising safety risk associated with airport activities.

Cyber security

During 2020, we continued to monitor the threat environment and build our cyber security resilience. We delivered programs designed to foster a strong cyber security environment and educate our people on potential cyber threats.

We realigned our information and cyber strategy to address the increase in COVID-19 digital threats and the shift to remote working. We also incorporated improvement areas identified as part of our ISO 27001 certification, which we achieved in April, and other emerging threats.

We had no reportable cyber security breaches in 2020.

1. Injury or illness which results in a fatality, total permanent disability or permanent partial disability.

Sustainability: Responsible business

Environmental management

We are committed to the continual improvement of environmental performance at the airport.

75,854tCO_2e
Scope 1 & 2 emissions[1]
↓from 83,620tCO_2e
in 2019

Waste recycling rate
44.7%
↑ from 43.4%
in 2019 (excluding quarantine waste)

>30%
reduction in water consumption over 2020

We use a risk-based approach to environmental management, incorporating the Airport Environment Strategy 2019-2024 and Sydney Airport's AS/NZ 1SO14001 aligned environmental management system (EMS) to control identified environmental risks and to achieve a high standard of environmental management.

In 2020, we continued to implement our environmental auditing program for airport tenants that are considered high and medium environmental risks. While these audits did not identify any major non-conformances in 2020, several improvement opportunities identified will be implemented in 2021, including improvements in storage and handling of chemicals and staff training on environmental issues.

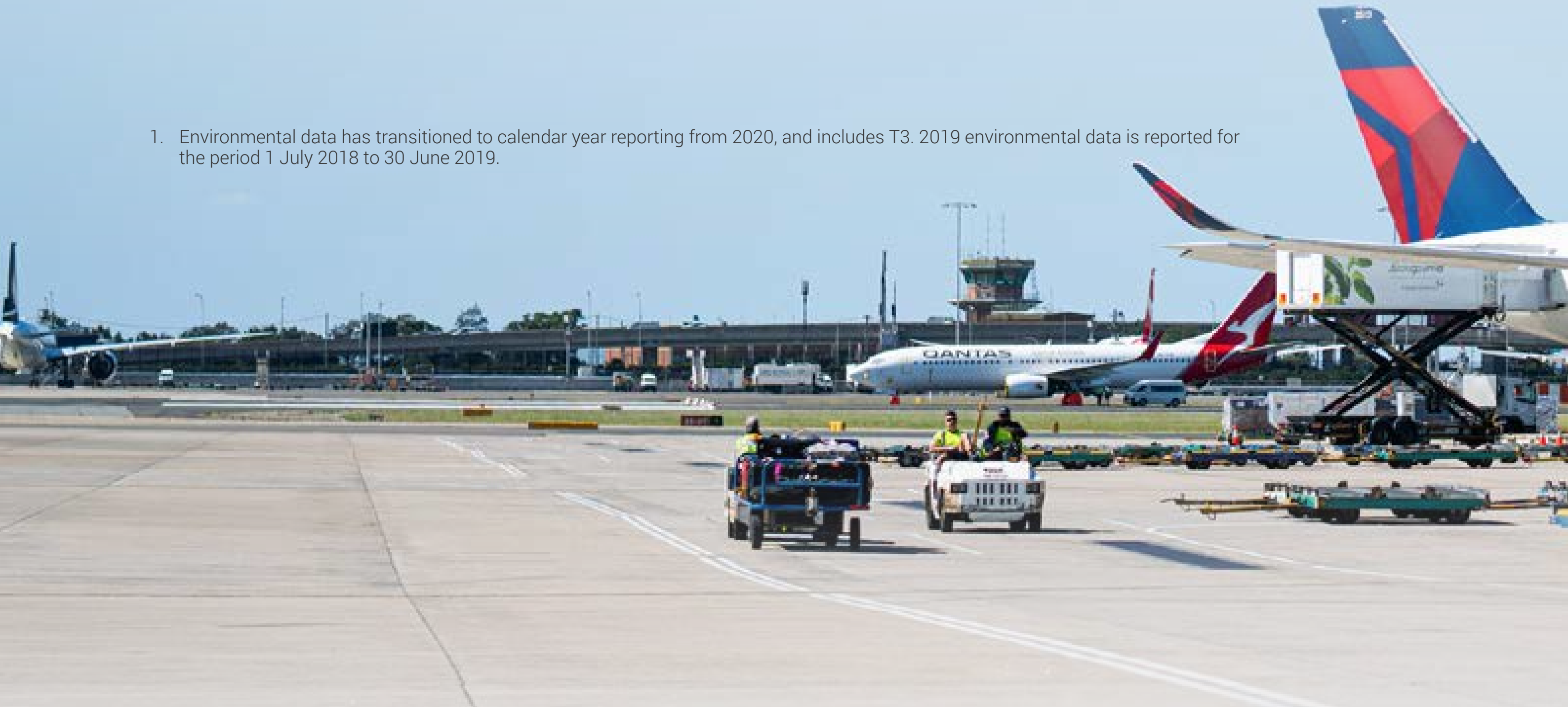
Energy and emissions management

We remain committed to reducing our emissions footprint and achieving our goal to be carbon neutral by 2025, in line with the Airport Carbon Accreditation (ACA) program. This year, we maintained ACA Level 3 'Optimisation' accreditation.

From January to December 2020, our Scope 1 and 2 emissions were 75,854tCO_2e, down from 83,620tCO_2e in 2019 and reflecting the decreased activity on the airport precinct as a result of COVID-19[1].

Electricity use was again the largest contributor to our carbon footprint in 2020, accounting for 93 per cent of our Scope 1 and 2 emissions.

1. Environmental data has transitioned to calendar year reporting from 2020, and includes T3. 2019 environmental data is reported for the period 1 July 2018 to 30 June 2019.



We implemented a number of initiatives to reduce our energy consumption during the year as the way we used our terminals and activities around the airport changed.

Our electricity consumption reduced in 2020 as we responded to the operational changes brought about by COVID-19. To reduce electricity consumption, a number of areas around the airport were closed including some car parks, terminal space and baggage handling systems.

Scope 3 emissions reduced this year to 276,821tCO_2e due to the reduction in activity at the airport resulting from the COVID-19 pandemic.

Water and waste management

The disruption to airport operations in 2020 due to COVID-19 resulted in a reduction in water consumption of over 30 per cent over 2020, and a 79 per cent reduction in waste generated from 2019.

As we continued to resurface the main north-south and east-west runways and associated taxiways during the year, more than 24,700 tonnes of pavement material was removed and recycled for reuse in either suitable asphalt mixes or to produce a recycled road base.

We updated our IT asset disposal process to include requirements to divert waste from landfill and incorporated resource recovery requirements into the contract with our service provider.

Our organics collection program was expanded to the domestic terminals during the year, following our pilot program with landside retail tenancies at T1 international terminal in 2019. In this program, coffee grounds from retailers are collected and sent to a waste-to-energy processing facility.

Managing noise during COVID-19

The reduction in aviation activity in 2020 meant that a number of grounded aircraft had to be parked in various parts of the airport site, including on the east-west runway, which has been temporarily closed since March.

As this runway is used for noise sharing purposes, we engaged with the community and other stakeholders to communicate why the runway had to be temporarily closed and noise sharing arrangements suspended.

We also worked closely with airlines to ensure they continued to conduct ground engine runs in accordance with Sydney Airport's operating procedures to manage noise impacts to the surrounding communities.

As airlines retired older aircraft during COVID-19, more cleaner, quieter next generation aircraft flew in to Sydney this year. This is a trend we expect to continue into the future, with potential benefits of noise and emissions reductions for communities.

Sustainability: Responsible business

Protecting our people

50:50
male:female representation on leadership team in 2020

Employee engagement score
80%
↑ from 70% in 2019

Gender pay ratio[1]
99.8%
↑ from 95.9% in 2019

Our people

This year has been exceptionally demanding for our people and our business as we experienced the unprecedented challenges of COVID-19 on the aviation sector.

We continued to offer support to our employees via our Employee Assistance Program (EAP), which provides 24/7 access to counselling. After seeing the impact of COVID-19 on the whole airport community, we extended EAP access beyond Sydney Airport employees to workers in the airport community and their families.

We reviewed and updated our Personal and Carers Leave Policy so employees who have to self-isolate, contract COVID-19 or are caring for someone who is ill are able to take this time as paid personal leave without impacting their leave balances.

Our flexible working policy was also updated as our people began to return to the workplace, to support a positive work life balance and improve the productivity of our teams.

Early in the pandemic we announced a six-month job guarantee which meant that until the end of September 2020 all permanent or fixed term employees retained their job at full pay. This extended to contractors in business-critical roles and all apprentices on contracts.

In August 2020, as a result of the ongoing impact of COVID-19 and a lack of clarity on the recovery of the sector, Sydney Airport announced a restructure with an impact on 118 roles. This reduced the number of employees of Sydney Airport at the time by 22 per cent.

As we look to recovery, we continue to focus on building strong teams that can deliver our strategy and position our business for the future.

Diversity and inclusion

In 2020, we achieved a gender pay ratio of 99.8 per cent[1]. Also, for the first time, our leadership team has 50:50 male:female representation. While we are proud of these achievements, our overall female representation in 2020 was 35 per cent, down from 39 per cent in 2019. This was predominantly the result of the conversion of internal contractor roles to permanent staff in the technology team. Additionally, while external recruitment levels have been low since COVID-19, marginally more new hires in 2020 were male, while marginally more resignations over the same period were female.

We remain committed to achieving our diversity targets and ensuring workplace gender equity is maintained at all levels of the business.

During the year, our Parental Leave, Personal and Carers Leave and Domestic and Family Violence policies were also updated to reflect best practice by leading organisations and relevant legislation. Changes include:

- increasing paid primary carers leave from 13 weeks to 18 weeks at full pay or 36 weeks at half pay
- payment of superannuation for periods of unpaid parental leave
- identifying roles and responsibilities and practical support for team members affected by domestic and family violence

Building engagement and supporting development

Despite the challenging year, our people remained enthusiastic and connected to our business.

When we measured employee engagement in November 2020 our score was 80 per cent, which represents a 14 per cent increase on our 2019 result. This is a very high score in the context of the exceptional challenges faced by our people this year and is above the benchmark for these surveys.

While COVID-19 meant some of our people were incredibly busy, it also meant people in a number of roles were quieter than usual.

1. Gender pay equity ratio is calculated by comparing fixed annual remuneration paid to employees in management roles to non-management roles.

We therefore opened up access to Australian Institute of Management courses to all of our people and continued to offer LinkedIn Learning so our people continued to have access to development opportunities during the pandemic.

We also introduced a new Secondments@SYD program, which provided internal secondments and skilled volunteering opportunities with local governments and charitable organisations.

Operational efficiency and continuous improvement

We continued work to introduce the Airport Operating Licence (AOL) at Sydney Airport. The AOL will establish a direct relationship between the airport and ground service providers, setting minimum standards to improve behaviours and enhance safety, security, environment, operational and sustainability performance for companies operating on the airfield.

A new Ground Standards Compliance team has been established to support the implementation of the AOL. During 2021, this team will work with licensees to support compliance with the conditions of the AOL.

In October 2020, we conducted our biennial large-scale multi agency emergency exercise. The exercise was a simulated on-water aircraft crash involving 17 agencies and 200 personnel. Learnings from the exercise will be used to update policies and procedures and enhance our emergency response preparedness.

Fair and ethical business

This year, we have focused on strengthening our governance to continue to ensure we conduct our business responsibly.

We updated our Code of Conduct to incorporate our new values and to guide our people to do the right thing in their roles each and every day. A new Fraud and Corruption Control Policy was introduced which, together with our Whistleblower Policy, underpins a culture of high ethical standards and integrity.

Our Supplier Code of Conduct was also updated, introducing new requirements covering fair pay, human rights, environmental management, privacy and cyber security and to support objectives within Sydney Airport's Reconciliation Action Plan.

Sydney Airport adopted a fair and equitable approach to supporting our commercial tenants during the pandemic. We worked closely with all tenants individually to create tailored, fair, equitable concessions that reflect the specific impact of COVID-19 on their business (see pages 26 & 30).

In 2020 we provided our first Modern Slavery Statement, signed by our Chairman and our CEO, under the Commonwealth Modern Slavery Act 2018. This Statement can be found on our website.

Sydney Airport is committed to ensuring it is not doing business with individuals or companies who knowingly profit from modern slavery.

Sustainability: Planning for the future

Our future and the environment

We are focused on a sustainable recovery from the COVID-19 pandemic, delivering operational excellence now and into the future.

Climate resilience

Sydney Airport is an essential piece of national and regional infrastructure and we support the mobility and economic growth of the communities we serve. Our operations deliver high levels of availability, reliability and resilience and we recognise climate change has the potential to affect our business through physical and transitional risks.

Australia entered the new decade facing an unprecedented bushfire crisis, followed by the global COVID-19 pandemic. While our efforts have focused on responding to immediate crises, we have continued to progress on actions to build our resilience towards climate change as we transition to a lower carbon economy.

We are supporters of the Taskforce on Climate-related Financial Disclosures (TCFD) and have disclosed our climate change risk management in line with their framework since 2018.

In 2020, we completed the activities in our 2018-2020 TCFD Roadmap, including considering more detailed scenarios. We began work to integrate scenario analysis into strategic planning and risk management and continued to consider third party mitigation strategies.

Our 2020 TCFD Report can be found in the Sustainability section of our website.

During 2020, we commenced the development of a revised climate change strategy to support the transition to a lower carbon economy which focuses on four key elements.

Energy efficiency and carbon reduction

Asset adaptation and future proofing

Business resilience and carbon neutral growth

Advocacy for a low carbon economy

Assessing and managing climate risk

We expanded our climate scenario analysis during the year to better understand the exposure of the airport to physical climate risks and to test the climate transition resilience of our business.

To assess climate risk, we use three scenarios based on Representation Concentration Pathways (RCPs) outlined in the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report and International Energy Agency (IEA) scenarios outlined in the World Energy Outlook 2020. These are further refined using industry and location-based modelling to improve relevance for Sydney Airport.

Our new three-year roadmap continues to develop our reporting in line with the TCFD recommendations.

Asset resilience and adaptation

We developed new Sustainable Design Guidelines in 2020 which set minimum sustainability requirements for projects across the airport. These include a requirement to model a project's level of climate exposure using relevant climate variables such as increased rainfall or higher temperatures.

The Northern Ponds project, (see page 25), converted layover bays into active bays where aircraft can refuel. The new substation required for the project was installed in an elevated position, making maintenance easier and reducing potential flooding risk.

The Airport Emergency Plan continues to include procedures to promptly recover from extreme weather events. This is supported by regular inspections of the airfield, onsite maintenance teams, stormwater drainage systems and thunderstorm warning systems.

Climate metrics and targets

We continue to monitor and disclose climate-related metrics in the performance data section of our annual Sustainability Report.

Climate indicators developed for our scenario analysis are reviewed on an ongoing basis to understand and monitor evolving climate change trajectories.

Sustainable development of the airport

Our recent acquisition of the Jet Fuel Infrastructure, (see page 25), enhances our ability to influence the future use of sustainable aviation fuels (SAFs) at Sydney Airport, and provides greater control over future infrastructure and investment decisions.

Ground power and pre-conditioned air was installed at the new Northern Ponds project during the year, meaning rather than running engines aircraft can 'plug in' to reduce emissions and noise on the ground.

Airspace and airfield efficiency

Airspace and airfield efficiency continues to be one of the flagship initiatives under our 2019-2021 sustainability strategy, and a key focus area to support growth into the future.

Airports and airspace management are complex systems which must carefully balance the needs of community, aviation safety, the environment and must also allow for the management of unexpected issues that arise on the day of operations.

Many of the regulations governing operations at Sydney Airport are more than 20 years old and are not leading to the most efficient use of the airport and the airspace.

The more efficient this management is, the greater the economic and environmental benefits.

This year, the Australian Government commenced a review of the demand management scheme at Sydney Airport.

We consider there to be important improvements that can be made to the system to enhance the efficiency of airport operations while also having beneficial outcomes for noise and emissions, for example reducing the amount of air miles travelled and associated fuel burn.

We look forward to working with Government to implement recommended changes.

Sustainability: Supporting our communities

Creating shared value

In 2020 we revised our community engagement strategy to reflect the changes in our operating environment brought about by COVID-19, and adapted to meet the needs of our community.

This refreshed strategy continued our commitment to creating shared value and further developed the airport's place in the community through the active engagement of our people. Our community engagement approach continues to be guided by three pillars – Live Local, Leading and Learning and Sydney's Airport. The pillars focus on being a good neighbour, supporting the leaders of tomorrow and making Sydney proud. We will also continue to strengthen our connection with the local community through partnerships.

During the year we contributed $2.7 million in value to our community, as verified by the Business for Societal Impact framework, formerly London Benchmarking Group Australia and New Zealand Framework. This figure includes $2.3 million of cash and in-kind donations.

Our people and the community

During this challenging year, our people gave their time and expertise to a diverse range of community organisations through both volunteering and our structured Secondments@SYD initiative. This redeployment program provided a way for staff who had capacity during the pandemic to undertake secondments that provided value to the community. Secondments@SYD also gave the airport meaningful ways to connect and grow relationships within the community and supported our focus on employee health and wellness.

We increased our volunteering time in 2020 to more than 1,981 hours, contributing $180,000 in value to supporting emergency relief, local youth and the environment.

This contribution was delivered by partnering with organisations through tailored projects that met local community needs.

During National Volunteer Week, 15 of our people volunteered their time with local charitable organisations to assist with projects including translating materials into community languages for Marrickville Legal Centre.

Two teams also worked on the creation of user manuals for Dandelion Support Network and provided research assistance to Harding Miller Education Foundation.

The airport's building works team took on a volunteering project at St George School, a local school that provides an inclusive atmosphere for students with moderate to severe physical and mental disabilities. The team assisted with the removal of plants and laying new grass as the first step to revitalising a sensory garden for students. The sensory garden helps to calm children with a disability and allows students using wheelchairs to more easily interact with nature.

This year, the airport partnered with Raise Foundation, to mentor students at Canterbury Boys' High School who are at risk of disengagement or poor wellbeing. The Australian not-for-profit is on a mission to ensure young people feel heard, valued and supported.

The partnership saw airport employees volunteer their time each week during Terms 2 and 3, to help change the direction of a young person's life.

The mentoring program provided an opportunity for staff to develop their communications and engagement skills, creating shared value between the airport and the school. The group of mentors participated in an intensive training session to become accredited youth mentors.

The partnership aligns closely with the genuine, positive impact we aspire to have in our local community. It has had a lasting impact and provides a valuable connection to our shared sense of purpose.

First-ever SYD100 Scholarship recipient

Our inaugural SYD100 Scholarship was awarded to 19-year-old Manmeet Kaur in partnership with UNSW. The scholarship, which will be awarded every year for the next century, focuses on bringing more diversity to the next generation of leaders in aviation. The scholarship provides under-represented groups in the aviation industry with access to the education they need, including people with diverse cultural backgrounds, women and Indigenous students.

The SYD100 scholarship will financially support Manmeet throughout the full term of her studies and includes tuition and accommodation costs, providing her with a solid base from which to immerse herself in university life in Sydney and connect with her peers.

Manmeet, pictured below with Geoff Culbert, moved to Australia six years ago from India with her family and finished high school in Western Australia before moving to Sydney to study at university. With an early passion for aviation, she was part of the Air Force Cadets in high school and rose through the ranks, aging out as a Cadet-Under-Officer, the highest rank possible.

Despite a challenging year amid the COVID-19 pandemic, Manmeet recently passed the first of her four-year Bachelor of Aviation (Management) degree with flying colours.

In 2021, Manmeet will begin her second year of studies and explore new subjects in aviation finance. The second SYD100 Scholarship recipient will also be announced during the year.

Bushfire relief

In January, during the devastating bushfire season in Australia, the airport team rallied to support emergency relief efforts by the Australian Red Cross, Business Council of Australia and within the New South Wales south coast fire zones.

The airport team volunteered their time to fundraise in our terminals for the Red Cross, and through this initiative raised more than $50,000 which was matched by Sydney Airport to contribute more than $100,000.

This financial support helped provide assistance in evacuation centres across the country to people who lost homes and also contributed to longer-term recovery programs.

The airport also provided $50,000 in support to BizRebuild, an important scheme developed by the Business Council of Australia. BizRebuild has had a significant impact on the Australian community by helping 1200 businesses work towards recovery after the bushfires.

The initiative focuses on rebuilding stronger communities and restoring local economies after the devastation of the bushfires. Through grant programs and financial assistance, BizRebuild has provided practical support to help small and local businesses get back on their feet and create jobs in communities including Batemans Bay, Merimbula, Narooma and other areas of the Eurobodella Shire.

We also donated packaged, non-perishable food and drinks and personal hygiene products to support our duty-free partner Heinemann Tax & Duty Free in their collection efforts for distribution to communities in the NSW south coast fire zones.

Sustainability: Supporting our communities

Partnering for good

Reconciliation Action Plan

We continued to progress on our actions in our first Reconciliation Action Plan (RAP) this year and will begin the development of our next RAP for delivery in November 2021.

This year, as part of the work by our Diversity and Inclusion Council, we launched Indigenous@SYD with the purpose of developing cultural awareness in the workplace, supporting the RAP Working Group, and ensuring support to current and future Indigenous staff.

We celebrated Indigenous and Torres Strait Islander culture throughout the year and marked National Reconciliation Week and NAIDOC Week. During National Reconciliation Week we developed an Indigenous-themed email signature for use by all staff, showcasing our RAP artwork by local Aboriginal artist, Charmaine Mumbulla.

The highlight of the airport's NAIDOC Week celebrations was a cultural performance at the airport by local Indigenous group the Gamay Dancers. The dancers shared local history and culture with the airport community through a series of songs and dances.

Further to this work our procurement team updated our Supplier Code of Conduct to incorporate considerations for organisations that engage and support Indigenous suppliers and communities. This foundation step is to ensure that our suppliers are aligned with the airport on making a positive contribution and impact within the Indigenous community.

We also continued our partnership with CareerTrackers this year and will welcome an intern to the airport over the summer season.

Bringing our terminals to life during COVID-19

During a year that presented extraordinary circumstances, we continued our objective to bring the best of Sydney to our terminals.

Following COVID-safe protocols we focused on lifting the spirits of our airport community and providing our passengers with a unique experience through a variety of activations and events – from marking ANZAC Day with a socially distanced observance to welcoming travellers back to our terminals with dedicated activations and signage.

We were thrilled to be the first hello to everyone visiting for the world's most well-known celebration of the LGBTQI+ community, the Sydney Gay and Lesbian Mardi Gras. In our first year partnering with the organisation, we greeted interstate and international travellers with rainbow crosswalks in all three of our terminals , and more than 80 of our people took part in Sydney Airport's first-ever float in the Mardi Gras parade.

On Anzac Day, our operational teams and airport community came together in T1 international terminal for a ceremony honouring our servicemen and women which included a recital of the Ode of Remembrance, and the playing of the Last Post by the Australian Air League - Moorebank Squadron.

In October we welcomed the first international passengers to Australia that would not require quarantine. On the 16th October, more than 350 passengers from New Zealand were reunited with family and friends at Sydney Airport, many not having seen each other for over six months. Our team worked together with companies including Arnott's, Sydney's famous Gelato Messina, Tourism Australia and our community partner Surf Life Saving Sydney to create an experience in the international arrivals forecourt and let our neighbours know how much we missed them.

We also marked the return of interstate travel with activations for border openings with Victoria and Queensland, ensuring a sense of occasion for those travelling again after such a long time.

Supporting sick children and their families

We partnered with Sydney Children's Hospitals Foundation (SCHF), an organisation that does incredibly important work for sick children and their families, for our 2020 Lost Property and Memorabilia Auction.

The auction started in December and raised a total of $170,000 for the Foundation. Proceeds from the auction will go towards supporting two music therapy programs in 2021 for Sydney Children's Hospital, Randwick and The Children's Hospital at Westmead. The music therapy program helps facilitate movement, physical rehabilitation and emotional support for children and their families in the Neonatal and Paediatric Intensive Care Units.

In addition, an Urgent Hearing Assessment device for newborns was purchased for the Short Stay Surgical Unit (SSSU) at Randwick, which treats 500 patients per month on average.

Economic contribution

Aviation is vitally important to the Australian economy.

Research by Deloitte Access Economics[1] last year found the direct and indirect economic contribution of the Sydney Airport precinct in 2019, (pre-COVID-19) was $42.0 billion, representing 6.7 per cent of the NSW and 2.1 per cent of the Australian economies. This directly supported 336,400 full time equivalent jobs generating $22.5 billion in household income. This represents 3 per cent of the total employment in Australia and 9.5 per cent of total employment in NSW.

In 2020, Sydney Airport's economic value contribution included:

- $803.7[2] million of direct economic value generated in the form of revenue
- $680.5 million of economic value distributed in the form of operating costs, payments to employees and government, payments to providers of capital and community investments

This is a lower contribution than previous years due to the impact of the COVID-19 pandemic on the airport and the aviation sector more broadly.

Sydney Airport is working with national and international governments and airline partners to support a stronger and faster recovery of this critical sector in a COVID-safe manner.

1. Deloitte Access Economics, findings: Economic contribution of Sydney Airport 2019, February 2021.
2. Excludes 'Other income' as referenced in ASX-listed Sydney Airport Financial Report for the year ended 31 December 2020.

Risk management

An agile and resilient business

Risk management at Sydney Airport is an integral part of our decision-making process and supports our purpose to make Sydney proud every day. It creates and protects value, improves performance, and supports the achievement of objectives.

Sydney Airport's risk management process

Discover
Connect with colleagues to discuss what could happen in the future

Understand
Understand the current process and rate the level of risk

Act
Make decisions and take action

Monitor
Gain assurance that the actions are working

Sydney Airport's approach to risk management

Sydney Airport's risk management framework guides how we identify, assess and manage our risks across the business. It creates an environment where risk taking is based on a calculated process that takes into account and works within the risk appetite set by the Board. It also enables creative, effective and focused decision making to harness growth opportunities in all areas of the business.

Facing unprecedented challenges in 2020 as the COVID-19 pandemic impacted aviation and tourism, we continue to evolve, enhance and embed our risk management approach to make sure it keeps pace with the dynamic and ever-changing environment we operate in.

The role of the Board

The Audit and Risk Committee of the Sydney Airport Board is accountable for regularly ensuring the risk management framework is fit for purpose, maintained and implemented across the business; reviewing our group risk profile; and monitoring the implementation of risk reduction and mitigation measures. The Committee presents the group risk profile to the Board twice a year. The Board and Committee holds the Chief Executive Officer accountable for the management of risk within our risk management framework.

The role of management

Sydney Airport's leadership team is responsible for the implementation of our risk management framework within their business units. Members of our leadership team provide updates on the management of risks they are responsible for as part of the Audit and Risk Committee's twice-yearly review of the group risk profile.

Areas of focus during 2020

In mid-March we implemented a Crisis Management Team to guide us through the dynamic risks emerging from the COVID-19 pandemic. Meeting daily the Crisis Management Team worked to identify and mitigate emerging risks, demonstrating agility to adapt the business to one of the world's worst global aviation, economic and health crises. Over the same period, the Board met weekly providing oversight and guidance to management.

Sydney Airport's risk management framework was used to support the Crisis Management Team's risk management activities and continues to be embedded across the business to provide clear guidance for our people on how to manage risk in their roles.

We continue to enhance and embed risk and compliance management across the business with the recruitment of additional dedicated risk and compliance resources in 2020. This has helped us to effectively manage the risks emerging through the pandemic whilst also helping to ensure we are strongly positioned to take advantage of opportunities that arise as the recovery emerges.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SYD
Sydney's Airport

Risk management

Material risks

	Risks	Risk mitigants or controls
Commercial	– Current business operations and a significant portion of revenues are calculated based on the number of passengers that use Sydney Airport, which may decline or experience growth constraints due to factors beyond the airport's control. This may include continued impacts from COVID-19, global economic conditions, fuel prices, and international government relations	– We are exploring several key initiatives across commercial, aviation and infrastructure aimed at optimizing passenger numbers and revenue, including attracting new retail tenants and maximizing the benefits of the Sydney Gateway connectivity to the airport – Sydney Airport has scalable operating and capital expenditures, and the ability to access liquidity from both debt and equity markets, helping the airport to manage the impacts of COVID-19 – We continue to embed a customer-focused culture in everything we do, this includes further strengthening of our airline and airport partner engagement, and working with the Australian Government to increase air rights to priority markets
	– The airport faces competition for new business from interstate and overseas airports and may face increased competition with the Australian Government's development of Western Sydney Airport (WSA), due to be operational in late 2026, or expansion of other modes of transport in the Sydney region	– Sydney Airport continues to incorporate the development of WSA into our long-term planning. This includes focusing on how we optimize the utilization of our infrastructure and enhance our customer experience, while also planning for the expected competitive market changes that may occur when WSA opens
Operational	– The impacts of COVID-19 on the global economy, including border controls and travel restrictions imposed by governments have and continue to have adverse effects on our financial performance, liquidity and results of operations	– We continue to advocate to governments on state and international border openings, including developing detailed plans on how Australia can commence COVID-19 safe travel with other countries
	– Any future pandemics have the potential to materially impact Sydney Airport's passenger numbers, financial performance, liquidity and results of operations	– Learnings from the COVID-19 pandemic coupled with the strong relationships developed with government, travel and airport stakeholders will be applied to any future pandemics
	– The operation of Sydney Airport depends upon the cooperation of many third parties, who may experience operational disruptions or may fail to adequately perform the services required	– Sydney Airport's strong relationships and communication with the Australian Government and our airline and airport partners helps to ensure the smooth operation of our airport
	– Airport operations could be materially adversely affected by climate change, information security incidents, cyber-attacks, terrorist attacks and the threat of war	– A Climate Risk Assessment and Adaptation Plan has been developed to understand climate risks under the IPCC Representative Concentration Pathways, identify mitigations and build resilience – We continue to enhance our Information Security Management System to manage and respond to cyber risks – The Sydney Airport Emergency Plan includes exercises and simulations with state and federal emergency services
	– Airport operations are dependent on the full functionality of our terminal, airfield, road and technology infrastructure, which require ongoing maintenance to ensure safety and efficiency. Our operations may be impacted by risks associated with aircraft accidents, potential terrorist attacks or any failure to conduct required maintenance	– Sydney Airport performs routine, ongoing preventative maintenance of our assets and we are developing critical infrastructure master plans to identify and remove 'single points of failure' – We invest in airfield assets to support airline operation safety including high intensity approach lights and low-level wind shear alert system – Emergency threats and assessments of the airport's preparedness are conducted constantly by Sydney Airport and incorporated into ongoing simulations to test and enhance our response capabilities

	Risks	Risk mitigants or controls
Operational (continued)	– Sydney Airport is subject to environmental regulations that can impose significant costs or liability on the airport to remedy any pollutants and requires the airport to conduct ongoing environmental assessment and management, including managing enforcement against polluters from legacy assets	– Sydney Airport has an Environment Strategy that includes a five-year action plan to address a range of environmental impacts and a requirement for tenants to develop a risk based environmental management plan – We conduct investigations and audits into leased areas to support our understanding of obligations associated with legacy contamination
	– Sydney Airport acquired the Jet Fuel Infrastructure (JFI) facilities in 2020 giving rise to certain risks regarding the operation of the facilities	– An experienced global fuel operator has been appointed to run the JFI, with oversight of operations and ownership of intellectual property by Sydney Airport
	– The loss of key personnel could cause disruption to the conduct of our business	– We are performing a review of remuneration and reward frameworks at Sydney Airport to enhance staff investment in longer term outcomes and support retention
Regulatory	– We operate in a regulated environment across many aspects of our business and the way we operate may change if there is regulatory change. Examples include the recent border restrictions and any potential future health screening requirements mandated by government in response to COVID-19	– Sydney Airport continues to maintain structured engagement with government stakeholders to understand, and where necessary act upon, industry issues or concerns and propose potential regulatory improvements (e.g.changing border restrictions) – We have added risk and compliance resources in 2020 to continue to build our compliance culture
	– Existing laws and regulations place restrictions on Sydney Airport's aeronautical operations, including restrictions on the number of aircraft movements per hour and airport curfew hours	– Sydney Airport continues to advocate to the Australian Government for efficiency in slot management and expansion of slot capacity, in addition to exploring other airline initiatives to help release slot capacity constraints
	– The financial performance of Sydney Airport may be adversely affected by regulatory change	– Sydney Airport has scalable operating and capital expenditures, and the ability to access liquidity from both debt and equity markets
Financial	– Recent COVID-19 related earning reductions experienced by Sydney Airport may cause credit rating downgrades or an increase in debt pricing	– We continue to proactively engage with rating agencies and debt investors whilst maintaining a presence across multiple debt capital markets
	– The prolonged impacts of the COVID-19 pandemic have resulted in an unclear path to recovery for Sydney Airport	– Sydney Airport continues to scrutinize and tightly manage any capital investments to ensure the airport doesn't over invest on our journey to recovery – In 2020, Sydney Airport issued an AUD598 million equivalent multi-tranche USPP bond, established AUD850 million in bilateral bank debt facilities and issued AUD2.0 billion of equity, significantly strengthening its liquidity and balance sheet position
	– Sydney Airport is required to refinance maturing debt from time to time each year	– Sydney Airport targets maintaining a well diversified and well spread debt maturity profile with a long weighted average maturity in minimising any refinance risk – We perform ongoing assessments of the required level of liquidity, considering debt maturing within at least the next 12 months in addition to 6-9 months of forecast growth capex
	– Airline customers and airport partners may experience adverse financial and operating conditions, which could have a materially adverse impact on our revenues and costs	– Sydney Airport has established strong relationships with our airline customers and airport partners, helping to navigate together through any adverse financial or operational conditions to achieve the best result for all parties
Customer	– There are potential impacts on customer sentiment regarding travel, including a shift in the confidence and desire to travel due to the ongoing effects of COVID-19	– Sydney Airport implemented a COVID-Safe Terminal Plan in 2020 to ensure a safe passenger journey and increase consumer confidence – Sydney Airport is accredited by the Airports Council International's Airport Health Accreditation for the health measures implemented across the airport including enhanced cleaning, passenger communications and passenger facilities – Sydney Airport proactively engages government, airline and airport stakeholders to share learnings and information to seek the best outcomes for our customers
	– There is a risk that Sydney Airport is unable to deliver customer experience at the standard expected by passengers and airlines, negatively affecting business outcomes for the airport	– We are continuously improving the customer journey from home to the runway through developing a future customer strategy, vision and journey

Risk management

Reporting against TCFD recommendations

We are supporters of the Taskforce on Climate-related Financial Disclosures (TCFD) and have disclosed our climate change risk management in line with its reporting framework since 2018. For detailed disclosures in line with the TCFD please refer to the 2020 TCFD Report and the 2020 Sustainability Report for Sydney Airport.

	TCFD recommended disclosures	Disclosure	Location
Governance	Board oversight of climate-related risks and opportunities	Governance and oversight of climate change	2020 TCFD Report pg 2
	Management's role in assessing and managing climate-related risks and opportunities	Governance and oversight of climate change	2020 TCFD Report pg 2
Strategy	Risks and opportunities identified in the short, medium and long term	Strategy Risk management	2020 TCFD Report pg 3-5 Annual Report pg 46
	Impact of climate-related risks and opportunities on the organisation's strategy and financial planning	Strategy	2020 TCFD Report pg 2-3
	Describe the resilience of the organisation's strategy under different climate scenarios	Strategy	2020 TCFD Report pg 2-3
Risk management	Processes for identifying and assessing climate-related risks, and integration of climate-related risks into overall risk management framework	Risk management	2020 TCFD Report pg 6
	Processes for managing climate-related risks	Risk management	2020 TCFD Report pg 6
		Strategy Risk management	2020 TCFD Report pg 5-6
Metrics and targets	Metrics used to assess climate-related risks and opportunities	Metrics and targets	2020 TCFD Report pg 6-7
		Delivering on our commitments	2020 Sustainability Report pg 12-13
	GHG emissions and related risks	Performance data	2020 TCFD Report pg 7
		Energy and emissions management	Pg 36
	Targets used to manage climate-related risks and opportunities and performance monitored against those targets	Metrics and targets	2020 TCFD Report pg 6-7
		Delivering on our commitments	2020 Sustainability Report pg 12-13

Financial report contents

Directors' report

for the year ended 31 December 2020

Overview of ASX-listed Sydney Airport

ASX-listed Sydney Airport (the Group) consists of Sydney Airport Limited (SAL) and Sydney Airport Trust 1 (SAT1). Shares and units in the Group are stapled, quoted and traded on the Australian Securities Exchange as if they were a single security. They consist of one share in SAL and one unit in SAT1. SAL holds a 100% economic interest in Sydney (Kingsford Smith) Airport at 31 December 2020 (2019: 100%).

For the year ended 31 December 2020, the directors of SAL submit their report on the consolidated financial report of ASX-listed Sydney Airport on pages 89 to 132. SAL has been identified as the parent of the consolidated group comprising SAL and its controlled entities and SAT1 and its controlled entities, together the Group.

For the year ended 31 December 2020, the directors of The Trust Company (Sydney Airport) Limited (TTCSAL or the Responsible Entity) also submit their report on the consolidated financial report of SAT1 comprising SAT1 and its controlled entities (the SAT1 Group) on pages 89 to 132.

Directors' Report for Sydney Airport Limited

Principal activities

The principal activity of the SAL Group is the ownership of Sydney Airport.

Director profiles

Directors of SAL during the year and until the date of this report are as follows:

Trevor Gerber
BAcc, CA
Chairman
(Non-executive)

Mr Gerber was appointed as a Sydney Airport director in May 2002, appointed director of SAL in October 2013 and appointed chairman on 14 May 2015. He is a member of the Audit and Risk Committee and Nomination and Remuneration Committee. He is the chairman of ASX-listed Vicinity Centres (since November 2019, director since April 2014).

He is a former non-executive director of ASX-listed Tassal Group Limited (April 2012 - October 2020), CIMIC Group Limited (June 2014 - December 2019) and Regis Healthcare Limited (October 2014 - November 2017). Mr Gerber has been a professional director since 2000. He previously worked for Westfield Holdings Limited for 14 years as Group Treasurer and subsequently as Director of Funds Management responsible for Westfield Trust and Westfield America Trust.

John Roberts
LLB
(Non-executive)

Mr Roberts was appointed as a Sydney Airport director in October 2009 and appointed director of SAL in October 2013. He is chairman of the Audit and Risk Committee. He is the chair of Axicom and non-executive chairman of Macquarie Infrastructure and Real Assets (MIRA) and serves on a number of boards and investment committees within MIRA, a division that has around $130 billion of assets under management.

He is a former director of DUET Group (May 2004 – June 2015) and Atlas Arteria Limited (previously known as Macquarie Atlas Roads Limited) (February 2010 - September 2018). Mr Roberts joined the Macquarie Group in 1991 and previously held roles within the Macquarie Group including Head of Europe, Joint Head of Macquarie Capital Advisers, Global Head of Macquarie Capital Funds (prior to it being renamed MIRA), chairman of NYSE-listed Macquarie Infrastructure Company and executive chairman of Macquarie Funds Group.

Stephen Ward LLB (Non-executive)	Mr Ward was appointed as a Sydney Airport director in February 2011 and appointed director of SAL in October 2013. He is the chair of the Safety, Security and Sustainability Committee. Mr Ward is a non-executive director of several New Zealand companies including SecureFuture Wiri Limited, Restaurant Brands New Zealand Limited, Renaissance Holdings New Zealand and TCF Commercial Finance New Zealand Limited. He is a member of the National Provident Fund Trust Board and holds voluntary positions on the boards of Wellington Free Ambulance, including its Investment Management Committee, and deputy chair of the Life Flight Trust. Mr Ward is the independent chair of the Advisory Council for the Financial Dispute Resolution Service and a consultant to Simpson Grierson, one of New Zealand's largest law firms.
Ann Sherry AO BA, Grad Dip IR, FAICD, FIPAA, HonDLitt Macq (Non-executive)	Ms Sherry was appointed as a Director of SAL in May 2014. She is chair of the Nomination and Remuneration Committee and a member of the Safety, Security and Sustainability Committee. Ms Sherry is a non-executive director of ASX-listed National Australia Bank since November 2017, director of the Palladium Group, Infrastructure Victoria, Cape York Partnerships, Museum of Contemporary Art, Australia New Zealand School of Government, and Chair of UNICEF Australia. More recently, Ms Sherry was appointed as chair of ASX-listed Enero in January 2020. Ms Sherry is the former chair and chief executive officer of Carnival Australia. She was previously at Westpac for 12 years and was the chief executive officer of Bank of Melbourne and Westpac New Zealand and Pacific Banking.
Grant Fenn BEc, CA (Non-executive)	Mr Fenn was appointed as a director of SAL in October 2015. He is a member of the Nomination and Remuneration Committee and Safety, Security and Sustainability Committee. Mr Fenn has been the managing director and chief executive officer of ASX-listed Downer Group since July 2010. He has over 30 years' experience in operational management, strategic development and financial management. Mr Fenn was previously a member of the Qantas Executive Committee, chairman of Star Track Express and a director of Australian Air Express. He held a number of senior roles at Qantas including executive general manager of Strategy and Investments and executive general manager – Associated Businesses, responsible for the Airports, Freight, Flight Catering and Qantas Holidays businesses.
Abi Cleland MBA, BCom, GAICD (Non-executive)	Ms Cleland was appointed as a director of SAL in April 2018 and is a member of the Audit and Risk Committee and Nomination and Remuneration Committee. She is currently a non-executive director of ASX-listed Computershare Limited (since February 2018), Coles Group Limited (since November 2018), Orora Limited (since February 2014), and a director of Swimming Australia (since June 2015). Ms Cleland has extensive global experience in strategy, M&A, digital and running businesses. This has been gained from senior executive roles in leading industrial, retail, agriculture and financial services companies, as well as, from her time as Managing Director of an advisory firm.
David Gonski AC BCom, LLB, FAICD (Life), FCPA (Non-executive)	Mr Gonski was appointed as a director of SAL in October 2018. He is a member of the Audit and Risk Committee and Safety, Security and Sustainability Committee. Mr Gonski is Chancellor of the University of New South Wales, President of the Art Gallery of NSW Trust, a non-executive chairman of Barrenjoey Capital Partners Group Holdings Pty Limited and a member of the board of the Lowy Institute for International Policy. He is the former Chairman: Australia and New Zealand Banking Group Ltd (2014 - 2020), Coca-Cola Amatil Ltd (2001 to 2017, director from 1997) and the Australian Securities Exchange Ltd (2008-2012, director from 2007). Mr Gonski was appointed a Companion of the Order of Australia in 2007 and received the Centenary Medal in 2003.

Company secretary profile

Karen Tompkins BA, LLB(Hons)	Ms Tompkins joined Sydney Airport in 2016 and was appointed as General Counsel and Company Secretary in July 2019. She has over 16 years legal experience. Prior to becoming General Counsel and Company Secretary, Ms Tompkins spent nine years in the legal team in ASX-listed Stockland and before that she held positions in law firms including Minter Ellison, Herbert Geer and Henry Davis York.

Directors' report

for the year ended 31 December 2020

Board skills matrix

SAL's director selection and appointment practices ensure the Board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of Sydney Airport.

Set out in the following table are the skills and experience of SAL's directors and requirements of the business:

Skills and experience	Number of directors
Aviation and transport Experience in aviation or transport. Aviation is our core business and an understanding of the complex network of stakeholders is of critical importance	4
Property and construction Experience in all aspects of major property infrastructure and delivery of large construction programs	3
Technology Knowledge and experience in implementing and adopting new technologies within large organisations. With an understanding of digital disruptions, data, cyber security and technology related innovation	3
Retail Retail industry experience, with deep understanding of product delivery and customer strategy	4
Banking and finance Experience in financial and capital management strategies, treasury, accounting and reporting, corporate finance and internal controls, including assessing the quality of financial controls	6
Strategic and commercial acumen Using commercial judgement and experience in assessing, monitoring and where necessary questioning and challenging strategic objectives and delivery	7
Risk management Knowledge and experience in assessing and monitoring appropriateness of risk management frameworks, building and adapting organisational risk culture, proactive identification of financial and non financial risks, developing effective policy and procedures to manage risks	7
Leadership CEO or senior position in listed companies or large organisation with experience in driving direction, guidance, leading organisational change and strategic planning	7
Governance and compliance Experience in implementing and providing direction on organisation-wide governance and compliance policies, systems and frameworks, training and education.	7
Health, safety and environment Experience in developing health, safety and environment policy, strategies and initiatives	5
Government relations Having worked with or experience in interacting with domestic and international, state and federal governments and regulators	5
People, culture and remuneration Experience in developing and implementing people, culture and remuneration frameworks, policies and practices to attract, retain and motivate employees, succession planning and talent management programs, driving and monitoring a culture of compliance and integrity across the organisation.	7

Directors' meetings

The number of meetings of directors (including meetings of board committees) held (H) during the reporting period and the number of meetings attended (A) by each director are set out in the table below. In response to the COVID-19 pandemic, the SAL Board determined it prudent to increase the frequency of meetings. For part of the year, meetings were held weekly to update the Board on the impacts of COVID-19. These meetings were unscheduled at the start of the reporting period. They are identified in the table below as SAL Board (Unscheduled).

All directors are welcome to attend any standing committee meeting. Various directors chose to do so during the reporting period. Only committee members have voting rights.

Directors		Trevor Gerber [3]	John Roberts [4]	Stephen Ward [5]	Ann Sherry AO [6]	Grant Fenn	Abi Cleland	David Gonski AC
SAL Board (Scheduled)	H [1]	7	7	7	7	7	7	7
	A [2]	7	7	7	7	7	7	7
SAL Board (Unscheduled) [7]	H [1]	21	21	21	21	21	21	21
	A [2]	21	19	21	20	21	21	19
Audit and Risk Committee (Scheduled)	H [1]	4	4	-	-	-	4	4
	A [2]	4	4	-	-	-	4	4
Audit and Risk Committee (Unscheduled) [8]	H [1]	2	2	-	-	-	2	2
	A [2]	2	2	-	-	-	2	2
Nomination and Remuneration Committee (Scheduled)	H [1]	4	-	-	4	4	4	-
	A [2]	4	-	-	4	4	4	-
Nomination and Remuneration Committee (Unscheduled) [8]	H [1]	2	-	-	2	2	2	-
	A [2]	2	-	-	2	1	2	-
Safety, Security and Sustainability Committee (Scheduled)	H [1]	-	-	4	4	4	-	4
	A [2]	-	-	4	4	4	-	4

1. Number of meetings to which director was invited to attend.
2. Actual attendance.
3. Chairman of the SAL Board.
4. Chairman of the Audit and Risk Committee.
5. Chairman of the Safety, Security and Sustainability Committee.
6. Chairman of the Nomination and Remuneration Committee.
7. COVID-19 update meetings unscheduled at the beginning of the reporting period.
8. Update Committee meetings unscheduled at the beginning of the reporting period.

Significant changes in state of affairs

COVID-19 pandemic

The consequences of the COVID-19 pandemic for the airport and broader aviation community have been severe. In response, Sydney Airport has rapidly adapted to the current environment, with the priority being to protect the health and safety of our staff and the airport community.

Whilst the Group delivered a solid start to the 2020 financial year, the subsequent spread of COVID-19 saw the aviation industry dramatically impacted from late February. Since that time, passenger traffic through Sydney Airport has been materially impacted, resulting in international and domestic passenger traffic being down 77.5% and 72.9% respectively for the full year of 2020 when compared to the prior comparative period. There were 9.0 million passengers in the quarter ended March 2020 and 2.2 million in the three quarters from April to December 2020. There were modest recoveries in domestic traffic at points across the year in the brief windows where unrestricted domestic travel was permitted between all Australian states and territories, however the domestic downturn is expected to persist until sustained unrestricted travel is permitted again. The downturn in international passenger traffic is expected to persist until government travel restrictions are eased.

The COVID-19 pandemic has impacted the full year financial report in various ways:

– The Group has made expected credit loss (ECL) provisions for both aeronautical and commercial customers. The recoverability of receivables has been assessed based on information available and our best judgement. Included within this amount is $13.8 million related to Virgin Group debts in respect of the period prior to Virgin being placed into voluntary administration and subsequent, up until the appointed administrator's personal liability commenced on 27 May 2020, including unpaid security charges less the agreed dividend amount from the assets of the creditors' trust as outlined in the Deed of Company Arrangement dated 25 September 2020. The agreed dividend amount of $8.0 million has not yet been received at signing date and is expected to be received during 2021.

Directors' report

for the year ended 31 December 2020

- A range of rental concessions were provided during the year to both retail and property tenants, in line with the Australian Government's Commercial Code of Conduct issued in April 2020. Concessions in the form of rent abatements of $142.8 million and rent deferrals of $8.4 million were agreed. Of the abatements, $52.5 million were recognised through the provision for ECL. The remaining $90.3 million of abatements are recognised on a straight-line basis as a reduction to revenue over the remaining lease terms in accordance with the relevant Accounting Standard. $24.3 million was recognised as a reduction to revenue during the 2020 year.

  Rent deferrals provide an extension of payment terms with no impact to revenue. However, the Group assessed the expected recoverability of all deferred rents and have provided $5.2 million against the related receivables at 31 December 2020, based on its assessment of future recoverability. Refer to the *Revenue* and *Statutory revenue adjusted for abatements and provisions on debts not considered recoverable* tables on the following page.
- A review of all capital projects in progress was undertaken during the year. Following the review, a $28.2 million impairment charge was recognised in respect of certain capital projects that, due to their nature, are not expected to progress.
- In April 2020, the Group enrolled in the JobKeeper government assistance program for eligible employees. Over the nine months April 2020 to December 2020, the Group recognised $13.0 million in government assistance for employees. This has been recognised as an offset to Employee benefits expense in the Consolidated statements of comprehensive income for the year ended 31 December 2020.

Response through the recovery

The Group is well positioned to manage through the recovery from the COVID-19 pandemic:

- **A strong liquidity position:** Sydney Airport had a robust balance sheet heading into 2020, and the Group took further proactive steps over the course of the year to continue to strengthen its liquidity and balance sheet position including raising $2.0 billion of equity through a pro-rata accelerated renounceable entitlement offer (Entitlement offer) in the second half of the year. Available liquidity as at 31 December 2020 was $3.5 billion, comprising $1.1 billion of available cash and $2.4 billion of undrawn bank debt facilities. The Group continues to expect to remain compliant with its covenant requirements.
- **A focus on cash collection:** A strong focus on collecting outstanding receivables yielded positive results in 2020 and continues to remain a focus.
- **Tightly controlled operating expenditure:** Excluding the impact of expected credit loss provisions and security recoverable expenditure, operating expenditure for the 2020 year was $138.8 million, a decrease of 32.3% on the prior corresponding period. This decrease reflects the implementation of a wide range of cost reductions across every aspect of the controllable cost base. The Group's significantly outsourced operating model enabled it to quickly and effectively adjust service levels to the much lower levels of activity required. In addition, in the second half of the year after a 6-month period to assess the medium to longer term implications of the pandemic, Sydney Airport announced and completed an organisational restructure that impacted 118 roles across the organisation, representing approximately 22% of the total workforce.
- **Re-prioritisation of capital expenditure:** A modular capital expenditure program has provided significant flexibility and enabled the Group to rapidly and prudently scale back investment. Capital expenditure in the full year 2020 was $237.5 million, comprising $152.8 million and $84.7 million in the first and second halves of the year respectively. The Group continued to deliver critical projects targeting asset resilience, safety and security and a limited number of opportunistic projects, while taking steps to ensure capacity and expansion projects can be deferred and then re-started at the right time in the future.
- **Creation of a recovery taskforce:** Sydney Airport's recovery taskforce is committed to collaborating with its Australian and overseas airline partners, airports, industry and Governments to develop a safe and sustainable pathway for the resumption of domestic and international travel. Examples of work so far include the Australia New Zealand Leadership Forum (ANZLF) plan for the Trans-Tasman Safe Travel Zone which has formed the basis for the opening of quarantine free flights from New Zealand, and the Australian Aviation Recovery Coalition's COVID-safe Flying Principles and Processes Framework which achieved approval from the Australia Health Protection Principal Committee (AHPPC) and supports safe domestic flying. Work is now underway to look at how we can safely re-open domestic and international borders once vaccine roll-out is progressed in Australia and globally. The actions of the recovery taskforce, and it's many partners, will play an important role in driving recovery in the aviation sector and guiding the airport community through this period of uncertainty.
- **A fair and equitable sharing of pain with Sydney Airport tenants:** Sydney Airport has worked closely with all tenants on a case-by-case basis to provide fair and equitable concessions to reflect the impact of the COVID-19 pandemic. Between the period of April 2020 to December 2020, Sydney Airport offered temporary concessions to tenants in the form of rent deferrals and abatements. Each concession offered was assessed on a case-by-case basis and ranged from 0% to 100% of the relevant rental amount. Sydney Airport believes that an equitable sharing of the pain with tenants during this challenging time will deliver the best long-term outcome.
- **A focus on operational flexibility:** Despite the significant reductions in passenger traffic in 2020, our operational teams have implemented significant operational changes, both to ensure the safety of our customers and airports teams, and to respond to frequently changing government requirements. These responses have allowed us to keep the airport open and operational, facilitating the movement of essential workers, medical supplies, agricultural exports and Australians coming home. We have worked closely with Government departments and our airport partners to ensure the safe passage of arriving, transiting and departing passengers. To facilitate the quarantine-free arrival of passengers from New Zealand, we separated the International Terminal into Green and Red zones to ensure that those arriving from New Zealand (Green passengers) and entering the community were kept separate from other 'Red' passengers going straight to quarantine. The Green arrivals zone positions us to welcome other quarantine-free arrivals as we are able to safely open up borders on the path to recovery.

Extension of aeronautical agreements

The Group has worked through numerous expiring, expired or new aeronautical agreements and reached the following agreements during the year:

– An agreement was reached to extend the current aeronautical arrangements for Jetstar domestic and Qantas Group domestic runway and international operations until 30 June 2021. In addition, Sydney Airport and Qantas entered into new twelve-month non-aeronautical lease agreements until 30 June 2021, extending Qantas' use of the Jet Base and associated infrastructure, while providing for hand back of land specific to the development of Sydney Gateway.
– The Board of Airline Representatives Australia (BARA) endorsed Sydney Airport's proposal to its member airlines for international services and the recontracting process with airlines is substantially complete. This extends the pricing and service provisions under the previous five-year agreement for another twelve months to 30 June 2021.
– Virgin Australia's Domestic and International aeronautical agreements were extended until 30 June 2021 with certain variations reflecting changes to Virgin's operations post administration.

Interest payable by SAL to SAT1

In light of the current operating environment and financial performance, on 9 June 2020, The Trust Company (Sydney Airport) Limited as responsible entity of SAT1 executed a Deed Poll in favour of SAL. Under the Deed Poll, SAT1 agreed to waive its right to interest payable by SAL and the accumulation and capitalisation of unpaid interest of $117.1 million for the six months from 1 July 2020 to 31 December 2020. In December 2020, SAL resolved not to pay cross staple loan (CSL) interest to SAT1 for the six months from 1 January 2021 to 30 June 2021. As no CSL interest will be paid, the CSL interest will capitalise to the outstanding principal in accordance with the CSL agreement. Further detail is provided at note 20 to the Sydney Airport Full Year Financial Report.

Revenue

	Revenue $m	Revenue contribution	Compared to prior year[1]
Aeronautical Services (excl. security recovery)	238.2	30%	(67.8%)
Retail	244.2	30%	(34.9%)
Property and car rental	199.1	25%	(20.7%)
Parking and ground transport	49.1	6%	(69.7%)

1. Compared to 31 December 2019.

The following table reflects revenue adjusted for abatements and provisions on debts not considered recoverable. Non-IFRS financial information has not been audited by the external auditors, but has been sourced from the financial report.

Statutory revenue adjusted for abatements and provisions on debts not considered recoverable

$m	Aero	Retail	Property	CP&GT[5]	Total
Revenue for the year ended 31 December 2020[2]	238.2	244.2	199.1	49.1	
Deduct:					
Abatements that have been expensed in opex	-	(40.1)	(11.3)	(1.1)	(52.5)[3]
Abatements to be amortised against future revenue	-	(52.0)	(38.0)	(0.3)	(90.3)[4]
Total abatements	-	(92.1)	(49.3)	(1.4)	(142.8)
Deferred rents provided for in ECL expense	-	(4.9)	(0.3)	-	(5.2)
Doubtful debt provisions provided for in ECL expense	(9.5)	(24.2)	(2.2)	(0.3)	(36.2)
Provisions on debts not considered recoverable	(9.5)	(29.1)	(2.5)	(0.3)	(41.4)[3]
Add back:					
Abatements that have been amortised against revenue	-	13.9	10.3	0.1	24.3[4]
	228.7	**136.9**	**157.6**	**47.5**	

2. Taken from Consolidated statements of comprehensive income in the Sydney Airport Financial Report for the year ended 31 December 2020.
3. The addition of these balances is the Expected credit loss expense that totals $93.9 million. Referenced in the Consolidated statements of comprehensive income in the Sydney Airport Financial Report for the year ended 31 December 2020.
4. Referenced in note 9 of the Sydney Airport Financial Report Financial Report for the year ended 31 December 2020.
5. Parking and ground transport.

Operating and Financial Review

The Operating and Financial Review is included in the Annual Report on pages 10 to 50.

Directors' report

for the year ended 31 December 2020

Letter from the Chair of the Nomination and Remuneration Committee

Dear fellow securityholders,

The year in review

The impact of COVID-19 on Sydney Airport has been severe, with traffic numbers being down over 90% for much of the year. As a consequence, the strategic and operational priorities shifted markedly as the year progressed. Protecting our people and preserving the business rapidly became key objectives, and management was required to undertake a number of critical tasks, including the following :

- taking decisive action to safeguard the health and wellbeing of our employees, contractors and customers;
- completing a $2 billion entitlement offer to securityholders and establishing an additional $850m of bilateral bank facilities;
- significantly reducing the capital investment program, including deferring and cancelling a wide range of lower priority projects, maintaining critical projects, and initiating a limited number of opportunistic projects;
- fairly and equitably sharing commercial hardship due to COVID-19 with retail and property tenants;
- undertaking strong operational engagement with and assistance for airline partners;
- closely engaging with federal and state health authorities and executing various health requirements.

In addition to the above, many of the strategic and people objectives set at the beginning of the year were achieved despite the disruption from the pandemic. This is outlined in section 2.2 of the Remuneration Report.

Despite this, given the severe impact of COVID-19 the financial objectives related to Revenue, EBITDA and NOR targets could not be met.

2020 KMP remuneration

COVID-19 significantly impacted Sydney Airport's major remuneration decisions and outcomes in 2020. These are summarised below, and further detail is provided in the Remuneration Report.

2020 short-term incentive

While acknowledging their achievements under extremely challenging circumstances, the Board exercised its discretion not to award any short-term incentive payment to Executive KMP for 2020. Further detail is provided in section 2.2.

2018-20 long-term incentive

Given the impact of COVID-19 the thresholds for the Cents Per Share and relative Total Shareholder Return tranches were not met. The Board had discretion with respect to the final third of the award, and decided these rights would not vest.

Voluntary pay reduction

In response to the COVID-19 crisis, Sydney Airport directors and Chief Executive Officer Geoff Culbert volunteered a 20 percent pay reduction for the three months from 1 April 2020 to 30 June 2020.

Fixed remuneration

The Board approved an increase to the fixed remuneration of Chief Financial Officer Greg Botham from $612,000 to $800,000, due to a significant expansion in responsibilities following a restructure of the organisation in September. No other KMP received an increase in 2020. Further detail is provided in section 2.1.

Retention plan

As we are keen to ensure continuity in our KMP, the Board approved the implementation of a retention plan for three Executive KMP – the Chief Executive Officer, Chief Financial Officer, and the Chief Commercial Officer. Proxy advisers and some of Sydney Airport's major investors were consulted prior to implementation. Further detail is provided in section 1.3.5.

2021 long-term incentive

Due to the unprecedented difficulty in forecasting passenger volumes in 2021, the Board approved the suspension of the Cents Per Share component of the Long-term Incentive Plan, commencing in 2021. The entire 2021 LTI grant will therefore be tested on relative Total Shareholder Return compared to the ASX 100, the other performance measure used in previous grants. This is a temporary change in policy which the Board only intends to continue until such time as passenger movements can be forecast with reasonable accuracy.

Your feedback

During the year, we heard your views on the potential to strengthen management alignment with securityholders by enhancing the use of equity in remunerating our senior executives. The Nomination and Remuneration Committee acknowledges and broadly agrees with your feedback. However, considering the changing business and remuneration priorities during the year, the Committee decided not to make changes in this area in 2020. As Committee Chair, I look forward to continuing discussion with you in 2021 as we consider the remuneration policy enhancements we may make to align management and security holder interests.

Thank you for your ongoing support as we continue to navigate our way through this turbulent period.

Ann Sherry AO

Chair, Remuneration and Nomination Committee

Remuneration Report

Contents

Key management personnel

Non-executive

Trevor Gerber	Chairman
John Roberts	Non-executive Director
Stephen Ward	Non-executive Director
Ann Sherry AO	Non-executive Director
Grant Fenn	Non-executive Director
Abi Cleland	Non-executive Director
David Gonski AC	Non-executive Director

Executive

Geoff Culbert	Chief Executive Officer
Greg Botham	Chief Financial Officer
Dhruv Gupta [1]	Chief Aviation Officer
Vanessa Orth	Chief Commercial Officer

Former KMP

Hugh Wehby [2]	Chief Operating Officer

1. From 1 September 2020.
2. Ceased employment on 30 September 2020.

Directors' report

for the year ended 31 December 2020

Remuneration Report continued

1.0 Remuneration Governance, Principles and Policies

1.1 Governance

The Nomination and Remuneration Committee (NRC) operates under its own Charter and reports to the Board. Pursuant to its Charter, the NRC reviews the remuneration framework and policies applying to the senior executives, employees and Non-executive Directors of Sydney Airport, and makes recommendations to the Board. The Charter is available on Sydney Airport's website at www.sydneyairport.com.

1.1.1 Remuneration consultant

In 2020, Sydney Airport commissioned several benchmarking exercises to obtain information on KMP remuneration. However, no remuneration recommendations were provided by remuneration consultants.

1.2 Principles

Sydney Airport's remuneration policies and practices are based on the following principles:

Market competitiveness
We pay competitively to attract and retain key talent, experience and capability the business needs

Pay for performance
A large part of what we pay depends on business and individual performance

Alignment with securityholders
Our pay reflects our securityholders' experience

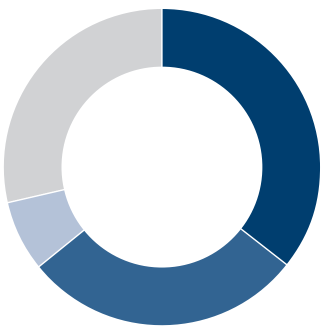
Fairness
We pay equitably regardless of gender, ethnicity, age, disability or any other factor unrelated to work

1.3 Policies

1.3.1 Remuneration mix

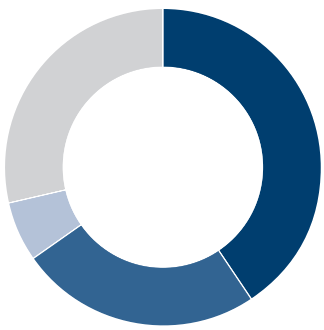
Individual components as a proportion of total remuneration for Executive KMP is shown below.

CEO Remuneration



- 35.7% Fixed remuneration
- 28.6% Target STI
- 7.1% Deferred STI
- 28.6% LTI

Other Executive Remuneration



- 40.8% Fixed remuneration
- 24.5% Target STI
- 6.1% Deferred STI
- 28.6% LTI

Remuneration Report continued

1.3.2 Fixed remuneration

Fixed remuneration comprises cash salary, superannuation contributions and salary sacrificed benefits such as novated leases (including associated taxes).

CEO and other Executive KMP fixed remuneration is reviewed but not necessarily changed each year. The review is conducted with reference to benchmark data, obtained from independent and impartial sources, for comparable roles in ASX-listed companies of similar size to Sydney Airport.

1.3.3 Short-term Incentives

Sydney Airport's Short-term Incentive Plan (STIP) focuses Executive KMP on delivering challenging goals over the financial year.

Performance measures

Executive KMP performance under the STIP is assessed in three Key Result Areas.

Area	Weighting	Reason for inclusion
Financial	50%	Net Operating Receipts (NOR) and EBITDA are key measures in aligning management and securityholder experience.
Strategic initiatives	30%	Completion of strategic initiatives adds long-term value to the business and securityholders.
People and culture	20%	Superior business outcomes are enhanced by a diverse and motivated workforce and an inclusive, physically and psychologically safe culture.

The financial results outcome applies to all Executive KMP. Outcomes in the other two areas are individual to each executive and are based on achievement of their own objectives relating to strategic initiatives and people and culture.

Value

In 2020 the opportunity under the STIP for Executive KMP was as follows:

	% of fixed remuneration		
	Target	Maximum	
CEO	100%	150%	(1.5 x target)
Other KMP	75%	112.5%	(1.5 x target)

Delivery

Payments under the STIP are in cash. Part of the total amount awarded is deferred for two years from the date of the award as follows:

	Deferred STI (% of total award)
CEO	20%
Other KMP	20%

The deferred amount earns a market rate of interest over the two-year period and is payable in cash upon vesting, subject to continuous service throughout the period.

Directors' report
for the year ended 31 December 2020

Remuneration Report continued

1.3.4 Long-term Incentives

Sydney Airport's Long-term Incentive Plan (LTI plan) is equity-based and aligns management and securityholder interests by linking executive reward to metrics that reflect long-term securityholder value.

Performance measures

Relative Total Securityholder Return (TSR)

Measured as Sydney Airport's TSR ranking relative to ASX 100 companies.

This measure was chosen because it compares Sydney Airport's security price performance against that of other companies in which securityholders can invest as an alternative to Sydney Airport.

Cents Per Share (CPS)

Measured as Sydney Airport's compound annual growth rate in Net Operating Receipts per share.

This measure was chosen because of the importance of cash flow to security-holders. *(However, because of difficulty in setting targets during the pandemic, commencing in 2021, the use of CPS will be temporarily suspended until the Board is satisfied targets can be set appropriately).*

Vesting scale

Percentile rank	Vesting %
< 50th percentile	0%
= 50th percentile	50%
≥ 75th percentile	100%

Pro rata between 50th and 75th

CPS growth	Vesting %
< 4% CAGR	0%
= 4% CAGR	50%
≥ 8% CAGR	100%

Pro rata between 4% and 8%

Value

In 2020 Executive KMP received annual grants under the LTI plan to the following face value:

CEO	80% of fixed remuneration
Other KMP	70% of fixed remuneration

Key features of the plan

- The performance period is three years starting on 1 January in the year of the grant.
- Grants are delivered in rights which convert to Sydney Airport stapled securities if performance and other vesting conditions are met (one security per vested right).
- Stapled securities allocated upon vesting may be issued or purchased on-market.
- Rights granted are split equally into two tranches: one based on relative TSR and the other on CPS growth.
- The number of rights is determined by dividing the dollar value of the grant by the volume weighted average price of Sydney Airport securities in the 20 trading days prior to the commencement of the performance period.
- Unvested rights do not carry any entitlement to voting, dividends or dividend equivalents.
- Wherever relevant, performance testing is based on Board-approved, audited financial results announced to the market.
- If an executive ceases employment due to circumstances such as death, permanent disability or redundancy, unvested rights will, unless the Board decides otherwise, remain on foot and vest according to its original terms.
- Hedging of rights are prohibited. The rights are subject to malus which may result in cancellation if triggered.
- In the event of a change of control, unvested rights may, at the Board's discretion, vest, lapse or be replaced by rights in the new controlling entity.

1.3.5 2020 KMP retention plan

Due to ongoing uncertainty and greater concentration of responsibilities in the hands of fewer executives, ensuring leadership continuity during the recovery phase from the COVID-19 crisis was a focus of the Board. After careful consideration, the Board approved implementation of a KMP retention plan to ensure leadership continuity through the crisis and recovery. Under the plan, Executive KMP were granted security rights with the following value:

Geoff Culbert	$2,250,000
Greg Botham	$1,200,000
Vanessa Orth	$1,200,000

The rights were granted on 16 October 2020 and have a three-year vesting period. Providing the executive remains employed by Sydney Airport and performs to the Board's satisfaction during the vesting period, 100 percent of the rights will vest on 16 October 2023 and convert into Sydney Airport stapled securities purchased on-market (one security per vested right). If employment ceases prior to vesting, the Board has discretion to determine that some or all of the rights remain on foot. This discretion will be used in limited and exceptional circumstances.

Conditions pertaining to determination of the number of rights, malus, hedging, voting and dividends are the same as for rights under the LTI plan.

Further details of rights granted in 2020 under the LTI plan and KMP retention plan are provided in section 2.3.2.

2.0 2020 Executive KMP remuneration

2.1 Fixed remuneration

At the onset of the pandemic in March, Sydney Airport staff were given a six-month job guarantee. However, the severe ongoing effects of the pandemic together with the departure of the former Chief Operating Officer Hugh Wehby, who was not replaced, triggered changes to the organisational structure which resulted in significant consolidation of functions and a reduction in overall headcount of 22 percent. The Assets and Infrastructure and COO functions were disbanded, reduced and reassigned. Much of the corporate services portfolio, formerly part of the COO function, was placed under the management of Chief Financial Officer Greg Botham. Recognising the substantial expansion in his responsibilities and strong performance, the Board approved an increase to Mr Botham's fixed remuneration from $612,000 to $800,000, commencing 1 September.

No other KMP received an increase in 2020, including Dhruv Gupta, formerly Chief Strategy Officer, who commenced in the new Key Management Personnel role of Chief Aviation Officer on 1 September. Except for the three-month temporary reduction from April to June, CEO Geoff Culbert's fixed remuneration, as well as his variable remuneration opportunities, have not changed since his appointment in January 2018.

2.2 2020 STI outcomes

The impact of COVID-19 on Sydney Airport was severe. Under the circumstances, NOR and EBITDA targets set for the year were not met.

Many of the strategic and people and culture initiatives set for 2020 were achieved despite the disruption due to COVID-19. These include the completion of the Joint User Hydrant Installation (JUHI) acquisition, an employee engagement score of 80 percent, and completion of an AUD$600m 15-30 year USPP bond issuance, including a world-leading sustainability-linked tranche.

In addition, high-priority initiatives undertaken in response to COVID-19 included:

- completion of a $2 billion entitlement offer to securityholders and establishment of an additional $850m of bilateral bank facilities;
- maintaining essential aviation services and contributing to the national interest by keeping critical supply lines open and enabling repatriation flights;
- significant reduction of the capital investment program, including deferral and cancellation of a wide range of lower priority projects, maintenance of critical projects, and initiation of a limited number of opportunistic projects;
- fair and equitable sharing of commercial hardship due to COVID-19 with retail and property tenants;
- strong operational engagement and assistance for airline partners;
- strong focus on health and safety of employees, contractors and customers;
- strong engagement with federal and state health authorities and execution of various health requirements.

Therefore much was achieved in the strategic and people and culture areas in 2020, which constituted 50 percent of the STI opportunity. However, without lessening these achievements during what was an extremely difficult year, the Board exercised its discretion not to award any STI to Executive KMP after taking into account the severe impact of COVID-19 on the business and securityholders.

Directors' report

for the year ended 31 December 2020

Remuneration Report continued

STI outcomes for Executive KMP for 2020 was as follows:

	STI opportunity (% of fixed remuneration)		2020 STI awarded		2020 STI forfeited	
	Target	Max [1]	% of Target	% of Max	% of Target	% of Max
Geoff Culbert	100	150	-	-	100	100
Greg Botham	75	112.5	-	-	100	100
Dhruv Gupta [2]	75	112.5	-	-	100	100
Vanessa Orth	75	112.5	-	-	100	100
Former KMP						
Hugh Wehby [3]	75	112.5	-	-	100	100

1. Maximum STI opportunity is 150 percent of target opportunity for all Executive KMP.
2. Mr Gupta's remuneration is disclosed for the period he was KMP, which commenced on 1 September 2020.
3. Mr Wehby's STI opportunity was forfeited upon his departure on 30 September 2020.

	Performance year	Total STI $	Non-deferred STI $	Deferred $	Deferred STI vesting date
Geoff Culbert	2020	-	-	-	n/a
	2019	1,425,000	1,140,000	285,000	15 March 2022
	2018	1,350,000	1,080,000	270,000	15 March 2021
Greg Botham	2020	-	-	-	n/a
	2019	413,100	330,480	82,620	15 March 2022
	2018	402,750	335,612	67,138	15 March 2021
Dhruv Gupta [1]	2020	-	-	-	n/a
Vanessa Orth	2020	-	-	-	n/a
	2019	657,563	526,050	131,513	15 March 2022
Former KMP					
Hugh Wehby [2]	2019	772,450	617,960	154,490	15 March 2022
	2018	635,133	529,256	105,877	15 March 2021

1. Mr Gupta's remuneration is disclosed for the period he was KMP, which commenced on 1 September 2020.
2. All of Mr Wehby's unvested deferred STI was forfeited upon his departure on 30 September 2020.

Remuneration Report continued

2.3 2020 LTI outcomes

2.3.1 2017-2019 grant

The performance period of this grant ended on 31 December 2019. Testing of the grant against its performance hurdles, with its resulting vesting outcomes, took place in 2020. Vesting outcomes for the 2017-2019 LTI grant are summarised below.

	Relative TSR tranche (one-third)	CPS growth tranche (one-third)	Other tranche (one-third)
Performance measure	2017-2019 TSR ranking among ASX 100 companies	CPS compound annual growth rate 2017-2019	Board assessment of financial, strategic and people-related performance over 2017-2019.
Outcome	71st percentile	9.9%	Strong and sustained performance in all areas over the period.
% vesting	92.2%	73.7%	90%-100%
% forfeited	7.8%	26.3%	0%-10%

The number and value of rights from the 2017-2019 grant vesting as a result of the above outcomes are given below. The value per vested right is $8.44, the closing share price of Sydney Airport securities on 19 February 2020 which was the date the Board approved the vesting outcomes.

2017-2019	Tranche	Rights granted	Rights vested	Fair value per right $	Fair value of grant $	Value of vested rights $
Greg Botham	TSR tranche	8,865	8,174	4.24	37,588	68,989
	CPS tranche	8,864	6,563	6.37	56,464	55,392
	Other tranche	8,864	7,978	7.41	65,682	67,334
Former KMP						
Hugh Wehby	TSR tranche	14,197	13,090	4.24	60,195	110,480
	CPS tranche	14,197	10,464	6.37	90,435	88,316
	Other tranche	14,196	14,196	7.41	105,192	119,814

Notes:
1. Mr Culbert, Ms Orth and Mr Gupta had not commenced employment in Sydney Airport when the 2017-2019 grant was made.
2. The fair value of the above rights was determined as follows:
   - Monte Carlo simulation for rights in the TSR tranche as the grant date;
   - binomial option pricing model for rights in the CPS tranche at the grant date;
   - for rights in the Other tranche, fair value was based on Sydney Airport's security price at 31 December 2019 less the final distribution for the period ending 31 December 2019 of 19.5 cents per stapled security.

Directors' report

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Remuneration Report continued

2.3.2 2018-2020 grant

Given the impact of COVID-19, the thresholds for the relative TSR and CPS tranches were not met. The Board had discretion with respect to the Other tranche, and decided these rights would not vest.

These outcomes are summarised below.

	Relative TSR tranche (one-third)	CPS growth tranche (one-third)	Other tranche (one-third)
Performance measure	2018-2020 TSR ranking among ASX 100 companies	CPS compound annual growth rate 2018-2020	Board assessment of financial, strategic and people-related performance over 2018-2020.
Outcome	44th percentile	(62.1)%	Strong performance in non-financial areas however financial performance was severely impacted by COVID.
% vesting	0%	0%	0%
% forfeited	100%	100%	100%

The number and value of rights from the 2018-2020 grant vesting as a result of the above outcomes are provided below.

2018-2020	Tranche	Rights granted	Rights vested	Fair value per right $	Fair value of grant $	Value of vested rights $
Geoff Culbert	TSR tranche	60,566	-	2.82	170,796	-
	CPS tranche	60,566	-	6.16	373,087	-
	Other tranche	60,566	-	5.42	328,268	-
Greg Botham	TSR tranche	12,114	-	2.82	34,161	-
	CPS tranche	12,114	-	6.16	74,622	-
	Other tranche	12,114	-	5.42	65,658	-
Former KMP						
Hugh Wehby	TSR tranche	25,774	-	2.82	72,683	-
	CPS tranche	25,774	-	6.16	158,768	-
	Other tranche	25,774	-	5.42	139,695	-

Notes:
1. Ms Orth and Mr Gupta had not commenced employment in Sydney Airport when the 2018-2020 grant was made.
2. Mr Wehby's rights were forfeited upon his departure on 30 September 2020.
3. The fair value of the above rights was determined as follows:
   - Monte Carlo simulation for rights in the TSR tranche at the grant date;
   - binomial option pricing model for rights in the CPS tranche at the grant date;
   - for rights in the Other tranche, fair value was based on Sydney Airport's discounted security price at 31 December 2020.

Remuneration Report continued

2.3.3 Unvested rights in 2020

The following table provides details of rights granted to Executive KMP that were unvested at the end of 2020. (Note: Chief Aviation Officer Dhruv Gupta's rights were granted prior to his appointment as KMP on 1 September 2020).

	Series	Grant date	Rights granted	Value per right $	Total grant value $
Geoff Culbert	2018-2020	31 May 2018			
	TSR tranche		60,566	2.82	170,796
	CPS tranche		60,566	6.16	373,087
	Other tranche		60,566	5.42	328,268
	2019-2021	31 May 2019			
	TSR tranche		86,359	3.34	288,439
	CPS tranche		86,359	6.11	527,653
	2020-2022	30 April 2020			
	TSR tranche		67,051	1.09	73,086
	CPS tranche		67,051	5.21	349,336
	Retention Plan	16 October 2020	407,727	4.96 [1]	2,022,326
Greg Botham	2018-2020	31 May 2018			
	TSR tranche		12,114	2.82	34,161
	CPS tranche		12,114	6.16	74,622
	Other tranche		12,114	5.42	65,658
	2019-2021	31 May 2019			
	TSR tranche		22,022	3.34	73,553
	CPS tranche		22,022	6.11	134,554
	2020-2022	30 April 2020			
	TSR tranche		23,937	1.09	26,091
	CPS tranche		23,937	5.21	124,712
	Retention Plan	16 October 2020	217,454	4.96 [1]	1,078,572
Vanessa Orth	2019-2021	31 May 2019			
	TSR tranche		42,064	3.34	140,494
	CPS tranche		42,064	6.11	257,011
	2020-2022	30 April 2020			
	TSR tranche		32,659	1.09	35,598
	CPS tranche		32,659	5.21	170,153
	Retention Plan	16 October 2020	217,454	4.96 [1]	1,078,572
Former KMP					
Hugh Wehby [2]	2018-2020	31 May 2018			
	TSR tranche		25,774	2.82	72,683
	CPS tranche		25,774	6.16	158,768
	Other tranche		25,774	5.42	139,695
	2019-2021	31 May 2019			
	TSR tranche		44,376	3.34	148,216
	CPS tranche		44,376	6.11	271,137
	2019-2021	28 June 2019			
	TSR tranche		2,519	4.06	10,227
	CPS tranche		2,519	6.93	17,457
	2020-2022	30 April 2020			
	TSR tranche		38,366	1.09	-
	CPS tranche		38,364	5.21	-

1. The fair value of the Retention Plan will be remeasured each year until vesting as the grant date for this tranche has not been reached. The conditions for the Retention plan vest at the Board's determination.
2. All of Mr Wehby's unvested rights were forfeited upon his departure on 30 September 2020.

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for the year ended 31 December 2020

Remuneration Report continued

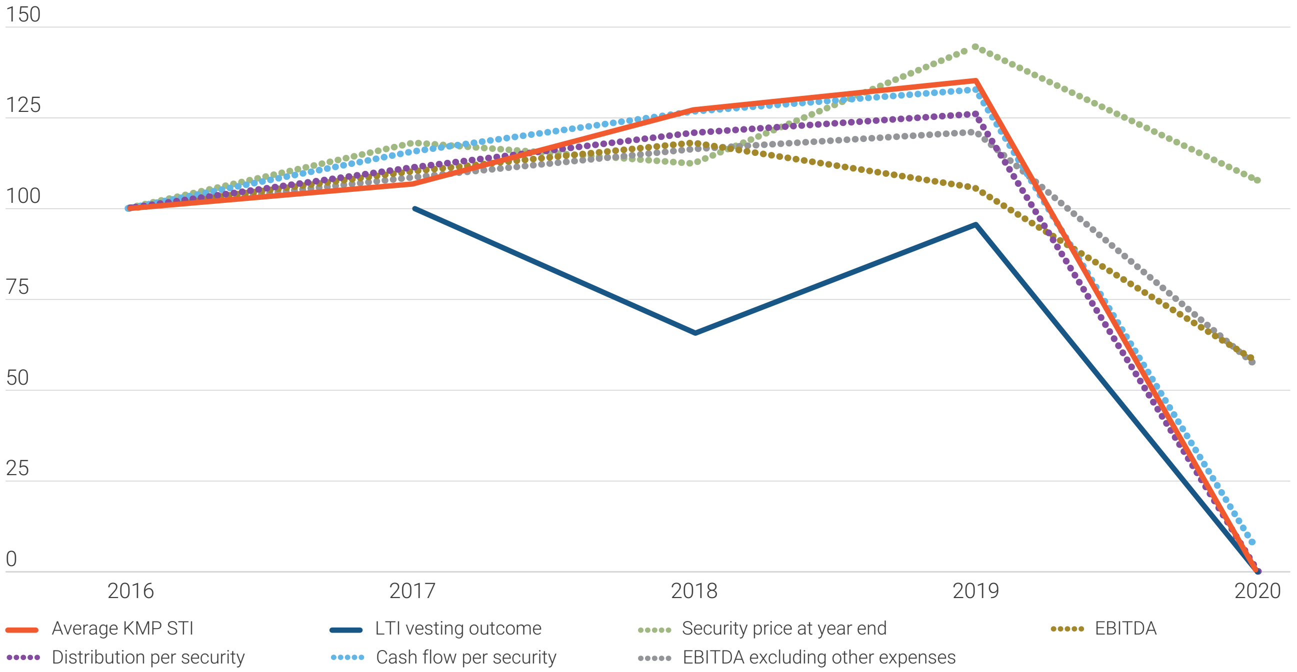
2.4 Pay and performance 2016-2020

The table below provides key business metrics and corresponding KMP remuneration outcomes for each year from 2016 to 2020.

Measure	2016	2017	2018	2019	2020
Security price at year end	$5.99	$7.05	$6.73	$8.66	$6.41
Ordinary distribution paid per stapled security (cents)	31.0	34.5	37.5	39.0	0.0
EBITDA ($ million)	$1,085.7	$1,196.4	$1,282.6	$1,145.5	$627.8
EBITDA excluding Other expenses ($ million)	$1,106.8	$1,198.9	$1,285.0	$1,336.3	$623.8
Cash flow per stapled security (cents)	30.2	35.0	38.2	40.1	1.9
Average KMP STI (percent of target)	73.3%	78.3%	93.0%	98.7%	0%
		2015-17	2016-18	2017-19	2018-20
LTI grant vesting outcome	n/a	91.1%	59.9%	87.1%	0%

The following chart presents the above data on an indexed basis with 2016 as base 100 (except for LTI vesting which commenced in 2017).

Pay and performance 2016–2020



2.5 Employment agreements

Remuneration and other terms of employment for Executive KMP are formalised in an employment agreement as summarised below.

	Length of employment agreement	Notice period provided by executive	Notice period provided by company
Geoff Culbert	Ongoing	6 months	6 months
Greg Botham	Ongoing	6 months	6 months
Dhruv Gupta	Ongoing	6 months	6 months
Vanessa Orth	Ongoing	6 months	6 months
Former KMP			
Hugh Wehby	Ceased employment on 30 September 2020	6 months	6 months

Either Sydney Airport or the Executive KMP may terminate employment for any reason by giving six months' notice. In the event of misconduct, Sydney Airport may immediately terminate the Executive KMP's employment.

If employment is terminated because of an uncontrollable event (which includes death, permanent disability, retirement or termination without cause), any unvested deferred STI and unvested LTI will, unless the Board decides otherwise, remain on foot and vest according to its original terms. Termination in all other circumstances will, unless the Board decides otherwise, result in its lapsing.

Resignation or termination for cause will result in unvested deferred STI and unvested LTI being forfeited. Termination in all other circumstances results in it being payable, subject to statutory requirements under the Corporations Act 2001 (Cth).

3.0 Non-Executive KMP remuneration

3.1 Policy

Non-executive Director fees are paid from an aggregate pool of $2,500,000 per annum which was approved by securityholders in 2017. Total Board and Committee fees paid in 2020 were $1,715,821.

Non-executive Director fees include cash and statutory superannuation contributions. There are no other retirement benefits in place for Non-executive Directors, and they do not participate in Sydney Airport's incentive programs.

The Chairman receives a single base fee and no additional fees for participating in Board Committees, while other Board members receive a base fee plus a separate fee for being a member of a Committee or chairing it.

SAL Chairman and Board member fees have not changed since 2015 and 2013 respectively, other than the 20% voluntary fee reduction for three months from 1 April 2020 to 30 June 2020. Annual Board and Committee fees for 2020 are provided below (not taking into account the voluntary fee reduction). Actual fees paid to the Chairman and Board members in 2019 and 2020 are provided in section 3.2.

Fees (including superannuation) ($)	Chair	Member
Board	481,250	175,000
Audit and Risk Committee	50,000	20,000
Nomination and Remuneration Committee	40,000	20,000
Safety, Security and Sustainability Committee	40,000	20,000

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Remuneration Report continued

3.2 Non-executive KMP remuneration in 2019 and 2020

	Directors' fees $	Super-annuation $	Total $
Trevor Gerber (Chair)			
2020	442,289	15,925	458,214
2019	460,719	20,531	481,250
John Roberts			
2020	213,750	n/a	213,750
2019	225,000	n/a	225,000
Stephen Ward			
2020	180,500	25,000	205,500
2019	207,766	27,234	235,000
Ann Sherry AO			
2020	203,164	21,113	224,277
2019	214,469	20,531	235,000
Grant Fenn			
2020	186,712	18,203	204,915
2019	196,793	18,207	215,000
Abi Cleland			
2020	199,144	5,106	204,250
2019	178,542	16,458	195,000
David Gonski AC			
2020	186,712	18,203	204,915
2019	174,895	16,457	191,352
Total			
2020	1,612,271	103,550	1,715,821
2019	1,658,183	119,419	1,777,602

Note: 2020 fees include a 20 percent reduction for three months from 1 April 2020 to 30 June 2020, in response to the COVID-19 pandemic.

Remuneration Report continued

4.0 Statutory disclosures

4.1 Statutory remuneration

	Salary and annual leave $	STI $	Other [4,5] $	Deferred STI $	Long Service Leave $	Super-annuation $	Share-based payments $	Total $	At-risk %
Current KMP									
Geoff Culbert [1]									
2020	1,403,416	-	-	-	35,089	21,584	197,050	1,657,139	11.9
2019	1,468,088	1,140,000	339,035	285,000	36,991	20,531	98,902	3,388,547	45.0
Greg Botham									
2020	644,669	-	-	-	16,243	25,000	98,728	784,640	12.6
2019	549,906	330,480	-	82,620	14,677	25,000	36,397	1,039,080	43.3
Dhruv Gupta [2]									
2020	191,498	-	-	-	5,042	8,333	15,086	219,959	6.9
2019	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Vanessa Orth [3]									
2020	756,271	-	-	-	19,665	25,000	134,843	935,779	14.4
2019	839,277	526,000	187,500	131,513	20,252	25,000	30,236	1,759,778	39.1
Former KMP									
Hugh Wehby [6]									
2020	737,838	-	-	-	17,990	16,161	(122,846)	649,143	(18.9)
2019	875,893	617,960	-	154,490	24,011	20,531	81,588	1,774,473	48.1
Total									
2020	3,733,692	-	-	-	94,029	96,078	322,861	4,246,660	
2019	3,733,164	2,614,440	526,535	653,623	95,931	91,062	247,123	7,961,878	

1. Mr Culbert's 2020 salary includes a 20 percent reduction for three months from 1 April 2020 to 30 June 2020, in response to the COVID-19 pandemic.
2. Mr Gupta's remuneration is disclosed for the period 1 September 2020, when he was appointed to his current position as KMP, to 31 December 2020.
3. Ms Orth's 2020 salary includes unpaid leave taken from 1 January 2020 to 10 January 2020.
4. Mr Culbert's Other remuneration in 2019 comprises cash and equity payments made to him in place of incentives foregone at his previous employer.
5. Ms Orth's Other remuneration in 2019 comprises a cash payment made to her in place of incentives foregone at her previous employer.
6. Mr Wehby's remuneration is disclosed for the period 1 January 2020 to 30 September 2020 when he ceased employment at Sydney Airport.

Directors' report

for the year ended 31 December 2020

Remuneration Report continued

4.2 KMP security holdings

The following table provides details of Sydney Airport Securities held directly or beneficially by each KMP.

	Balance 1 Jan 2020	Acquired[1]	Sold	Balance 31 Dec 2020	Changes prior to signing	Balance at signing date
Non-executive						
Trevor Gerber (Chair)	228,063	44,285	-	272,348	-	272,348
John Roberts	172,825	33,559	-	206,384	-	206,384
Stephen Ward	51,818	10,062	-	61,880	-	61,880
Ann Sherry AO	22,000	23,374	-	45,374	-	45,374
Grant Fenn	-	40,000	-	40,000	-	40,000
Abi Cleland	15,000	2,913	-	17,913	-	17,913
David Gonski AC	100,000	19,418	-	119,418	-	119,418
Executive						
Geoff Culbert	178,609	34,682	-	213,291	-	213,291
Greg Botham	14,754	30,345[2]	-	45,099	-	45,099
Dhruv Gupta	-	-	-	-	-	-
Vanessa Orth	-	-	-	-	-	-
Former Executive KMP						
Hugh Wehby[3]	47,669	37,750[2]	-	n/a	-	n/a

1. Includes securities acquired through the equity entitlement offer, on-market purchase and vesting of LTI.
2. Includes increase in securityholdings following vesting of the 2017-2019 LTI plan. Refer to 4.3.
3. Mr Wehby's balance at 30 September 2020, the date he ceased employment at Sydney Airport, was 85,419.

4.3 KMP holdings of rights over securities

The following table provides the movement of rights over ordinary securities in Sydney Airport held by each executive KMP.

	Balance 1 Jan 2020	Granted	Exercised	Lapsed	Forfeited	Balance at 31 Dec 2020
Geoff Culbert	354,416	541,829	-	-	-	896,245
Greg Botham	106,979	265,328	(22,715)	(3,878)	-	345,714
Dhruv Gupta[4]	n/a	n/a	n/a	n/a	n/a	112,757
Vanessa Orth	84,128	282,772	-	-	-	366,900
Former Executive KMP						
Hugh Wehby[5]	213,702	76,730	(37,750)	(4,840)	(247,842)	n/a

4. Mr Gupta's balance 31 December 2020 reflects his rights prior to the date of appointment as KMP on 1 September 2020.
5. Mr Wehby's balance at 30 September 2020, the date he ceased employment at Sydney Airport, was nil.

Events occurring after balance sheet date

COVID-19

The downturn in domestic travel is expected to persist until sustained unrestricted travel is permitted again. The downturn in international passenger traffic is expected to persist until government travel restrictions are eased.

Indemnity provision

Subsequent to balance date, SAT1 received an indemnity payment from Ontario Teachers' Pension Plan Board which reflected a refund of interest paid by the Danish Tax Agency to former subsidiary Copenhagen Airports Denmark Holdings. Detailed description is included in note 14.

Other than these items, the directors of SAL are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report that has significantly affected or may significantly affect the operations of the SAL Group, the results of those operations or the state of affairs of the Group in the period subsequent to the year ended 31 December 2020.

Indemnification and insurance of officers and auditors

All directors have executed a deed of access, insurance and indemnity under which SAL indemnifies them against any liability incurred by them, including all legal costs in defending any proceeding (whether criminal, civil, administrative or judicial) or appearing before any court, tribunal, authority or other body because of their respective capacities. The indemnity does not apply to the extent of any restriction imposed by law or the SAL constitution.

Additionally during the period, a directors' and officers' insurance policy applied to the directors and officers of SAL. SAL is contractually bound by arrangements with insurers to not disclose terms and limits, or premiums paid.

The auditor of the SAL Group is in no way indemnified out of the assets of the Group.

Environmental regulation and performance

The primary piece of environmental legislation applicable to Sydney Airport is the Airports Act 1996 (the Airports Act) and regulations made under it, including the Airports (Environment Protection) Regulations 1997 (the Regulations). The main environmental requirements of the Airports Act and the Regulations include:

- The development and implementation of an environment strategy;
- The monitoring of air, soil, water and noise pollution from ground-based sources (except noise from aircraft in-flight, landing, taking off and taxiing and pollution from aircraft, which are excluded by the Airports Act and Regulations); and
- The enforcement of the provisions of the Airports Act and associated regulations is undertaken by statutory office holders of the Commonwealth Department of Infrastructure, Transport, Regional Development and Communications. These office holders are known as Airport Environment Officers (AEOs).

Sydney Airport's Environment Strategy 2019-2024 forms part of the Sydney Airport Master Plan and was approved by the Australian Government on 28 March 2019. Sydney Airport's aims, reflected in the 2019 – 2024 Strategy, are to continually improve environmental performance and minimise the impact of Sydney Airport's operations on the environment. The 2019 – 2024 Strategy supports initiatives in environmental management beyond regulatory requirements. The 2019 – 2024 Strategy is available for download from Sydney Airport's website www.sydneyairport.com.au.

Sydney Airport is not aware of any significant breaches of the above regulations.

Sydney Airport provides an annual Environment Report to the Commonwealth Government outlining its performance in achieving the policies and actions outlined in the strategy and compliance with the relevant environmental legislation.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined in note 21 to the financial statements.

The directors of SAL are satisfied that the provision of non-audit services during the period by the auditor (or by another person or firm on the auditor's behalf) is compatible with the standard of independence for auditors imposed by the Corporations Act 2001.

The directors of SAL are of the opinion that the services relevant to the respective groups as disclosed in note 21 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Committee, for the following reasons:

- KPMG has confirmed their independence by providing an Audit Independence Declaration as required by s307C of the Corporations Act;
- The scope and value of non-audit service provided during the year of $64,145 is not material and does not impinge on the auditor's independence; and
- None of the services undermine the principles relating to auditor independence as set out in the Code of Conduct APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Groups, acting as advocate for the Groups or jointly sharing economic risks and rewards.

Directors' report

for the year ended 31 December 2020

Lead auditor's independence declaration

KPMG have been the lead auditors of the Group commencing 2010.

A copy of the lead auditor's independence declaration, as required under Section 307C of the *Corporations Act 2001*, is set out on page 81 and forms part of the Directors' Report for the year ended 31 December 2020.

Rounding of amounts in the Directors' Report and the consolidated financial statements

The SAL Group is of a kind referred to in Australian Securities & Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016, and in accordance with that instrument all financial information presented in Australian dollars has been rounded to the nearest hundred thousand dollars unless otherwise stated.

Application of class order

The financial reports for the SAL Group and SAT1 Group are jointly presented in one report as permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838.

This report is made in accordance with a resolution of the directors of SAL.

Trevor Gerber
Sydney
23 February 2021

John Roberts
Sydney
23 February 2021

Directors' Report for The Trust Company (Sydney Airport) Limited

For the year ended 31 December 2020 the directors of The Trust Company (Sydney Airport) Limited (TTCSAL or the Responsible Entity) submit the following report on the consolidated financial report of SAT1 comprising SAT1 and its controlled entities (the SAT1 Group).

Principal activities

The principal activity of the SAT1 Group is to hold financial loan assets. There were no significant changes in the nature of the SAT1 Group's activities during the year.

Director profiles

The directors during the year and until the date of this report are as follows:

Russell Balding AO Dip Tech (Com), BBus, FCPA, MAICD	Mr Balding was appointed as a TTCSAL director in October 2013. He has had a long and distinguished non-executive director and managerial career, having held numerous directorships and senior executive positions in a number of major organisations which have required extensive government, stakeholder, community and customer interaction. Mr Balding is currently chair of Racing NSW, deputy chair of Destination NSW and deputy chair of Racing Australia Limited. He also serves as a member of the NSW Crown Land Taskforce and on the Board of Trustees for the National Jockeys Trust. Mr Balding was previously chairman of Cabcharge Australia Pty Limited, deputy chairman of Racing NSW, a director of ComfortDelgro Cabcharge Pty Ltd and a director of CityFleet Networks Pty Ltd (UK). Mr Balding was formerly the chief executive officer of Southern Cross Airports Corporation Holdings Limited (SCACH) from 4 April 2006 to 30 June 2011 and the managing director of the Australian Broadcasting Corporation (ABC).
Patrick Gourley BEc (Hons), MEc	Mr Gourley was appointed as a TTCSAL director in October 2013. Previously, he was a director of SCACH from 10 September 2002 to 23 September 2013. Prior to that, he was a senior officer of the Australian Department of Industrial Relations from 1989 to 1992, a senior officer of the Department of Defence from 1992 to 2000 and a member of the Military Superannuation Board of Trustees from 1992 to 2000. Mr Gourley is a former director of the Great Energy Alliance Corporation and the Loy Yang Marketing Management Company.
Anne Rozenauers BCom, MBA	Ms Rozenauers was appointed a director in September 2019. She is a financial services professional with over 25 years of experience gained in Australia, the US and Asia. Her experience spans investment management, capital markets, superannuation and risk management across listed and unlisted financial products. Ms Rozenauers is currently General Manager – Product at Perpetual Limited where she is responsible for leading product strategy, design, development and lifecycle management of Perpetual's Investment and Advice product suite. Previous roles at Perpetual have included responsibility for Investment Risk, Responsible Investments and Investor Relations for a Listed Investment Company. Prior to joining Perpetual in 2014, Ms Rozenauers held roles with a number of financial services organisations including BT Financial Group, Canadian Imperial Bank of Commerce and Macquarie Bank. Ms Rozenauers has a Bachelor of Commerce (Accounting and Finance) from the University of NSW and a Masters of Business Administration from London Business School.

Directors' report

for the year ended 31 December 2020

Directors' Report for The Trust Company (Sydney Airport) Limited continued

Company secretary profile

Karen Tompkins
BA, LLB (Hons)

Ms Tompkins was appointed as co-company secretary on 12 July 2019. She has over 16 years legal experience. Prior to becoming co-company secretary, Ms Tompkins spent nine years in the legal team in ASX-listed Stockland and before that she held positions in law firms including Minter Ellison, Herbert Geer and Henry Davis York.

Sylvie Dimarco
LLB, GradDipACG, FGIA, FCIS, MAICD

Ms Dimarco was appointed as co-company secretary of TTCSAL in December 2015. She joined Perpetual Limited in March 2014 and is the Head of Company Secretary & Governance. Ms Dimarco has over 12 years of experience in company secretariat practice and corporate governance for listed and unlisted companies. Ms Dimarco previously practised as a commercial lawyer.

Gananatha Minithantri
LLB (1st Hons), LLM, MAICD

Mr Minithantri was appointed co-company secretary in February 2019.

Mr Minithantri joined Perpetual Limited in December 2018 and is the Assistant Company Secretary. Prior to joining Perpetual, he was the assistant company secretary at Mirvac Group. Mr Minithantri is a lawyer with over five years' experience in company secretarial and governance practice across listed and unlisted entities in the real estate, mining and financial services sectors.

Directors' meetings

TTCSAL board met 14 times in 2020. All 14 meetings were attended by all eligible Directors, as follows:

Board meetings	Eligible to attend	Attended
Russell Balding AO	14	14
Patrick Gourley	14	14
Anne Rozenauers	14	14

Security holdings in ASX-listed Sydney Airport

The TTCSAL directors and TTCSAL does not hold any interest in ASX-listed Sydney Airport securities.

Review of operations

The SAT1 Group continues to hold a financial loan asset, with SAL as borrower. The loan is interest bearing, unsecured and subordinated.

In light of the current environment, on 9 June 2020, TTCSAL as responsible entity of SAT1 executed a Deed Poll in favour of SAL. Under the Deed Poll, SAT1 agreed to waive its right to interest payable by SAL and the accumulation and capitalisation of unpaid interest of $117.1 million for the six months from 1 July 2020 to 31 December 2020.

In December 2020 SAL resolved not to pay cross staple loan interest to SAT1 for the six month period ending 30 June 2021. As no cross staple loan interest will be paid for the six month period ending 30 June 2021, the cross staple loan interest will capitalise to the outstanding principal in accordance with the loan agreement. Interest will accrue on the unpaid and capitalised interest from the due date up to the date of payment. Refer to note 20 to the Sydney Airport Financial Report for the year ended 31 December 2020.

In relation to the indemnity provision, at reporting date, SAT1 was due to receive $41.9 million from Ontario Teachers' Pension Plan Board (OTPP) under the indemnity arrangements relating to revised interest calculations from the Danish Tax Authority on Copenhagen Airports Denmark Holdings (CADH). This has been recognised in the Statement of comprehensive income and reflects a partial write back of the $119.1 million previously expensed in relation to the interest withholding tax indemnity. A detailed description is included in note 14 in the Sydney Airport Financial Report for the year ended 31 December 2020.

During the year the SAL Group issued additional equity through an accelerated renounceable entitlement offer. SAT1's share of additional equity was $202.0 million. Refer to note 1 in the Sydney Airport Financial Report for the year ended 31 December 2020.

There have been no other changes in the state of affairs of the SAT1 Group.

Directors' Report for The Trust Company (Sydney Airport) Limited continued

Taxation of SAT1 net income

During the year ended 31 December 2020, SAT1 derived interest income of $116.5 million from the cross staple loan to SAL (equivalent to 4.3 cents per unit). Refer to note 20 of the Sydney Airport financial report for further information on the cross staple loan transactions during the year.

Due to the impact of COVID-19 on Sydney Airport, SAT1 did not make a cash distribution to unitholders in respect of the year ended 31 December 2020. Despite this, the interest income derived by SAT1 is attributable to SAT1 unitholders, and therefore unitholders should be subject to tax on their proportionate share of SAT1's net taxable income for the year.

The Trustee board of SAT1 have resolved for SAT1 to elect to enter into the Attribution Managed Investment Trust (AMIT) regime in respect of the year ended 31 December 2020 onwards. One of the outcomes of electing into the AMIT regime is that it will provide unitholders an increase in the tax cost base of their SAT1 units where the taxable income attributed from SAT1 exceeds the cash distribution. The increase to tax cost base eliminates the possibility of double taxation which can occur where SAT1 has attributed taxable income to a unitholder but not distributed those amounts in cash and the unitholder subsequently disposes of their SYD securities.

Distributions

During the year ended 31 December 2020, no interim or final distributions were payable by SAL or SAT1. This is in line with guidance provided at 2020 Half Year results and is a decision made in order to preserve liquidity, taking into account the uncertainty on timing and strength of recovery from the COVID-19 pandemic.

Distributions paid in 2019 are shown in the table below.

	2020	2019
$m		
Final distribution	-	440.4
Interim distribution	-	440.1
	-	880.5
Cents per stapled security		
Final distribution	-	19.50
Interim distribution	-	19.50
	-	39.00

The distribution portions paid / payable by SAL and SAT1 are as follows:

	2020		2019	
	SAL	SAT1	SAL	SAT1
$m				
Final distribution	-	-	322.9	117.5
Interim distribution	-	-	325.0	115.1
	-	-	647.9	232.6
Cents per security				
Final distribution	-	-	14.30	5.20
Interim distribution	-	-	14.40	5.10
	-	-	28.70	10.30

Directors' report

for the year ended 31 December 2020

Directors' Report for The Trust Company (Sydney Airport) Limited continued

Events occurring after balance sheet date

Subsequent to balance date, SAT1 received an indemnity payment from Ontario Teachers' Pension Plan Board which reflected a refund of interest paid by the Danish Tax Agency to former subsidiary Copenhagen Airports Denmark Holdings. Detailed description is included in note 14 in the Sydney Airport Financial Report for the year ended 31 December 2020.

Since the end of the year, the directors of TTCSAL are not aware of any other matter or circumstance not otherwise dealt with in the Directors' Report that has significantly affected or may significantly affect the operations of the SAT1 Group, the results of those operations or the state of affairs of the Group in the period subsequent to year ended 31 December 2020, other than the receipt of funds in relation to the CADH indemnity as described in the Review of operations.

Indemnification and insurance of officers and auditors

All directors have executed a deed of access, insurance and indemnity under which TTCSAL indemnifies them against any liability incurred by them, including all legal costs in defending any proceeding (whether criminal, civil, administrative or judicial) or appearing before any court, tribunal, authority or other body because of their respective capacities. The indemnity does not apply to the extent of any restriction imposed by law or the SAT1 constitution.

Additionally during the period, a directors' and officers' insurance policy applied to the directors and secretaries of TTCSAL. TTCSAL are contractually bound by arrangements with insurers to not disclose terms and limits, or premiums paid.

The auditors of the SAT1 Group are in no way indemnified out of the assets of the Group.

Non-audit services

The scope and value of non-audit service provided during the year of $6,575 related to the equity raising. This is not material and does not impinge on the auditor's independence.

Lead auditor's independence declaration

A copy of the lead auditor's independence declaration, as required under Section 307C of the *Corporations Act 2001*, is set out on page 86 and forms part of the Directors' Report for year ended 31 December 2020.

Rounding of amounts in the Directors' Report and the consolidated financial statements

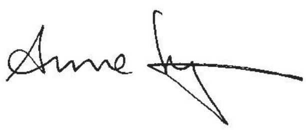
The SAT1 Group is of a kind referred to in Australian Securities & Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016, and in accordance with that instrument all financial information presented in Australian dollars has been rounded to the nearest hundred thousand unless otherwise stated.

Application of class order

The financial reports for the SAT1 Group and the SAL Group are jointly presented in one report as permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838.

This report is made in accordance with a resolution of the directors of TTCSAL.

Patrick Gourley
Sydney
23 February 2021



Anne Rozenauers
Sydney
23 February 2021

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Sydney Airport Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Sydney Airport Limited for the year ended 31 December 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Nigel Virgo
Partner

Sydney
23 February 2021

Independent Auditor's Report

To the stapled security holders of Sydney Airport

Opinion

We have audited the ***Financial Report*** of Sydney Airport Limited (the Company) as deemed parent presenting the stapled security arrangement of ***Sydney Airport*** (the Stapled Group Financial Report).

In our opinion, the accompanying Stapled Group Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Stapled Group's*** financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** of the Stapled Group comprises:

- Consolidated statement of financial position as at 31 December 2020
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies

  (collectively referred to as Financial Statements)
- Directors' Declaration made by the Directors of Sydney Airport Limited.

Sydney Airport (the ***Stapled Group***) consists of Sydney Airport Limited and the entities it controlled at the year-end or from time to time during the financial year, and Sydney Airport Trust 1 and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Stapled Group, Sydney Airport Limited and The Trust Company (Sydney Airport) Limited (the Responsible Entity) in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including the Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Revenue recognition and measurement
- Hedging and valuation of derivatives
- Carrying value of intangible assets

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition and measurement (A$803.7m)

Refer to Consolidated Statement of Comprehensive income

The key audit matter	How the matter was addressed in our audit
Revenue recognition was identified as a key audit matter due to the varying recognition and measurement principles in underlying contracts across the revenue streams. Assessing revenue recognition, measurement and disclosures required significant audit effort across each revenue stream and contract type. Rental concessions in the form of lease abatements relating to both commercial and retail leases were provided to tenants as a result of COVID-19. This impacted primarily Retail revenue and Property and car rental revenue. Rental concessions were therefore an additional key area of focus due to the complexity of the concession arrangements, their individualised terms, and value of abatements granted.	Our procedures included: • Understanding processes and testing the key control over revenue streams, being the input and authorisation of new or amended contracts; • For aeronautical and parking and ground transport revenue we checked a sample of revenue transactions to cash received per the bank statements and assessed the correlation of revenue recognised to movements in passenger numbers; • Checking a sample of Retail revenue and Property and car rental revenue calculations for accuracy of measurement and conformity of recognition with underlying contracts and Accounting Standards. • Checking a sample of COVID-19 lease abatement concessions granted for accuracy of measurement against the unique terms of the respective rental concession agreements and recognition in line with Accounting Standards; • Requesting and obtaining confirmations from a sample of airlines of passenger numbers used in the procedures above; • Assessing the relevant disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

KPMG

Hedging and valuation of derivatives (net: A$53.9m)	
Refer to Note 5 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The valuation of derivatives and associated hedge accounting was identified as a key audit matter due to the complexities arising from the application of multiple derivatives to hedge each underlying financial instrument. Our assessment is made more challenging given the high level of judgement involved in evaluating the Stapled Group's valuation assumptions and inputs such as yield curves and credit value adjustments. Additionally, several complex derivative reset transactions were undertaken during the year across multiple derivatives. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Involving our specialists, our procedures included: • Understanding the processes and testing key controls for the approval of new derivative contracts; • Obtaining hedge documentation relating to new hedge relationships and assessing it against the conditions for measurement and reporting in the accounting standard requirements; • For a sample of derivatives and hedge relationships, we checked the inputs of each item to confirmations we requested and obtained from counterparties; • Performing an independent valuation of a sample of derivatives impacted by the reset transactions which we compared to the Stapled Group's valuation. To do this we obtained the derivative reset transaction documentation, performed an independent valuation and assessed the methodology applied against the requirements of the Accounting Standards; • Performing an independent valuation of a sample of derivatives which we compared to the Stapled Group's valuation. To do this we obtained externally sourced market data from platforms such as Bloomberg for assumptions and inputs adopted in the valuation e.g. yield curves and credit value adjustments; • Assessing the relevant disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

KPMG

Carrying value of intangible assets (A$7,073.9m)	
Refer to Note 11 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Carrying value of intangible assets was identified as a key audit matter due to the significant level of judgement used by the Stapled Group in forecasting and discounting future cash flows. Particular judgement is required when assessing the significant length of time relevant to an airport operation, which forms the basis for assessing intangible assets for impairment. There is also higher estimation uncertainty resulting from the business disruption impact of the COVID-19 global pandemic, particularly in relation to the expected rate of recovery. In addition, judgement is involved in considering the appropriateness of the single cash generating unit (CGU) for impairment testing. Impairment testing is performed on a single CGU on the basis that the Stapled Group considers all income streams are intrinsically linked and cannot be separated from the airport operations. We focused on the significant forward-looking assumptions the Stapled Group applied in their discounted cash flow model, including: • Using a financial model covering a twenty-year period; • Future cash flows, passenger numbers, growth rates and the terminal growth rate; and • Discount rate The business disruption globally and locally caused by COVID-19 as well as the ongoing government responses, as they relate to travelling, increases the risk of inaccurate forecasting for the Stapled Group. An external expert is engaged annually to perform a valuation of the airport, including intangibles. The Stapled Group's forecast discounted cash flows form the basis of this valuation. We involved valuation specialists to supplement	Involving our specialists, our procedures included: • Assessing the Stapled Group's methodology, including the use of a model covering a twenty-year period, against market and industry practices and accounting standards; • Evaluating the determination of a single CGU based on our understanding of the operations of the business and how independent cash inflows were generated against the accounting standard requirements; • Understanding the Stapled Group's cash flow forecasting process and testing the key approvals for the internal reporting of forecast income streams and cash flows; • Meeting with management to understand the impact of COVID-19 on the Stapled Group and impact of government response programs for the 2020 results; • Assessing the historical accuracy of forecasts by comparing to actual results, to use in our evaluation of forecasts included in the discounted cash flow model; • Assessing the consistency of the assumptions incorporated into the forecasts for alignment to the Sydney Airport COVID-19 adjusted Corporate Plan through inquiries and our industry knowledge. Comparing COVID-19 adjusted growth related assumptions to external data such as industry wide expectations of passenger activity and the Gross Domestic Product as published by the Reserve Bank of Australia; • Analysing the discount rate against publicly available data of a group of comparable entities; • Performing a sensitivity analysis on key assumptions, in particular, the discount rate and passenger numbers to assess the risk of bias or inconsistency in application; • Assessing the objectivity, scope, and competency of the external expert; • Assessing the relevant disclosures in the

our senior audit team members in assessing this key audit matter.	financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Sydney Airport's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Sydney Airport Limited and the Directors of The Trust Company (Sydney Airport) Limited are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of Sydney Airport Limited are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Stapled Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Stapled Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our 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 our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Sydney Airport Limited for the year ended 31 December 2020, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of Sydney Airport Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 59 to 72 of the Directors' report for the year ended 31 December 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Nigel Virgo
Partner

Leann Yuen
Partner

Sydney
23 February 2021

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of The Trust Company (Sydney Airport) Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Sydney Airport Trust 1 for the year ended 31 December 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

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Nigel Virgo
Partner

Sydney
23 February 2021

Independent Auditor's Report

To the unitholders of Sydney Airport Trust 1

Opinion

We have audited the ***Financial Statements*** and Director's Declaration of Sydney Airport Trust 1 (the Trust).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2020
- Consolidated statement comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies

  (collectively referred as ***Financial Statements***)
- Directors' Declaration made by the Directors of the Trust Company (Sydney Airport) Limited (the Responsible Entity).

The ***Group*** consists of the Sydney Airport Trust 1 and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Trust in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Sydney Airport's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Sydney Airport Limited and the Directors of the Trust Company (Sydney Airport) Limited are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information.

In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Trust's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our 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 our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf This description forms part of our Auditor's Report.

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Nige Virgo
Partner

Leann Yuen
Partner

Sydney
23 February 2021

Consolidated statements of comprehensive income

for the year ended 31 December 2020

		SAL Group		SAT1 Group	
	Note	2020 $m	2019 $m	2020 $m	2019 $m
Revenue					
Aeronautical revenue		238.2	739.3	-	-
Aeronautical security recovery		68.7	105.0	-	-
Retail revenue		244.2	374.9	-	-
Property and car rental revenue		199.1	251.2	-	-
Parking and ground transport revenue		49.1	162.0	-	-
Other revenue		4.4	7.2	-	-
Total revenue		803.7	1,639.6	-	-
Other income					
Gain on de-recognition of non-current assets	15	115.7	0.1	-	-
Total revenue and other income		919.4	1,639.7	-	-
Operating expenses					
Employee benefits expense		(39.3)	(56.8)	-	-
Services and utilities expense		(49.0)	(83.4)	-	-
Property and maintenance expense		(19.5)	(29.6)	-	-
Security recoverable expense		(62.9)	(98.3)	-	-
Expected credit loss expense	9	(93.9)	-	-	-
Other operational costs		(31.0)	(35.3)	(2.0)	(2.0)
Total operating expenses		(295.6)	(303.4)	(2.0)	(2.0)
Other expenses					
Write-off of non-current assets	10	(28.2)	-	-	-
Restructuring and redundancy expenses		(7.5)	(3.2)	-	-
Indemnity refund/(expense)	14	39.7	(183.4)	39.7	(183.4)
MALSA expense		-	(4.2)	-	(4.2)
Total other expenses		4.0	(190.8)	39.7	(187.6)
Total expenses before depreciation, amortisation, net finance costs and income tax		(291.6)	(494.2)	37.7	(189.6)
Profit/(loss) before depreciation, amortisation, net finance costs and income tax (EBITDA)		627.8	1,145.5	37.7	(189.6)
Depreciation	10	(355.7)	(352.7)	-	-
Amortisation	11	(84.7)	(85.3)	-	-
Profit/(loss) before net finance costs and income tax (EBIT)		187.4	707.5	37.7	(189.6)
Finance income	6	8.2	8.3	233.6	233.7
Finance costs	6	(379.6)	(429.1)	(117.1)	-
Change in fair value of swaps	6	(60.4)	(0.1)	-	-
Net finance costs		(431.8)	(420.9)	116.5	233.7
(Loss)/profit before income tax		(244.4)	286.6	154.2	44.1
Income tax benefit/(expense)		136.9	(71.6)	-	-
(Loss)/profit after income tax		(107.5)	215.0	154.2	44.1
(Loss)/profit after income tax attributable to:					
Security holders		(145.6)	403.9	154.2	44.1
Non-controlling interest		38.1	(188.9)	-	-
		(107.5)	215.0	154.2	44.1

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statements of comprehensive income

for the year ended 31 December 2020

	Note	SAL Group		SAT1 Group	
		2020 $m	2019 $m	2020 $m	2019 $m
Items that may subsequently be reclassified to profit or loss					
Changes in fair value of cash flow hedges		(64.2)	(252.9)	-	-
Changes in fair value of foreign currency basis spread		(32.9)	(10.6)	-	-
Tax on items that may be reclassified to profit or loss [1]		5.9	79.1	-	-
Total items that may subsequently be reclassified to profit or loss		(91.2)	(184.4)	-	-
Items that will never be reclassified to profit or loss					
Remeasurement gain on defined benefit plan [2]		-	0.9	-	-
Tax on items that will never be reclassified to profit or loss [2]		-	(0.3)	-	-
Total items that will never be reclassified to profit or loss		-	0.6	-	-
Other comprehensive loss, net of tax		(91.2)	(183.8)	-	-
Total comprehensive (loss)/income		(198.7)	31.2	154.2	44.1
Total comprehensive (loss)/income attributable to:					
Security holders		(236.8)	220.1	154.2	44.1
Non-controlling interest		38.1	(188.9)	-	-
		(198.7)	31.2	154.2	44.1
Basic and diluted earnings per share/unit from (loss)/profit after income tax	8	(6.04c)	17.89c	6.40c	1.95c

1. The SAL Group entered into interest rate swap resets during the year ended 31 December 2020. Refer to further detail in note 4.2. The unamortised balance of reset swaps at reporting date of $77.5 million does not give rise to a temporary difference for tax purposes. Hence tax has not been calculated on the unamortised balance.
2. The 2020 balances for remeasurement gain on defined benefit plan is $0.05 million and associated tax is $0.01 million. These have been rounded to nil in the consolidated statements of comprehensive income.

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statements of financial position

as at 31 December 2020

		SAL Group		SAT1 Group	
	Note	2020 $m	2019 $m	2020 $m	2019 $m
Current assets					
Cash and cash equivalents	3	1,075.6	625.1	200.1	7.7
Receivables	9	372.0	199.7	41.9	-
Derivative financial instruments	5	149.9	14.8	-	-
Other assets		1.4	0.6	-	-
Total current assets		1,598.9	840.2	242.0	7.7
Non-current assets					
Receivables	9	142.1	79.4	1,796.5	1,796.5
Property, plant and equipment	10	3,472.5	3,532.6	-	-
Intangible assets	11	7,073.9	7,230.4	-	-
Derivative financial instruments	5	543.8	936.7	-	-
Other assets		21.6	13.1	-	-
Total non-current assets		11,253.9	11,792.2	1,796.5	1,796.5
Total assets		12,852.8	12,632.4	2,038.5	1,804.2
Current liabilities					
Distribution payable	1	-	440.4	-	117.5
Payables and deferred income		140.5	254.7	0.7	6.1
Interest bearing liabilities	2	848.1	759.6	-	-
Derivative financial instruments	5	77.6	125.7	-	-
Lease liabilities	13	0.1	0.4	-	-
Provisions	14	8.5	9.9	-	-
Total current liabilities		1,074.8	1,590.7	0.7	123.6
Non-current liabilities					
Interest bearing liabilities	2	8,352.8	9,426.7	-	-
Derivative financial instruments	5	670.0	500.6	-	-
Lease liabilities	13	0.1	0.2	-	-
Deferred tax liabilities	12	1,650.3	1,801.1	-	-
Provisions	14	66.9	66.7	63.1	63.1
Total non-current liabilities		10,740.1	11,795.3	63.1	63.1
Total liabilities		11,814.9	13,386.0	63.8	186.7
Net assets/(liabilities)		1,037.9	(753.6)	1,974.7	1,617.5
Equity					
Security holders' interests					
Contributed equity	1	7,523.5	5,533.0	2,659.9	2,456.9
Retained earnings		(2,576.1)	(2,430.3)	369.5	215.3
Reserves		(3,750.2)	(3,659.0)	(1,054.7)	(1,054.7)
Total security holders' interests		1,197.2	(556.3)	1,974.7	1,617.5
Non-controlling interest in controlled entities		(159.3)	(197.3)	-	-
Total equity		1,037.9	(753.6)	1,974.7	1,617.5

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

Consolidated statements of changes in equity

for the year ended 31 December 2020

SAL Group	Note	Contributed equity $m	Retained earnings [1,3] $m	Cash flow hedge reserve $m	Foreign currency basis spread reserve $m	Other reserve [2] $m	Total equity [1] $m
Total equity at 1 January 2020		5,533.0	(2,627.6)	(493.4)	(5.1)	(3,160.5)	(753.6)
Comprehensive income							-
Loss after tax		-	(107.5)	-	-	-	(107.5)
Cash flow hedges, net of tax		-	-	(64.2)	-	-	(64.2)
Foreign currency basis spread, net of tax		-	-	-	(27.0)	-	(27.0)
Remeasurement gain, net of tax [4]		-	-	-	-	-	-
Total comprehensive loss		-	(107.5)	(64.2)	(27.0)	-	(198.7)
Transactions with owners of the company							
Issue of additional equity, net of transaction costs and deferred tax	1	1,979.6	-	-	-	-	1,979.6
Issue of securities through distribution reinvestment plan	1	10.9	-	-	-	-	10.9
Distributions provided for or paid	1	-	-	-	-	-	-
Equity-settled shares		-	(0.3)	-	-	-	(0.3)
Total transactions with owners of the company		1,990.5	(0.3)	-	-	-	1,990.2
Total equity at 31 December 2020		7,523.5	(2,735.4)	(557.6)	(32.1)	(3,160.5)	1,037.9
Total equity at 1 January 2019		5,508.6	(1,963.0)	(316.4)	2.4	(3,159.5)	72.1
Comprehensive income							
Profit after tax		-	215.0	-	-	-	215.0
Cash flow hedges, net of tax		-	-	(177.0)	-	-	(177.0)
Foreign currency basis spread, net of tax		-	-	-	(7.5)	-	(7.5)
Remeasurement gain, net of tax		-	0.6	-	-	-	0.6
Total comprehensive income		-	215.6	(177.0)	(7.5)	-	31.1
Transactions with owners of the company							
Issue of securities through distribution reinvestment plan	1	24.4	-	-	-	-	24.4
Distributions provided for or paid	1	-	(880.5)	-	-	-	(880.5)
Equity-settled shares		-	0.3	-	-	(1.0)	(0.7)
Total transactions with owners of the company		24.4	(880.2)	-	-	(1.0)	(856.8)
Total equity at 31 December 2019		5,533.0	(2,627.6)	(493.4)	(5.1)	(3,160.5)	(753.6)

1. Retained earnings and total equity are presented after deducting non-controlling interest in controlled entities of $159.3 million (2019: $197.3 million).
2. The Other reserve represents transactions between equity holders and movements in other reserves resulting from historical business combinations.
3. Accumulated losses brought forward was adjusted by $0.2 million for the year ended 31 December 2019 following the implementation of AASB16 *Leases*.
4. The 2020 balances for remeasurement gain is $0.05 million and associated tax is $0.01 million. These have been rounded to nil.

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statements of changes in equity

for the year ended 31 December 2020

SAT1 Group	Note	Contributed equity $m	Retained earnings $m	Capital reserve [1] $m	Other reserve $m	Total equity $m
Total equity at 1 January 2020		2,456.9	215.3	(967.6)	(87.1)	1,617.5
Comprehensive income						
Profit after tax		-	154.2	-	-	154.2
Total comprehensive income		-	154.2	-	-	154.2
Transactions with owners of the company						
Issue of additional equity, net of transaction costs	1	202.0	-	-	-	202.0
Issue of securities through distribution reinvestment plan	1	1.0	-	-	-	1.0
Distributions provided for or paid	1	-	-	-	-	-
Total transactions with owners of the company		203.0	-	-	-	203.0
Total equity at 31 December 2020		2,659.9	369.5	(967.6)	(87.1)	1,974.7
Total equity at 1 January 2019		2,454.3	403.8	(967.6)	(87.1)	1,803.4
Comprehensive income						
Profit after tax		-	44.1	-	-	44.1
Total comprehensive income		-	44.1	-	-	44.1
Transactions with owners of the company						
Issue of securities through distribution reinvestment plan	1	2.6	-	-	-	2.6
Distributions provided for or paid	1	-	(232.6)	-	-	(232.6)
Total transactions with owners of the company		2.6	(232.6)	-	-	(230.0)
Total equity at 31 December 2019		2,456.9	215.3	(967.6)	(87.1)	1,617.5

1. The Capital reserve represents amounts transferred from retained profits to facilitate distributions from SAT1 in accordance with the SAT1 Constitution.

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statements of cash flows

for the year ended 31 December 2020

	Note	SAL Group 2020 $m	SAL Group 2019 $m	SAT1 Group 2020 $m	SAT1 Group 2019 $m
Cash flow from operating activities					
Receipts from customers		780.1	1,844.2	-	-
Government subsidy (Jobkeeper assistance)	23	11.7	-	-	-
Payments to suppliers and employees		(364.1)	(481.8)	(9.7)	(1.9)
Interest received		6.6	8.3	0.1	0.1
Related party loan interest received	20	-	-	116.5	233.5
Net cash flow from operating activities	3	434.3	1,370.7	106.9	231.7
Cash flow from investing activities					
Proceeds from disposal of fixed assets		-	0.1	-	-
Acquisition of property, plant and equipment		(347.1)	(303.9)	-	-
Capitalised borrowing costs	10	(7.2)	(9.7)	-	-
Net cash flow used in investing activities		(354.3)	(313.5)	-	-
Cash flow from financing activities					
Airport borrowing costs paid		(325.8)	(297.8)	-	-
Corporate borrowings costs paid		(2.3)	(3.1)	-	-
Repayment of borrowings		(1,941.8)	(395.0)	-	-
Proceeds received from borrowings		1,284.0	741.5	-	-
Interest rate swap payments [1]		(185.8)	(109.9)	-	-
Proceeds received from distribution reinvestment plan		10.9	24.5	1.0	1.3
Proceeds from issue of additional equity, net of transactions costs	1	1,971.7	-	202.0	-
Distributions paid to security holders	1	(440.4)	(868.6)	(117.5)	(231.1)
Net cash flow from/ (used in) financing activities		370.5	(908.4)	85.5	(229.8)
Net increase in cash and cash equivalents		450.5	148.8	192.4	1.9
Cash and cash equivalents at beginning of the period		625.1	476.3	7.7	5.8
Cash and cash equivalents at the end of the period	3	1,075.6	625.1	200.1	7.7

1. Interest rate swap payments include $137.6 million of interest rate swap reset costs.

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

for the year ended 31 December 2020

General

Basis of preparation and statement of compliance

This is the financial report for Sydney Airport Limited (SAL) and its controlled entities (collectively referred to as the SAL Group), and Sydney Airport Trust 1 (SAT1) and its controlled entities (collectively referred to as the SAT1 Group).

The SAL Group and SAT1 Group (together, the Groups) are for-profit entities for the purposes of preparing the consolidated financial statements. The Trust Company (Sydney Airport) Limited (TTCSAL) is the Responsible Entity of SAT1.

This financial report:

- Consists of the consolidated financial statements of the SAL Group and SAT1 Group, as permitted by Australian Securities and Investments Commission (ASIC) Corporations (Stapled Group Reports) Instrument 2015/838;
- Is a general purpose financial report;
- Is prepared in accordance with *Corporations Act 2001*, Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB);
- Is prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss; and
- Is presented in Australian dollars, which is the functional currency of SAL and SAT1, with all values rounded to the nearest hundred thousand dollars unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016.

The financial report was authorised for issue by the directors of SAL and TTCSAL on 23 February 2021. The directors of SAL and TTCSAL have the power to amend and reissue the financial report.

Going concern

The financial report of the Groups has been prepared on a going concern basis that requires directors to have reasonable grounds to believe that the Groups will be able to pay their debts as and when they become due and payable.

At reporting date, the Group has met its debt covenant requirements. The SAL Directors have reviewed the cash flow projections factoring in the impact of the COVID-19 pandemic on the SAL Group covering a period of at least 12 months after the accounts are authorised for issue. This takes into account forecast revenue, operating cash flows, forecast capital expenditure and the Group's liquidity position. The Group expects to remain compliant with covenant requirements.

At 31 December 2020, the SAL Group had $3.5 billion in liquidity, with $1.1 billion in cash and $2.4 billion of undrawn bank debt facilities. The refinancing of maturing debt is a permitted use under the bank debt facilities. If required, this is sufficient to cover the SAL Group's interest bearing liabilities that are due to expire within 12 months of reporting date - a US144A/RegS bond with principal value of $518.7 million expiring in February 2021 and wrapped domestic bond of $200.0 million expiring November 2021. The Group has implemented a range of counter measures to preserve liquidity in the near term that include reductions to operating costs and capital expenditure. It has also undertaken measures to continue to strengthen the Group's liquidity position.

The SAL Group considered the impacts of COVID-19 to the business and performed an assessment of impairment on the Group and considered if there was an impairment to goodwill. In making this assessment, the Group considered the independent valuation of Sydney Airport as at 31 December 2020. This is referred to in the Critical accounting estimates, assumptions and judgements. The result of the independent valuation confirms that the equity value of the Group is supported and there is no impairment to goodwill at reporting date.

The SAT1 Group was in a net current asset position $241.3 million at 31 December 2020. In assessing the SAT1 Group's ability to pay its debts as and when they become due and payable, the SAT1 Group has $200.1 million of available cash at 31 December 2020. SAT1 also has the option to call on a prepayment of cross staple loan principal where required, to discharge SAT1's current liabilities. SAT1's loan principal receivable from SAL at 31 December 2020 was $1,796.5 million. At the present time, the updated valuation of the SAL Group indicates SAL's ability to continue to meet its future loan repayment obligations to SAT1. Accordingly, the going concern basis of accounting is considered appropriate in the preparation of the SAT1 financial report.

Notes to the financial statements

for the year ended 31 December 2020

General continued

Net tangible asset backing per security

The ASX-listed Sydney Airport's net tangible assets (NTA) exclude non-controlling interests and are solely attributable to security holders. The NTA backing per security was -$2.24 at 31 December 2020 (2019: -$3.53). This represents a decrease of $1.30 or 58.0% (2019: decrease of $0.32 or 10.0%).

Critical accounting estimates and judgements

The preparation of the financial report requires the use of critical accounting estimates, assumptions and judgements that affect the reported amounts in the financial statements and the application of accounting policies. Such estimates and judgements are reviewed on an ongoing basis.

Fair value measurement of financial instruments

Management provides an estimate of the fair value of financial instruments at each reporting date. The value of financial instruments are determined based on observable markets inputs, categorised as Level 2 in accordance with AASB 13 *Fair Value Measurement*. Level 2 fair value measurements are determined by inputs other than quote prices included within Level 1 that are observable for the asset or liability, either directly (as priced) or indirectly (derived from prices).

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic has increased the estimation uncertainty in the preparation of this full year financial report. The Group's rationale and explanation of the critical estimates, assumptions and judgements that have been considered in light of the severe consequences of the COVID-19 pandemic for the aviation and airport community for this full year ended 31 December 2020 are described below.

Allowance for expected credit losses

- The Group has made expected credit loss (ECL) provisions for both aeronautical and commercial customers. $93.9 million has been recognised across aeronautical and commercial receivables. The recoverability of receivables has been assessed based on information available and our best judgement. Included within this amount is $13.8 million related to Virgin Group debts in respect of the period prior to Virgin being placed into voluntary administration and subsequent, up until the appointed administrator's personal liability that commenced on 27 May 2020, including unpaid security charges less the agreed dividend amount from the assets of the creditors' trust as outlined in the Deed of Company Arrangement dated 25 September 2020. The agreed dividend amount $8.0 million has not yet been received at signing date and is expected to be received during 2021.
- A range of rental concessions were provided during the year to both retail and property tenants, in-line with the Australian Government's Commercial Code of Conduct issued in April 2020. Concessions in the form of rent abatements of $142.8 million and rent deferrals of $8.4 million were agreed. Of the abatements, $52.5 million were recognised through the provision for ECL. The remaining $90.3 million of abatements are recognised on a straight-line basis as a reduction to revenue over the remaining lease terms in accordance with the relevant Accounting Standard. $24.3 million was recognised as a reduction to revenue during the 2020 year.
- Rent deferrals provide an extension of payment terms with no impact to revenue. However, the Group assessed the expected recoverability of all deferred rents and have provided $5.2 million against the related receivables as at 31 December 2020.

The movement in expected credit loss allowance is in note 9.

Impairment assessment on non-current assets

Following the Group's review of capital projects in progress, a $28.2 million impairment charge was recognised in respect of certain capital projects that, due to their nature, are not expected to progress. This is reflected in the Consolidated statements of comprehensive income and in Note 10.

Impairment test of goodwill

As described in the Going concern note above, an independent valuation was undertaken at 31 December 2020. The valuation was updated for COVID-19 impacts to the business and included assumptions regarding future passenger numbers, revenue, operating expenses, capital expenditure and interest rates. There were no changes to the valuation methodology. The result of the updated valuation indicated that the Group's equity value was supported and no impairment was required at reporting date. There are no known factors that would have had a significant adverse effect on the valuation since 31 December 2020. Valuation assumptions have been described in note 11.

General continued

Significant accounting policies

This financial report contains all significant accounting policies that summarise the recognition and measurement basis used and which are relevant to provide an understanding of the financial statements. Accounting policies that are specific to a note to the financial statements are described in the note to which they relate. Other accounting policies are set out below:

i) Principles of consolidation

For the purpose of this financial report:

- SAL has been identified as the parent of the consolidated group (defined as ASX-listed Sydney Airport) comprising the SAL Group and the SAT1 Group for the years ended 31 December 2020 and 31 December 2019; and
- SAT1 has been identified as the parent of the SAT1 Group for the years ended 31 December 2020 and 31 December 2019. The financial statements of the subsidiaries are prepared using consistent accounting policies and for the same reporting period as their parent companies. In preparing the consolidated financial statements, all intercompany balances and transactions have been eliminated in full.

Controlled entities

The SAT1 Group's net result after tax for the years ended 31 December 2020 and 31 December 2019 and its contributed equity, reserves and retained earnings at 31 December 2020 and 31 December 2019 are attributed to non-controlling interests in the SAL Group consolidated financial report.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value. Acquisition related costs are expensed as incurred in profit or loss, except for costs arising on the issue of equity instruments which are recognised directly in equity.

Identifiable net assets acquired and contingent liabilities assumed in a business combination are measured at fair value at acquisition date, irrespective of the extent of any non-controlling interest. The excess of acquisition cost over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill (refer to note 11).

Acquisition of entities under common control

Acquisition of interest in entities that are under the control of the Group's controlling security holders are deemed to be common control transactions. The net assets acquired are recognised at the carrying amounts recognised previously in the Group's controlling security holder's consolidated financial statements. Any difference between the carrying value of net assets acquired and related consideration is held in a common control reserve.

ii) Foreign currency transactions and balances

Foreign currency amounts are translated into the functional currencies of the Groups (Australian dollars) using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities measured in terms of historical cost	Date of transaction

Foreign exchange gains and losses on translation are recognised in the consolidated statements of comprehensive income.

iii) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The Groups consider the carrying amounts of financial assets and liabilities recorded in the financial statements approximate fair value, except for fixed interest rate bonds (refer to note 2).

Fair value measurements are determined as follows:

- Level 1: quoted prices (unadjusted) 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); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group and SAT1's value of financial instruments are determined based on observable markets inputs, categorised as Level 2.

Notes to the financial statements

for the year ended 31 December 2020

General continued

iv) Measurement of financial instruments

Financial instruments are classified by the following categories – amortised cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). The classification depends on the business model for managing the financial asset and whether contractual cash flows are solely from payments of principal and interest (SPPI).

v) Revenue recognition

Aeronautical revenues

Aeronautical revenue is primarily generated from contracts with airlines for the provision of access to terminals, infrastructure, apron parking, airfield and terminal facilities. Revenue is recognised as the service is provided:

- Passenger charges: On a per passenger basis as they arrive or depart;
- Runway charges: On a per passenger basis or on the basis of maximum take-off weight; and
- Aircraft parking charges: Over the duration of time the aircraft is parked and maximum take-off weight.

Aeronautical revenues are billed and collected on a monthly basis.

Incentives or discounts are provided in line with terms of contracts with airlines and are generally based on passenger numbers, flight frequency and or new routes. Revenues from passenger charges are therefore variable consideration and estimated monthly. Discounts and incentives are paid annually based on contract commencement date and any unpaid amount is recognised as a payable. Variable revenue is only recognised when it is highly probable the revenues will not reverse. Whilst contracts with airlines exceed 12 months, revenue recognised is the amount to which we have the right to invoice for the current year.

Aeronautical security recovery revenues

Aeronautical security recovery revenue is primarily generated from contracts with airlines for the provision of government mandated security services. These include passenger and checked bag screening. Revenue is recognised as the expense is incurred.

Aeronautical security recovery revenues are billed and collected on a monthly basis.

Retail revenues and Property and car rental revenues

Retail revenues comprises the lease of commercial space to tenants whose activities include duty free, food and beverage, financial and advertising services. Property and car rental revenues comprises the lease of terminal space, buildings and other space at Sydney Airport. Both revenue streams are accounted for as operating lease revenues where rental revenues are recognised on a straight-line basis over the lease term. Concession fees are recognised based on sales turnover in accordance with the concession agreement.

Abatements provided to tenants are recognised in accordance with applicable accounting standards. Abatements provided prior to the execution of an agreement are expensed through expected credit loss. Abatements provided on execution of an agreement are amortised from the date of the agreement as a reduction to revenue over the remaining lease term.

vi) Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group expects to comply with any conditions relevant to the grant. Refer to note 23 for further information.

General continued

Changes in accounting standards

The Group has initially adopted *Definition of Material (Amendments to AASB 101 and AASB 108)* and *Interest Rate Benchmark Reform (Amendments to AASB 9, AASB 139 and AASB 7)* from 1 January 2020.

Interest Rate Benchmark Reform AASB 2019-3 makes amendments to AASB 9, AASB 139 and AASB 7 which allows the Group to apply certain exceptions to the standard hedge accounting requirements in respect of hedge relationships that are impacted by a market wide interest rate benchmark reform. The specific interest rate benchmark reform that this amendment currently applies to is the planned discontinuation of the London Interbank Offered Rate (LIBOR) and Interbank Offered Rate on 31 December 2021. At 31 December 2020 the Group does not have:

- any debt instruments directly linked to LIBOR as all offshore bonds issued are fixed rate; or
- any interest rate swaps or cross currency interest rate swaps directly linked to LIBOR as these instruments swap the fixed foreign denominated interest rate to either a fixed or floating BBSW(Y) interest rate.

The Group continues to review its funding mix and would prefer to have the relief available in the event that a LIBOR interest rate instrument is entered into. The Group has performed an initial high level LIBOR exposure review and has not identified any direct LIBOR exposures. Further reviews will be performed in 2021.

A number of other new standards are also effective from 1 January 2020 but they do not have a material effect on the Group's financial statements.

New standards and interpretations not yet adopted

The accounting standards that are applicable to the Groups in future periods and have not been early adopted for the year ended 31 December 2020 are detailed below.

Accounting Standard	Requirement	Impact on Financial Statements
Interest Rate Benchmark Reform - Phase 2 (Amendments to AASB 9, AASB 139, AASB 7, AASB 4 and AASB 16)	'Interest Rate Benchmark Reform — Phase 2 (Amendments to AASB 9, AASB 139, AASB 7, AASB 4 and AASB 16)' addresses issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021.	No material impact is expected
Annual Improvements to IFRS Standards 2018-2020	'Annual Improvements to IFRS Standards 2018–2020' contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project: – AASB 3 Business Combinations – AASB 9 Financial Instruments – AASB 116 Property, Plant and Equipment and – AASB 137 Provisions, Contingent Liabilities and Contingent Assets The amendments are effective for annual reporting periods beginning on or after 1 January 2022.	No material impact is expected
Classifications of Liabilities as Current or Non-current (Amendments to AASB 101)	'Classification of Liabilities as Current or Non-current (Amendments to AASB 101)' provides a more general approach to the classification of liabilities under AASB 101 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.	No material impact is expected

Notes to the financial statements

for the year ended 31 December 2020

Capital management

Overview

The capital structure of the Group consists of:

– debt;
– cash and cash equivalents;
– issued capital;
– reserves; and
– retained earnings.

The Group manages and regularly reviews its capital structure to ensure it is able to finance the current and future business activities and continue as a going concern, while optimising the debt and equity balance and returns to security holders.

During the year ended 31 December 2020, the SAL Group implemented financial countermeasures to significantly enhance its liquidity position in response to the COVID-19 pandemic. This included the issuance of a AUD598.0 million equivalent multi-tranche USPP bond, the establishment of AUD850 million in bilateral bank debt facilities and the issuance of AUD2.0 billion of equity through an accelerated renounceable entitlement offer in August 2020. The entitlement offer specifically served to reduce Sydney Airport's net debt position among other outcomes achieved.

1. Contributed Equity and Distributions

Contributed equity

The movements in the contributed equity balance and number of shares/units on issue are shown in the table below. Fully paid ordinary shares have no par value.

	SAL Group		SAT1 Group	
	2020	**2019**	**2020**	**2019**
$m				
Opening balance	5,533.0	5,508.6	2,456.9	2,454.3
Issued pursuant to the DRP	10.9	24.4	1.0	2.6
Issue of additonal equity (net of transaction costs and deferred tax)	1,979.6	-	202.0	-
Closing balance	7,523.5	5,533.0	2,659.9	2,456.9
Shares/units on issue (m)				
Opening balance	2,258.6	2,255.3	2,258.6	2,255.3
Issued pursuant to the DRP	1.2	3.3	1.2	3.3
Issue of additonal equity	438.9	-	438.9	-
Closing balance	2,698.7	2,258.6	2,698.7	2,258.6

The Group issued additional equity through an accelerated renounceable entitlement offer during the year. 438.9 million shares/units were issued with equity proceeds of $2,001.3 million received (before transaction costs). Transaction costs of $29.6 million were incurred with a corresponding deferred tax impact of $7.9 million. SAL and SAT1's share of additional equity (net of transaction costs and applicable deferred tax) were $1,777.6 million and $202.0 million respectively.

Capital management continued

1. Contributed Equity and Distributions continued

Distributions

During the year ended 31 December 2020, no interim or final distributions were payable by SAL or SAT1. This is in line with guidance provided at 2020 Half Year results and is a decision made in to order to preserve liquidity, taking into account the uncertainty on timing and strength of recovery from the COVID-19 pandemic.

Distributions paid and proposed relating to prior periods are shown in the table below. The Group's distributions are 100 per cent unfranked.

	2020	2019
$m		
Final distribution [1]	-	440.4
Interim distribution [2]	-	440.1
	-	880.5
Cents per stapled security		
Final distribution	-	19.50
Interim distribution	-	19.50
	-	39.00

The distribution portions paid / payable by SAL and SAT1 are as follows:

	SAL Group		SAT1 Group	
	2020	2019	2020	2019
Distributions were paid/payable as follows:				
$m				
Final distribution [1]	-	322.9	-	117.5
Interim distribution [2]	-	325.0	-	115.1
	-	647.9	-	232.6
Cents per stapled security				
Final distribution	-	14.30	-	5.20
Interim distribution	-	14.40	-	5.10
	-	28.70	-	10.30

1. Recognised as a payable at 31 December 2019 and paid on 14 February 2020
2. The interim distribution for 2019 was paid on 15 August 2019.

Distribution reinvestment plan

The distribution reinvestment plan (DRP) provides stapled security holders with a method of automatically reinvesting all or part of their distributions into stapled securities.

As there were no distributions declared for the year ended 31 December 2020, there was no DRP in operation for the period. The DRP operated in respect of the 31 December 2019 final distributions. 1.2 million stapled securities were issued and transferred to DRP participants at $8.84 per stapled security on 14 February 2020.

2. Interest bearing liabilities

The Group's debt comprises the following at reporting date:

– Bank facilities;
– Domestic bonds (including capital indexed bond (CIB));
– US private placement bonds (USPP);
– US144A/RegS bonds; and
– Euro bonds.

Notes to the financial statements

for the year ended 31 December 2020

Capital management continued

2. Interest bearing liabilities continued

Type	Maturity	Carrying amount [8] 2020 $m	Carrying amount [8] 2019 $m	Fair value 2020 $m	Fair value 2019 $m	Principal amount drawn In AUD 2020 $m	Principal amount drawn In AUD 2019 $m	Principal amount drawn In original currency 2020 $m	Principal amount drawn In original currency 2019 $m	Issue currency	Interest rate
Bilateral Facility	February 2023	-	78.0	-	78.0	-	78.0	-	78.0	AUD	Floating [3,6]
Syndicated facility	April 2022	-	402.7	-	402.7	-	404.0	-	404.0	AUD	Floating [3,6]
Wrapped domestic bond [1,7]	November 2021	199.7	199.5	199.7	199.5	200.0	200.0	200.0	200.0	AUD	Floating [4]
Wrapped domestic bond [1]	October 2022	747.2	745.7	747.2	745.7	750.0	750.0	750.0	750.0	AUD	Floating [4]
Wrapped domestic bond [1]	October 2027	652.0	651.1	652.0	651.1	659.0	659.0	659.0	659.0	AUD	Floating [4]
USPP bond	August 2028	99.6	99.5	99.6	99.5	100.0	100.0	100.0	100.0	AUD	Floating [4]
USPP bond	November 2028	99.6	99.5	99.6	99.5	100.0	100.0	100.0	100.0	AUD	Floating [4]
USPP bond	November 2028	179.1	179.1	235.4	224.1	180.0	180.0	180.0	180.0	AUD	6.04% [5]
USPP bond	November 2028	57.7	57.7	74.0	70.2	58.0	58.0	58.0	58.0	AUD	5.60% [5]
USPP bond	November 2029	135.3	135.3	179.0	167.4	136.0	136.0	136.0	136.0	AUD	5.70% [5]
USPP bond	February 2034	73.6	73.7	74.3	71.5	62.5	62.5	45.0	45.0	USD	4.25% [5]
USPP bond	February 2039	134.2	134.2	178.6	158.8	135.0	135.0	135.0	135.0	AUD	4.76% [5]
USPP bond	February 2044	99.4	99.4	137.6	120.7	100.0	100.0	100.0	100.0	AUD	4.85% [5]
USPP bond	February 2049	99.4	99.4	142.9	123.2	100.0	100.0	100.0	100.0	AUD	4.90% [5]
USPP bond	June 2035	67.1	-	73.8	-	77.2	-	52.0	-	USD	2.83% [5]
USPP bond	June 2035	78.8	-	84.5	-	80.9	-	50.0	-	EUR	1.06% [5]
USPP bond	June 2040	99.5	-	109.2	-	100.0	-	100.0	-	AUD	3.28% [5,6]
USPP bond	June 2040	218.9	-	240.2	-	220.0	-	220.0	-	AUD	3.28% [5]
USPP bond	June 2050	119.4	-	137.9	-	120.0	-	120.0	-	AUD	3.53% [5]
Euro bond	April 2024	1,181.6	1,208.5	1,203.9	1,240.0	1,033.4	1,033.4	700.0	700.0	EUR	2.75% [5]
Euro bond	April 2028	861.4	853.8	862.1	867.9	796.1	796.1	500.0	500.0	EUR	1.75% [5]
US144A/RegS bond [7]	February 2021	648.4	711.6	652.7	735.4	518.7	518.7	500.0	500.0	USD	5.13% [5]
US144A/RegS bond	March 2023	1,130.5	1,210.6	1,138.8	1,231.9	802.4	802.4	825.0	825.0	USD	3.90% [5]
US144A/RegS bond	April 2025	645.7	711.5	706.1	737.0	643.0	643.0	500.0	500.0	USD	3.38% [5]
US144A/RegS bond	April 2026	1,163.0	1,276.5	1,290.3	1,333.5	1,163.4	1,163.4	900.0	900.0	USD	3.63% [5]
CIB [2]	November 2020	-	759.6	-	774.1	-	768.6	-	768.6	AUD	3.76% [5]
CIB [2]	November 2030	409.8	399.4	422.1	419.8	406.7	404.3	406.7	404.3	AUD	3.12% [5]
Total external interest bearing liabilities		9,200.9	10,186.3	9,741.5	10,551.5	8,542.3	9,192.4	n/a	n/a		

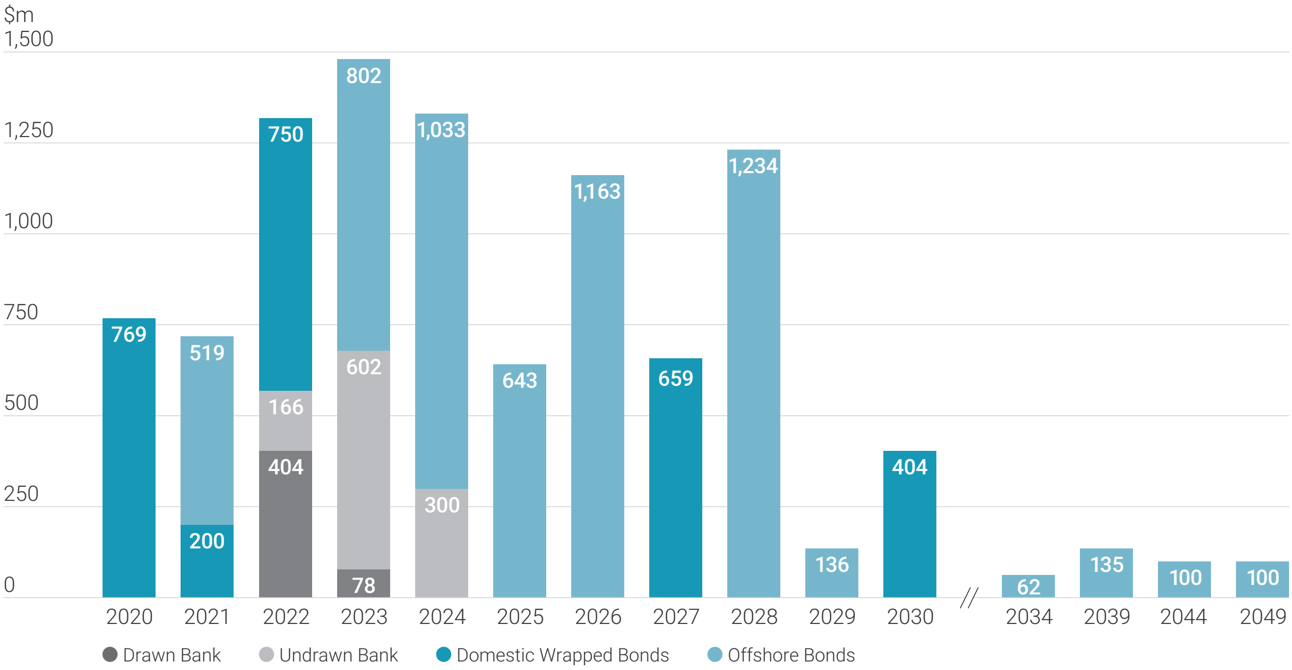
1. Financial guarantees are provided by MBIA Insurance Corporation or Assured Guaranty Municipal Corp.
2. Financial guarantees are provided by MBIA Insurance Corporation or Ambac Assurance Corporation.
3. Floating rates are at Bank Bill Swap Bid Rate plus a predetermined margin.
4. Floating rates are at Bank Bill Swap Rate plus a predetermined margin.
5. Fixed interest rates are reflective of coupons in respective currencies/markets.
6. Represents base margin for the sustainability-linked tranche with an opportunity to earn a discount or incur a premium.
7. Classified as Current Liability in the Consolidated statement of financial position.
8. Carrying amount includes capitalised establishment costs.

Capital management continued

2. Interest bearing liabilities continued

The maturity profile of interest bearing liabilities is presented in the chart below.

Drawn & Undrawn Debt December 2020



Assets pledged as security

All external interest bearing liabilities of SCACH, a wholly owned subsidiary, are of equal rank with respect to security. The security consists of fixed and floating charges over the assets of the SCACH Group (excluding deferred tax and goodwill) and a mortgage over the Airport lease.

Recognition and measurement

The Group recognises interest bearing liabilities on the date that they become a party to the contractual provisions of the instrument. These are initially recognised at fair value less any attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The carrying value of foreign denominated interest bearing liabilities that are in a fair value hedge relationship includes the hedge gain or loss. Refer note 5 on fair value hedges.

At 31 December 2020 and 31 December 2019, the fair values of all fixed interest rate bonds were determined based on observable market inputs, categorised as Level 2. Bonds are valued using a Discounted Cash flow model, with available comparative market curves adopted as key inputs.

The Group derecognises an interest bearing liability when its contractual obligations are discharged, cancelled or expired.

CIBs explained

Capital indexed bonds are inflation linked bonds. The principal amount of the bond is indexed against the Consumer Price Index with the revised capital amount due for repayment at maturity.

Effective interest rate method explained

A method of calculating the amortised cost of a financial liability, allocating interest expense over the term of the loan. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Notes to the financial statements

for the year ended 31 December 2020

Capital management continued

2. **Interest bearing liabilities** continued

Reconciliation of movement of liabilities to cash flows arising from financing activities.

	2020		2019	
	Loans and Borrowings $m	Interest rate swaps and foreign exchange contracts used for hedging-liabilities $m	Loans and Borrowings $m	Interest rate swaps and foreign exchange contracts used for hedging-liabilities $m
Balance at 1 January	(10,186.3)	325.2	(10,151.8)	518.9
Changes from financing cashflows				
Interest swap payments	-	48.2	-	109.9
Proceeds received from borrowings	(1,284.0)	-	(741.5)	-
Repayments of borrowings	1,941.8	-	395.0	-
Total changes from financing cash flows	657.8	48.2	(346.5)	109.9
Liability related other changes				
Effects of changes in foreign currency rates	379.0	(379.0)	19.6	(18.4)
Changes in fair value	(20.1)	(48.3)	(86.9)	(285.2)
Add back of refinancing receivable	-	-	398.9	-
Other	(31.3)	-	(19.6)	-
Total liability related other changes	327.6	(427.3)	312.0	(303.6)
Balance at 31 December	(9,200.9)	(53.9)	(10,186.3)	325.2

Capital management continued

3. Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term deposits.

Deposits classified as cash equivalents are considered to be readily convertible to known amounts of cash, subject to an insignificant risk of changes in value, and have an initial term of less than three months. They are used for the purpose of meeting the short-term commitments of the Group.

	SAL Group		SAT1 Group	
	2020 $m	**2019 $m**	**2020 $m**	**2019 $m**
Cash on hand	925.8	448.9	200.1	7.7
Deposits [1]	149.8	176.2	-	-
Total cash and cash equivalents	1,075.6	625.1	200.1	7.7
Cash flow information				
Reconciliation of profit after tax to net cash flows from operating activities				
(Loss)/Profit for the year	(107.5)	215.0	154.2	44.1
Net expenses relating to financing activites	377.3	422.6	-	-
Change in fair value of swaps	60.4	0.1	-	-
Depreciation and amortisation	440.4	438.0	-	-
Write-off of non-current assets	28.2	-	-	-
Gain from de-recognition of non-current assets	(115.7)	(0.1)	-	-
(Increase)/decrease in receivables and other assets	(51.9)	148.7	(41.9)	122.6
(Decrease)/increase in payables	(60.0)	74.8	(5.4)	65.0
(Decrease)/increase in tax liabilities	(136.9)	71.6	-	-
Net cash flow from operating activities	434.3	1,370.7	106.9	231.7

1. Included in the SAL Group's consolidated deposit balance is $11.8 million (2019: $11.2 million) held by SACL, which is restricted to fund maintenance capital expenditure.

Non-cash financing and investing activities

During the year ended 31 December 2020, there was no non-cash financing and investing activities for the Group.
During the year ended 31 December 2019, the activities related to the issuance of securities under the DRP. Refer note 1 for details.

Recognition and measurement

Cash and cash equivalents are recognised in the Consolidated statements of financial position at the date when cash is received or contractual terms of deposit accepted. Their fair value is considered equal to the carrying value. Cash and cash equivalents in foreign currencies are translated to AUD at the reporting date and foreign exchange gains or losses resulting from translation are recognised in the Statements of comprehensive income.

Notes to the financial statements

for the year ended 31 December 2020

Treasury and financial risk management

Overview

The Group's treasury operations include financing and investment activities, cash management and financial risk management. The strategic focus is to provide support to the business by maintaining the Group's financial flexibility and a minimum credit rating of BBB/Baa2.

This section explains the Group's exposure to and management of various financial risks, and their potential effects on the Group's financial position and performance. It also details finance income and costs incurred during the year.

4. Financial risk management

Financial risk management framework

The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury operations under policies approved by the Boards, manages the Group's exposures to market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's treasury operations identifies, evaluates and hedges exposures to financial risks in close co-operation with the Group's operating units while investing excess liquidity. Speculative trading is specifically prohibited.

4.1 Foreign currency risk

Group policy

The Group's treasury policy is to hedge 100% of foreign currency exposures related to borrowings and to hedge foreign currency exposures relating to revenue, operating expenditure and capital expenditure over certain thresholds.

The Group is primarily exposed to foreign currency risk from interest bearing liabilities denominated in foreign currencies (USD and EUR). At 31 December 2020 and 2019, these interest bearing liabilities were 100% hedged through cross currency swaps (CCS) until maturity of the bonds. As a result, a strengthening or weakening of the AUD will have no impact on profit or loss or equity.

The Group's exposure to foreign currency risk, based on notional amounts were:

	2020			2019		
	EURm	USDm	Equivalent total AUDm	EURm	USDm	Equivalent total AUDm
Senior secured bonds	(1,200.0)	(2,770.0)	(5,019.5)	(1,200.0)	(2,770.0)	(5,019.5)
Cross currency swaps	1,200.0	2,770.0	5,019.5	1,200.0	2,770.0	5,019.5
Exposure	-	-	-	-	-	-

	31 December 2020 Notional maturity profile		31 December 2019 Notional maturity profile	
Cross currency interest rate swaps	EUR	USD	EUR	USD
1 year or less	-	500.0	-	-
1 to 2 years	-	-	-	500.0
2 to 5 years	700.0	1,325.0	700.0	825.0
5 years or more	550.0	997.0	500.0	1,445.0
Average foreign exchange rate	0.65	0.86	0.66	0.87
Average interest rate	3M BBSW + 166bps	3M BBSW + 242bps	3M BBSW + 167bps	3M BBSW + 244bps

BBSW refers to the bank bill swap rate.

Treasury and financial risk management continued

4. Financial risk management continued

4.2 Interest rate risk

The Group's interest rate risk arises primarily from interest bearing liabilities with variable interest rates where interest rate movements can impact the Group's cash flow exposures.

Group policy

The Group uses interest rate swap (IRS) contracts to mitigate interest rate risk. The Group's policy is to maintain hedging arrangements in accordance with the annual bands below:

- Year 1 – 2 65% – 95%
- Year 3 – 4 50% – 80%
- Year 5 – 6 35% – 65%
- Year 7 – 8 20% – 50%
- Year 9 – 10 5% – 35%

Interest rate swap (IRS) contracts

By entering into IRS contracts, the Group agrees to exchange the net difference between fixed and floating interest rate amounts (based on Australian BBSW) calculated by reference to agreed notional principal amounts. IRS settle on a quarterly basis.

All floating for fixed IRS are designated as cash flow hedges. The IRS and the interest payments on the related loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

The fair value of IRS contracts at reporting date are determined by discounting the related future cash flows using the cash and swap curves at reporting date and credit risk inherent in the contract. The table below details the notional principal amounts and remaining terms of floating for fixed IRS contracts outstanding at reporting date:

	Average contracted fixed interest rate [1]		Notional principal amount		Fair value	
	2020 %	2019 %	2020 $m	2019 $m	2020 $m	2019 $m
1 year or less	2.85	3.38	1,618.7	1,239.1	(6.5)	(4.3)
1 to 2 years	2.66	2.85	750.0	1,618.7	(20.9)	(47.7)
2 to 5 years	3.16	3.14	3,037.7	3,144.7	(232.7)	(225.6)
5 years or more	2.67	2.67	5,155.1	5,798.1	(398.7)	(305.8)
	n/a	n/a	10,561.5	11,800.6	(658.8)	(583.4)

1. The average interest rate is based on the outstanding balance at reporting date.

The weighted average cash interest rate of the Group's interest bearing liabilities was 4.0% for the year ended 31 December 2020 (2019: 4.6%).

At 31 December 2020, 94.6% (2019: 89.8%) of senior drawn borrowings (bank debt and capital markets debt) were either fixed or hedged through IRS.

Swap reset

During the year, the Group executed $5.2 billion of interest rate swap reset transactions (swap reset). This involved making upfront payments totaling $137.6 million to reduce the contracted fixed interest rates on these swaps to lower current market rates for approximately 12 months. Associated interest expense reductions have been recognised during the year ended 31 December 2020 with the remainder to be incorporated in the results of the future reporting period. Straight line amortisation over the reset period of $60.1 million was recognised in the Statements of comprehensive income during the year. These are included in the Change in fair value of swaps. The level of senior drawn borrowings (bank debt and capital markets debt) hedged through interest rate swaps remains unchanged following these transactions.

Notes to the financial statements
for the year ended 31 December 2020

Treasury and financial risk management continued

4. Financial risk management continued

Interest rate sensitivities
In reviewing interest rate sensitivities, a 150 basis point (bp) movement is used by management to assess possible changes in interest rates at reporting date.

SAL Group	2020 $m	2019 $m
Increase in interest rate +150bp		
Loss after tax	(4.3)	(9.9)
Equity	206.8	310.2
Decrease in interest rate -150bp		
Profit after tax	4.3	9.9
Equity	(238.3)	(350.8)

4.3 Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Groups. The credit quality of financial assets are regularly monitored by management to identify any potential adverse changes.

Group policy

The Group's policy is that all financial institution derivative counterparties must have a minimum long-term rating of Standard & Poor's A- or Moody's A3 and deposit counterparties a minimum rating of A/A2 respectfully. The Group also has policies limiting the amount of credit exposure to any single financial institution by both volume and term.

Credit risks on receivables relate to aeronautical, retail and property trade receivables at the Airport asset level. These corporate counterparties have a range of credit ratings. Refer to further detail included at note 9.

For the SAT1 Group, credit risk on receivables primarily relates to interest income receivable and an interest bearing loan to SAL, a related party (refer to note 20).

Other than as described, there are no significant financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been considered past due or impaired.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Groups' maximum exposure to credit risk without taking into account the value of any collateral obtained.

4.4 Liquidity risk
Liquidity risk refers to the risk that the Group has insufficient liquidity to meets its financial obligations when they fall due. The Group has built in appropriate liquidity management requirements as part of its financial risk management framework. Due to the capital intensive nature of the underlying business, the Group's treasury operations works to achieve flexibility in funding by maintaining levels of undrawn committed bank facilities available for working capital and capital investment and maintaining a capital expenditure reserve.

The Group's available liquidity position as at 31 December 2020 was $3.5 billion, comprising $1.1 billion of available cash and $2.4 billion of undrawn bank debt facilities.

The following table details the SAL Group's remaining undiscounted principal and interest cash flows and their contractual maturity based on the earliest date on which the Group is required to pay.

Treasury and financial risk management continued

4. Financial risk management continued

	Carrying value $m	Contractual cash flows $m	1 year or less $m	1 to 5 years $m	5 years or more $m
2020					
Trade and other payables	140.5	140.5	140.5	-	-
Lease liabilities	0.2	2.0	0.3	0.7	1.0
Domestic bonds	1,598.9	1,632.8	5.4	963.6	663.8
USPP bonds- AUD	1,342.1	2,255.1	56.2	227.3	1,971.6
USPP bonds- USD	3,728.3	4,141.0	764.2	2,679.8	697.0
USPP bonds - EUR	78.8	91.3	0.8	3.3	87.2
EMTN Euro bonds	2,043.0	2,104.7	44.4	1,235.6	824.7
Capital indexed bonds	409.8	661.7	12.8	54.8	594.1
Derivatives	747.6	156.3	(594.9)	(687.7)	1,438.9
- Cross currency swaps	*88.4*	*(522.4)*	*(673.1)*	*(1,156.6)*	*1,307.3*
Inflows	*n/a*	*(6,336.9)*	*(809.4)*	*(3,918.7)*	*(1,608.8)*
Outflows	*n/a*	*5,814.5*	*136.3*	*2,762.1*	*2,916.1*
- Interest rate swaps	*659.2*	*678.7*	*78.2*	*468.9*	*131.6*
	10,089.2	11,185.4	429.7	4,477.4	6,278.3
2019 [1]					
Distribution payable	440.6	440.6	440.6	-	-
Trade and other payables	254.7	254.7	254.7	-	-
Lease liabilities	0.6	0.6	0.4	0.2	-
Bank facilities	480.7	503.7	8.8	494.9	-
Domestic bonds	1,596.3	1,697.2	18.6	998.1	680.5
USPP bonds- AUD	904.1	1,543.3	43.8	174.9	1,324.6
USPP bonds- USD	3,983.9	4,597.6	156.0	2,288.4	2,153.2
USPP bonds - EUR	2,062.3	2,167.0	44.9	1,276.6	845.5
Capital indexed bonds	1,159.0	1,493.9	820.0	54.4	619.5
Derivatives	626.3	(248.9)	86.2	(298.5)	(36.6)
- Cross currency swaps	*32.4*	*(866.9)*	*(26.2)*	*(669.0)*	*(171.7)*
Inflows	*n/a*	*(6,764.7)*	*(200.9)*	*(3,565.0)*	*(2,998.8)*
Outflows	*n/a*	*5,897.8*	*174.7*	*2,896.0*	*2,827.1*
- Interest rate swaps	*593.9*	*618.0*	*112.4*	*370.5*	*135.1*
	11,508.5	12,449.7	1,874.0	4,989.0	5,586.7

1. The 2019 comparatives were restated to reflect cash flows on cross currency swaps to align with 2020's presentation.

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Treasury and financial risk management continued

5. Derivative financial instruments

The Group uses derivative financial instruments to mitigate its exposures to foreign currency and interest rate risks, as described in note 4. The net derivative position at reporting date is presented below. There are no derivative financial instruments in the SAT1 Group.

	2020			2019		
	Cross currency swaps $m	Interest rate swaps $m	Total $m	Cross currency swaps $m	Interest rate swaps $m	Total $m
Current assets	149.9	-	149.9	14.3	0.5	14.8
Non-current assets	543.3	0.5	543.8	926.6	10.1	936.7
Current liabilities	(24.8)	(52.8)	(77.6)	(32.4)	(93.3)	(125.7)
Non-current liabilities	(63.6)	(606.4)	(670.0)	-	(500.6)	(500.6)
Net derivative position	604.8	(658.7)	(53.9)	908.5	(583.3)	325.2

Recognition and measurement

Hedge accounting

On initial designation of a derivative as a hedging instrument, the Group documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy for undertaking the hedge transaction.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. Any gains or losses arising from changes in fair value of derivatives, except those that qualify as effective hedges, are immediately recognised in profit or loss. When the Group designates certain derivatives to be part of a hedging relationship, and they meet the criteria for hedge accounting, the hedges are classified as either fair value or cash flow hedges.

The hedge ratio is one, due to the notional value of the hedged item being hedged equating to the notional value of the hedge instrument.

Cash flow hedges

The Group's interest rate swaps are accounted for as cash flow (CF) hedges. They are used to hedge exposure to variability in forecast cash flows where the transaction is committed or highly probable. Initial recognition of the derivative is at fair value with attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the cash flow hedge reserve under equity. Any ineffective portion of the derivative is recognised immediately in profit or loss. The amount accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period that the hedged cash flow affects profit or loss. If the derivative no longer meets the criteria for hedge accounting, for example if it expires, is sold, terminated, exercised or the designation is revoked, then hedge accounting is discontinued prospectively and the balance in equity is reclassified to profit or loss when the forecast transactions are not expected to occur any more.

Fair value hedges

The Group's cross currency swaps are accounted for as fair value (FV) hedges. They are used to hedge the exposure to variability in the fair value of assets or liabilities that could affect profit or loss. Initial recognition of the derivative is at fair value and subsequent changes, being hedging gains or losses, are recognised in profit or loss. The hedge adjustment is included in the carrying value of the hedged items and in the profit or loss. The cross currency swaps are considered to be highly effective hedges as they are matched against underlying foreign currency exposures. There is no significant cashflow hedge ineffectiveness in the current year or prior year.

If the derivative no longer meets the criteria for hedge accounting, for example if it expires, is sold, terminated, exercised or the designation is revoked, then hedge accounting is discontinued prospectively and any remaining adjustment included in the carrying amount of the hedged item is amortised through profit or loss using the effective interest rate method.

Foreign currency basis spread is recognised as a component of equity. This represents the fair value of the cost to convert foreign currency to Australian dollars of cross currency swaps.

5. Derivative financial instruments continued

	Fair value hedges		Cash flow hedges			Total
At 31 December 2020	**EUR CCIRS $m**	**USD CCIRS $m**	**EUR CCIRS $m**	**USD CCIRS $m**	**AUD IRS $m**	**$m**
Notional amount [1]	EUR1,200.0	USD1,620.0	AUD1,910.3	AUD3,007.7	AUD3,559.0	n/a
Carrying amount of the hedging instrument						
– Assets	70.8	132.1	152.1	316.9	0.5	672.4
– Liabilities	(6.4)	(2.8)	(244.1)	(189.6)	(349.3)	(792.2)
Total carrying amount of the hedging instrument	*64.4*	*129.3*	*(92.0)*	*127.3*	*(348.8)*	*(119.8)*
Cumulative FV adjustment on hedged item (excluding impact of changes in foreign exchange rates on notional amount)	(147.5)	(79.3)	n/a	n/a	n/a	(226.8)
Carrying amount of the hedged item recognised in the statement of financial position	(2,042.9)	(2,175.4)	n/a	n/a	n/a	(4,218.3)
Balance in CF hedge reserve on continuing hedges [4]	n/a	n/a	155.3	103.3	246.2	504.8
Balance in CF hedge reserve from hedging relationships where hedge accounting no longer applies	n/a	n/a	102.0	70.6	131.7	304.3
During the year:						
Change in value of hedging instrument used for calculating hedge effectiveness:						
- on continuing hedge relationships [2]	9.3	44.9	(101.8)	(344.4)	(98.9)	(490.9)
- on hedge relationships discontinued in July 2020 [2]	(1.0)	12.2	(1.0)	26.0	(24.3)	11.9
Cash payment on restructure of IRS during the year	-	-	33.5	48.2	55.6	137.3
Change in value of hedged item used for calculating hedge effectiveness:						
- on continuing hedge relationships [2]	(7.3)	(39.7)	95.2	344.7	97.5	490.4
- on hedge relationships discontinued in July 2020 [2]	0.2	(11.6)	1.2	(40.4)	25.1	(25.5)
Change in CF hedge reserve of the hedging instrument recognised in reserves:						
- continuing hedge relationships [4]	n/a	n/a	(57.8)	24.7	(98.0)	(131.1)
- hedge relationships discontinued in July 2020 [4]	n/a	n/a	(19.1)	21.7	(24.8)	(22.2)
Gain/(loss) reclassified from CF hedge reserve to P&L on discontinued hedges [4]	n/a	n/a	14.6	16.3	25.4	56.3
Change in profit or loss						
Ineffectiveness recognised in P&L (continuing hedge relationships) [3]	2.0	5.2	(6.7)	(22.6)	(0.9)	(23.0)
Amount reclassified to P&L on discontinued hedges	11.7	6.5	(14.6)	(16.3)	(25.4)	(38.1)
Ineffectiveness recognised in P&L (hedge relationships discontinued in July 2020) [3,5]	(0.9)	0.5	(1.2)	1.6	0.5	0.5
Amount reclassified from hedge reserve to P&L [5]	-	-	17.6	351.2	-	368.8

1. Depending on the nature of the CCS, a single CCS may be broken down into a FV hedge and a CF hedge . Each structure has a notional amount. Hence the notional amount displayed will be greater than the principal amount of the debt hedged.
2. Hedge effectiveness is the extent to which the changes in FV of the hedging instrument offsets changes in the FV of the hedged item.
3. Hedge ineffectiveness is the extent to which the changes in the fair value or the cash flows of the hedging instrument are greater or less than those on the hedged item. The source of the ineffectiveness includes the effect of credit risk on the hedging instrument.
4. Balance includes FV of foreign currency basis spreads recognised in the Cost of Hedging Reserve. Balances are before tax.
5. Includes $3.1 million loss in cost of hedging reserve reclassified to profit or loss during the period, due to hedge de-designations.

Notes to the financial statements

for the year ended 31 December 2020

Treasury and financial risk management continued

5. Derivative financial instruments continued

	Fair value hedges		Cash flow hedges			Total
At 31 December 2019	**EUR CCIRS $m**	**USD CCIRS $m**	**EUR CCIRS $m**	**USD CCIRS $m**	**AUD IRS $m**	**$m**
Notional amount [1]	EUR1,200.0	USD1,120.0	A$1,829.4	A$3,189.9	A$4,618.0	n/a
Carrying amount of the hedging instrument						
– Assets	146.7	43.0	-	530.1	-	719.8
– Liabilities	-	-	(113.3)	-	(281.3)	(394.6)
Total carrying amount of the hedging instrument	*146.7*	*43.0*	*(113.3)*	*530.1*	*(281.3)*	*325.2*
Cumulative FV adjustment on hedged item (excluding impact of changes in foreign exchange rates on notional amount) [6]	(152.1)	(54.6)	(88.6)	(757.1)	n/a	(1,052.4)
Carrying amount of the hedged item recognised in the statement of financial position	(1,640.1)	(2,062.2)	n/a	n/a	n/a	(3,702.3)
Effective portion recognised in reserves [4]	n/a	n/a	198.6	225.4	280.5	704.5
Balance in CF hedge reserve from hedging relationships where hedge accounting no longer applies	n/a	n/a	(3.7)	11.2	-	7.5
During the year:						
Change in the value of the hedging instrument used for calculating hedge effectiveness [2]	44.5	42.7	(127.7)	10.6	(163.8)	(193.7)
Change in the value of the hedged item used for calculating hedge effectiveness [2]	(44.7)	(42.2)	140.7	1.7	163.6	219.1
Change in value of the hedging instrument recognised in reserves [4]	n/a	n/a	(94.1)	(6.3)	(163.2)	(263.6)
Charged to profit and loss on discontinued hedges [5]	-	1.9	0.9	(1.5)	-	1.3
Ineffectiveness recognised in profit and loss [3]	(0.2)	(1.4)	(0.4)	0.9	(0.6)	(1.7)
Amount reclassified from hedge reserve to profit or loss [5,7]	n/a	n/a	(34.0)	17.5	-	(16.5)

1. Depending on the nature of the cross currency swap, a single cross currency swap may be broken down into a fair value hedge and a cash flow hedge. Each structure has a notional amount. Hence the notional amount displayed will be greater than the principal amount of the debt hedged.
2. Hedge effectiveness is the extent to which the changes in fair value of the hedging instrument offsets changes in the fair value of the hedged item.
3. Hedge ineffectiveness is the extent to which the changes in the fair value or the cash flows of the hedging instrument are greater or less than those on the hedged item. The source of ineffectiveness includes the effect of credit risk on the hedging instrument. A positive number represents a gain in the Income statement (Finance costs).
4. Balance includes fair values of foreign currency basis spreads recognised in the Cost of Hedging Reserve. Balances are before tax.
5. Balance includes $3.1 million of cost of hedging reserve balances reclassified to profit or loss during the period. This reclassification was a result of hedge de-designations.
6. A negative number represents an increase in liability.
7. This is fully offset within the Income Statement (Finance costs) by the change in fair value of foreign currency translation on foreign currency debt.

Critical estimates and assumptions – fair value measurement of financial instruments

The fair value of financial instruments is estimated by management at each reporting date. At 31 December 2020 and 31 December 2019, all derivative financial instruments were determined based on observable market inputs, categorised as Level 2, in accordance with AASB 9.

Treasury and financial risk management continued

6. Net finance costs

		SAL Group		SAT1 Group	
		2020 $m	2019 $m	2020 $m	2019 $m
Finance income					
Interest income from other corporations [1]		8.2	8.3	0.1	0.1
Interest income from related parties	20	-	-	233.5	233.6
Total finance income		8.2	8.3	233.6	233.7
Finance costs					
Senior debt interest expense		(316.2)	(322.6)	-	-
Net swap interest expense		(29.5)	(88.6)	-	-
Capital indexed bonds capitalised		(7.6)	(17.8)	-	-
Amortisation of debt establishment costs		(26.4)	(4.2)	-	-
Recurring borrowing costs		(6.9)	(5.2)	-	-
Lease interest expense		(0.2)	(0.2)	-	-
Borrowing costs - corporate debt		-	(0.2)	-	-
Borrowing costs – capitalised		7.2	9.7	-	-
Interest expense from related parties	20	-	-	(117.1)	-
Total finance costs		(379.6)	(429.1)	(117.1)	-
Change in fair value of swaps [2]		(60.4)	(0.1)	-	-
Net finance costs		(431.8)	(420.9)	116.5	233.7

1. $2.3 million relates to interest income on Sydney Gateway (2019: nil). Refer to note 15.
2. 2020 includes $60.1 million in relation to the straight line amortisation of swap reset costs. Refer to note 4.2 for further details.

Recognition and measurement

Finance income relates to the interest income on cash and cash equivalents and loan receivable balances which are brought to account using the effective interest rate method.

Finance costs are recognised as expenses when incurred using the effective interest rate method, except where they are directly attributable to the acquisition, construction or production of qualifying assets.

Capitalisation of borrowing costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are capitalised as part of the cost of those assets.

Notes to the financial statements

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Financial results and financial position

Overview

This section provides additional information about the individual line items in the financial statements that are considered relevant to the operations or financial position of the Groups.

7. Segment reporting

The CEO monitors and manages the SAL Group's core asset – the investment in Sydney Airport, and considers this to be the Group's single operating segment. The segment result for the year represents earnings before interest, tax, depreciation and amortisation (EBITDA).

The segment's revenues, expenses, assets and liabilities are as presented in the consolidated statements of comprehensive income and statements of financial position.

All revenue is generated from external customers within Australia.

Income from interest, dividends and other distributions received from investments are measured at the fair value of the consideration received or receivable and recognised in the consolidated statements of comprehensive income.

Sydney Airport's revenues, expenses, assets and liabilities are consolidated and accounted for in accordance with the Group's accounting policies. For the years ended 31 December 2020 and 31 December 2019 the segment result, assets and liabilities were equal to that of the SAL Group.

8. Earnings per share

The calculation of earnings per share is based on the profit after tax attributable to security holders and the weighted average number of shares/units on issue.

	SAL Group		SAT1 Group	
	2020	**2019**	**2020**	**2019**
Profit after tax attributable to security holders ($m)	(145.6)	403.9	154.2	44.1
Weighted average number of shares/units (m)	2,408.6	2,257.4	2,408.6	2,257.4
Earnings per share	(6.04c)	17.89c	6.40c	1.95c
Restated earnings per share [1]	n/a	17.44c	n/a	1.90c

1. 2019 has been restated as a result of the equity raising. Refer to note 1.

9. Receivables

Trade receivables are generally collected within 30 days of invoice date. The table on the following page reflects $135.1 million current trade receivables at 31 December 2020. Of this, $47.0 million relate to revenues earned from contracts with customers (Aeronautical and Parking and ground transport revenues), as explained in Significant accounting policies (2019: $42.9 million). The remainder relates to revenues from leases (Retail and Property and car rental revenues).

The net trade receivables balance at 31 December 2020 that relate to:

- *aeronautical customers* are predominantly from the Virgin Group relating to the dividend amount outlined Deed of Company Arrangement; and
- *commercial customers* include the remaining balance to be received post abatements and provisions, and amounts invoiced in advance in accordance with the lease agreement. Amounts invoiced in advance are also recognised in Payables.

Accrued revenue represents revenues the Group is entitled to receive but has not invoiced at reporting date.

9. Receivables continued

	SAL Group		SAT1 Group	
	2020 $m	2019 $m	2020 $m	2019 $m
Current				
Trade receivables	135.1	100.5	-	-
Allowance for expected credit loss	(61.3)	(0.1)	-	-
Net trade receivables	73.8	100.4	-	-
Accrued contract revenue	19.1	79.2	-	-
Other receivables [1,3]	279.1	20.1	41.9	-
Total current receivables	372.0	199.7	41.9	-
Non-current				
Loans to related parties [2]	1.4	-	1,796.5	1,796.5
Accrued contract revenue	6.6	7.4	-	-
Other receivables [3]	134.1	72.0	-	-
Total non-current receivables	142.1	79.4	1,796.5	1,796.5

1. $189.8 million relates to the Sydney Gateway transaction. Refer to note 15.
2. Refer to note 20 for further details on the SAT1 Group's balance of $1,796.5 million. The fair value of the receivable at 31 December 2020 is $2,058.6 million.
3. Abatements to be amortised against future revenues of $66.0 million are included in Other receivables. Those expected to be amortised in the following 12 months from reporting date are classified as Current of $43.6 million; the remainder has been classified as Non-current of $22.4 million.

Movement in allowance for expected credit losses (ECL):

	SAL Group $m	SAT1 Group $m
As at 1 January 2019	-	-
New and increased provisions	(0.1)	-
Balance at 31 December 2019	(0.1)	-
New and increased provisions [4]	(93.9)	-
Increased provisions in relation to contracts with customers	(3.8)	-
Receivables provided for now written off as uncollectible	36.5	-
Balance at 31 December 2020	(61.3)	-

4. Expected credit loss expense in the Consolidated statements of comprehensive income.

Recognition and measurement

The Group's trade and other receivables are initially recognised at fair value, which approximates their carrying value and includes transaction costs directly attributable to the acquisition of the asset. Subsequent measurement is recorded at amortised cost using the effective interest rate method, less any allowance for impairment raised for doubtful debts based on expected lifetime credit losses. The Group applies the simplified impairment approach of ECL, as permitted by AASB 9. This requires that expected lifetime losses be recognised from initial recognition of all financial assets. This is based on the anticipated impact of default events arising either in the 12 months after reporting date, or the entire lifetime of the asset.

Credit risk on receivables relate to aeronautical, retail and property trade receivables at the Airport asset level. Prior to COVID-19, the Group had an ECL provision of $0.1 million. With the operational and liquidity pressures on the Group's aeronautical and commercial debtors following the impact of COVID-19, the Group assessed the recoverability of receivables on an individual debtor basis. The assessment was based on information available at the time and the Group's best judgement, with a relevant ECL provision was applied at reporting date. The Group will continue to assess the recoverability of trade debtors on an ongoing basis.

Concessions in the form of rent abatements of $142.8 million and rent deferrals of $8.4 million were negotiated during the year. Of the abatements, $52.5 million were recognised through an ECL provision. The remaining $90.3 million of abatements are recognised on a straight-line basis as a reduction to revenue over the remaining lease terms in accordance with the relevant Accounting Standards. $24.3 million was recognised as a reduction to revenue during 2020.

Notes to the financial statements

for the year ended 31 December 2020

Financial results and financial position continued

10. Property, plant and equipment

SAL Group ($m)	Freehold land [1]	Buildings [1]	Runways, taxiways and aprons	Other infrastructure	Operational plant and equipment	Other plant and equipment	Capital works in progress	Total
Useful life (years)	99	5-60	6-99	9-40	14-20	3-60		
2020								
Cost								
Opening balance	11.4	3,054.0	1,027.5	1,332.2	542.6	425.4	252.1	6,645.2
Additions [2]	-	-	-	-	-	-	323.8	323.8
Impairment	-	-	-	-	-	-	(28.2)	(28.2)
Transfers	-	28.2	6.9	99.3	2.4	36.4	(173.2)	-
Closing balance	11.4	3,082.2	1,034.4	1,431.5	545.0	461.8	374.5	6,940.8
Accumulated depreciation								
Opening balance	(1.5)	(1,411.9)	(419.2)	(587.5)	(368.6)	(323.9)	-	(3,112.6)
Depreciation	(0.1)	(177.1)	(39.2)	(72.2)	(25.0)	(42.1)	-	(355.7)
Closing balance	(1.6)	(1,589.0)	(458.4)	(659.7)	(393.6)	(366.0)	-	(3,468.3)
Total carrying amount	9.8	1,493.2	576.0	771.8	151.4	95.8	374.5	3,472.5
2019								
Cost								
Opening balance	11.4	2,814.8	1,007.1	1,276.9	515.6	390.0	363.2	6,379.0
Additions [1]	-	-	-	-	-	0.8	314.4	315.2
Transfers	-	263.3	20.4	55.6	27.0	59.2	(425.5)	-
Disposals	-	(24.1)	-	(0.3)	-	(24.6)	-	(49.0)
Closing balance	11.4	3,054.0	1,027.5	1,332.2	542.6	425.4	252.1	6,645.2
Accumulated depreciation								
Opening balance	(1.4)	(1,261.6)	(380.4)	(515.4)	(341.8)	(308.3)	-	(2,808.9)
Depreciation	(0.1)	(174.4)	(38.8)	(72.4)	(26.8)	(40.2)	-	(352.7)
Disposals	-	24.1	-	0.3	-	24.6	-	49.0
Closing balance	(1.5)	(1,411.9)	(419.2)	(587.5)	(368.6)	(323.9)	-	(3,112.6)
Total carrying amount	9.9	1,642.1	608.3	744.7	174.0	101.5	252.1	3,532.6

1. A percentage of these assets are subject to operating leases with third parties. These vary from year to year.
2. Includes capitalised borrowing costs of $7.2 million (2019: $9.7 million).

During the year ended 31 December 2020, the SAL Group acquired Jet Fuel storage and reticulation assets for $85.0 million.

Following the review and re-prioritisation of critical projects targeting asset resilience, safety and security as a result of the impact of COVID-19, the Group recognised an impairment of $28.2 million in respect of certain capital works that are not progressing (2019: Nil).

Capital expenditure commitments

At reporting date, the Group had capital expenditure commitments of $168.1 million (2019: $194.7 million) which spans across 2021 to 2024.

Financial results and financial position continued

10. Property, plant and equipment continued

Recognition and measurement

The Group recognises items of property, plant and equipment at cost which includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs and any other costs directly attributable to bringing the assets to a working condition for their intended use.

The subsequent measurement of items of property, plant and equipment is at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is accounted for on a straight-line basis in profit or loss over the remaining useful lives of each component, from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the assets are completed and ready for use.

Subsequent expenditure is capitalised only when it is probable that future economic benefits will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

11. Intangible assets

SAL Group ($m)	Goodwill	Concession and customer contracts	Airport operator licence	Leasehold land	Total
Useful life (years)	n/a	7-16	95	95	
2020					
Cost					
Opening balance as 1 January 2020	682.1	162.3	5,607.8	2,038.1	8,490.3
Additions	-	-	-	-	-
Disposals	-	-	-	(88.9)	(88.9)
Closing balance	682.1	162.3	5,607.8	1,949.2	8,401.4
Accumulated amortisation					
Opening balance as 1 January 2020	-	(161.6)	(805.7)	(292.6)	(1,259.9)
Amortisation	-	(0.5)	(61.7)	(22.5)	(84.7)
Disposals	-	-	-	17.1	17.1
Closing balance	-	(162.1)	(867.4)	(298.0)	(1,327.5)
Total carrying amount	682.1	0.2	4,740.4	1,651.2	7,073.9
2019					
Cost					
Opening balance as 1 January 2019	682.1	162.3	5,607.8	2,038.1	8,490.3
Additions	-	-	-	-	-
Closing balance	682.1	162.3	5,607.8	2,038.1	8,490.3
Accumulated amortisation					
Opening balance as 1 January 2019	-	(160.8)	(743.7)	(270.1)	(1,174.6)
Amortisation	-	(0.8)	(62.0)	(22.5)	(85.3)
Closing balance	-	(161.6)	(805.7)	(292.6)	(1,259.9)
Total carrying amount	682.1	0.7	4,802.1	1,745.5	7,230.4

During the year, the Group de-recognised leasehold land with cost of $88.9 million and accumulated depreciation of $17.1 million relating to the Sydney Gateway transaction. Refer to note 15.

Notes to the financial statements

for the year ended 31 December 2020

Financial results and financial position continued

11. Intangible assets continued

Airport operator licence and Leasehold land explained

The Commonwealth of Australia granted Sydney Airport Corporation Limited, a wholly-owned subsidiary of SAL, a 50 plus 49 year lease of land and granted an airport operator licence.

An independent valuation was conducted in 2007 valuing the leasehold land and the intrinsic value of operating the land as an airport.

Recognition and measurement

Except for goodwill, the Group recognises intangible assets at cost directly attributable to the acquisition of an asset. The subsequent measurement of intangible assets is at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is accounted for on a straight-line basis in profit or loss over the asset's estimated useful lives from the date they are available for use.

Goodwill arises on acquisition of a business combination. It is measured at cost less accumulated impairment losses and tested for impairment annually.

Impairment of intangible assets

The carrying amounts of the Group's intangible assets other than deferred tax assets are reviewed at each reporting date to determine any indication of impairment. Assets with finite lives are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that have an indefinite useful life (including goodwill) are not subject to amortisation and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired.

An impairment loss is recognised in profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows – cash generating units (CGU).

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is never reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An independent valuation is performed annually. For the year ended 31 December 2020, the independent valuation was updated for COVID-19 impacts to the business and included assumptions regarding future passenger numbers, revenue, operating expenses, capital expenditure and interest rates. There were no changes to valuation methodology. The result of the updated valuation indicated that significant headroom remains and hence no goodwill impairment was required. The next independent valuation will be performed for the year ending 31 December 2021.

Critical estimates and assumptions – impairment test for goodwill

Assessing value in use requires directors to make significant estimates and assumptions.

Goodwill has been allocated to the Group's CGU, identified as being the investment in Sydney Airport. Discounted cash flow methodology has been adopted to value the Group's investment. Under this methodology, estimated post-tax cash flows are discounted to their present value using a post-tax discount rate. The discount rate used reflects current market assessment of the time value of money and the risks specific to Sydney Airport as a CGU.

The cash flows consider the decreased traffic, operational forecasts, cost of debt and uncertainty around the COVID-19 recovery. They are projected based on a Financial Model covering a twenty year period, as follows:

- Cash flows for the first five years are based on a detailed bottom-up business planning process incorporating the Group's views on key drivers such as passenger numbers;
- Long-term cash flows to equity after year five are extrapolated based on top-down forecasting incorporating the Group's views on key drivers such as passenger numbers but also the Group's longer term capital structure; and
- Terminal value is calculated using the Gordon Growth Model.

11. Intangible assets continued

Critical estimates and assumptions – impairment test for goodwill continued

Cash flows are discounted using a post-tax discount rate calculated based on the Capital Asset Pricing Model (CAPM). Given the significant headroom of valuation above carrying value, a material change, such as twenty percentage points on top of the discount rate, would not result in an impairment of goodwill.

Other key assumptions used in the value-in-use calculation include international and domestic passenger numbers, operating costs, capital investment, interest rates and inflation. Total passenger numbers were 11.2 million for the year ended 31 December 2020 (2019: 44.4 million). Interest rates are assumed to reflect prevailing market implied projections. Average long-term inflation rates are assumed to be within the Reserve Bank of Australia (RBA) target range. A reasonably possible change in any such assumptions would not be expected to lead to an impairment of goodwill.

The valuation derived from this discounted cash flow methodology is benchmarked to other sources such as the ASX-listed Sydney Airport security price, broker estimates and recent market transactions to ensure the valuation provides a reliable value-in-use measure.

12. Taxation

Income tax expense

Reconciliation of tax expense to prima facie tax payable:

	SAL Group		SAT1 Group	
	2020 $m	**2019 $m**	**2020 $m**	**2019 $m**
(Loss)/profit before income tax	(244.4)	286.6	154.2	44.1
Income tax expense calculated at 30%	*73.3*	*(86.0)*	*(46.3)*	*(13.2)*
Adjustments recognised in the current year that relate to the prior year	2.8	1.7	-	-
Utilisation of previously unrecognised deferred tax asset on capital tax losses	(1.1)	(1.9)	-	-
Capital losses previously not recognised	15.2	-	-	-
Tax effect of operating results of Australian trusts	46.7	14.5	46.3	13.2
Income tax benefit/(expense)	136.9	(71.6)	-	-

	SAL Group		SAT1 Group	
	2020 $m	**2019 $m**	**2020 $m**	**2019 $m**
Deferred tax				
Origination and reversal of temporary differences	120.0	(71.6)	-	-
Recognition of capital losses	15.2	-	-	-
Adjustments for the prior year	1.7	-	-	-
Total income tax benefit/(expense) in the Consolidated Income Statement	136.9	(71.6)	-	-

The SAL Group has no current tax expense as there is no current tax asset or liability.

Notes to the financial statements

for the year ended 31 December 2020

Financial results and financial position continued

12. Taxation continued

Deferred taxes

The movements in deferred tax balances for the SAL Group are shown in the tables below:

SAL Group	Balance 1 January 2019 $m	Temporary movements recognised $m	Balance 31 December 2019 $m	Temporary movements recognised $m	Balance 31 December 2020 $m
Deferred tax assets/(liabilities):					
Property, plant and equipment	(223.7)	5.8	(217.9)	29.7	(188.2)
Intangibles	(1,911.5)	25.3	(1,886.2)	46.8	(1,839.4)
Interest bearing liabilities	(2.1)	0.6	(1.5)	0.3	(1.2)
Deferred debt establishment costs	-	(2.5)	(2.5)	4.5	2.0
Accrued revenue and prepayments	(23.6)	(1.3)	(24.9)	(83.0)	(107.9)
Defined benefits plan	(1.5)	(0.2)	(1.7)	-	(1.7)
Deferred income	0.1	(0.1)	-	0.1	0.1
Deferred costs	0.1	-	0.1	-	0.1
Other payables and lease liabilities	15.9	(1.3)	14.6	30.1	44.7
Cash flow hedges [1]	123.8	75.2	199.0	3.4	202.4
Tax losses	214.2	(94.3)	119.9	118.9	238.8
Total	(1,808.3)	7.2	(1,801.1)	150.8	(1,650.3)

1. $13.8 million (2019: $79.1 million) was charged to equity. $5.9 million relates to changes in fair value of cashflow hedges and fair value of foreign currency basis reserve. $7.9 million relates to the entitlement offer as described in note 1.

The SAT1 Group has no deferred tax transactions or balances.

Taxation of SAT1 net income

During the year ended 31 December 2020, SAT1 derived interest income of $116.5 million from the cross staple loan to SAL (equivalent to 4.3 cents per unit). Refer to note 20 for further information on the cross staple loan transactions during the year.

Due to the impact of COVID-19 on Sydney Airport, SAT1 did not make a cash distribution to unitholders in respect of the year ended 31 December 2020. Despite this, the interest income derived by SAT1 is attributable to SAT1 unitholders, and therefore unitholders should be subject to tax on their proportionate share of SAT1's net taxable income for the year.

The Trustee board of SAT1 has resolved for SAT1 to elect to enter into the Attribution Managed Investment Trust (AMIT) regime in respect of the year ended 31 December 2020 onwards. One of the outcomes of electing into the AMIT regime is that it will provide unitholders an increase in the tax cost base of their SAT1 units where the taxable income attributed from SAT1 exceeds the cash distribution. The increase to tax cost base eliminates the possibility of double taxation which can occur where SAT1 has attributed taxable income to a unitholder but not distributed those amounts in cash and the unitholder subsequently disposes of their SYD securities.

12. Taxation continued

Recognition and measurement

Tax expense comprises of current and deferred tax expense recognised in the profit and loss except where related to items recognised directly in equity. Tax expense is measured at the tax rates that have been enacted or substantially enacted based on the national tax rate for each applicable jurisdiction at the reporting date.

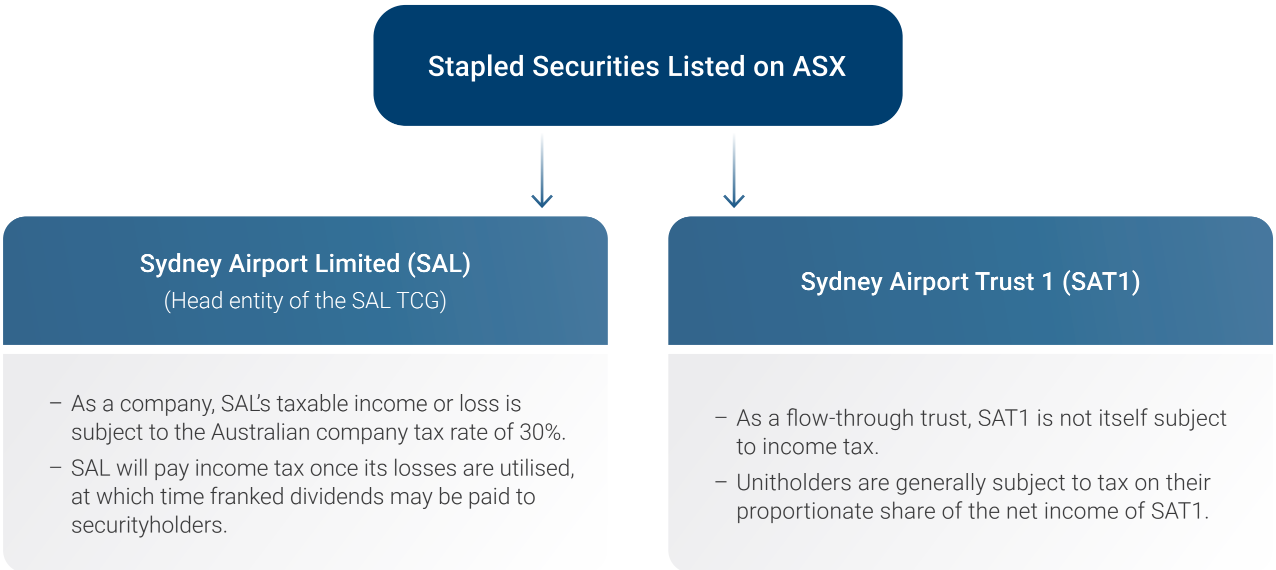
Current tax is the expected tax payable or receivable on taxable income or loss for the year and any adjustment in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities.

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation. These are offset if there is a legal enforceable right to offset. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. These are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

SAL and its wholly owned Australian subsidiaries are members of a tax-consolidated group (SAL TCG) under Australian income tax law, with SAL the head entity. The SAL TCG had estimated tax losses of $745.0 million at 31 December 2020 (2019: $399.4 million). It also recognised capital losses of $50.7 million during the year as it is probable that the capital losses will be utilised.

Each entity in the SAL TCG accounts for current and deferred tax with tax expense and deferred tax assets and liabilities arising from temporary differences recognised in their separate financial statements using the 'standalone tax payer' approach. Under the tax sharing agreement (SAL TSA) between SAL TCG entities, amounts are recognised as payable to or receivable by each member of the SAL TCG in relation to the tax contribution amounts paid or payable between SAL and members of the SAL TCG.



Sydney Airport's 2020 Tax Governance Statement is located on our website at www.sydneyairport.com.au/TaxGovernance2020.

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Financial results and financial position continued

13. Leases

Leases recognised as right-of-use assets where the SAL Group is a lessee are described below. The SAT1 Group has no right-of-use assets.

Amounts recognised in the Statement of financial position

Included in Property, Plant and Equipment is $0.4 million being the carrying amount of right-of-use assets at 31 December 2020 (2019: $0.8 million). These relate mainly to the lease of data centre space. These leases expire between 2021 and 2031.

Lease liabilities included on the balance sheet is $0.1 million recognised as Current lease liabilities (2019: $0.4 million) and $0.1 million as Non-current lease liabilities (2019: $0.2 million).

There were no additions to right-of-use assets during the 2020 financial year.

Amounts recognised in the Statement of comprehensive income

SAL Group	2020 $m	2019 $m
Lease interest expense	0.2	0.2
Depreciation expense	0.4	0.5

Recognition and measurement

Cost of right-of-use asset comprises the initial measurement of the liability, any lease payments pre-commencement date offset by any lease incentives received, initial direct costs and restoration costs, if applicable. The cost is depreciated over the shorter of the asset's useful life and the life of the lease on a straight-line basis.

Lease liabilities are measured by the net present value of fixed payments offset by any lease incentives receivable, and where applicable variable lease payments linked to an index or rate if applicable, exercise price of a purchase option (where the Group is reasonably certain to exercise that option); and payment of penalties for terminating the lease (where the life of the lease has assumed termination). Payments made are allocated between lease liability and finance cost, with the finance cost charged to interest expense over the life of the lease. The weighted average incremental borrowing rate was applied to the lease liabilities.

14. Provisions

	SAL Group		SAT1 Group	
	2020 $m	2019 $m	2020 $m	2019 $m
Current				
Employee benefits	8.5	9.9	-	-
Total current provision	8.5	9.9	-	-
Non-current				
Employee benefits	3.8	3.6	-	-
Indemnity provision	63.1	63.1	63.1	63.1
Total non-current receivables	66.9	66.7	63.1	63.1

Indemnity provision

In 2011, the SAT1 Group sold stakes in both Copenhagen Airport and Brussels Airport to Ontario Teachers' Pension Plan Board (OTPP). In prior years, the Danish Tax Agency (DTA) issued assessments to Copenhagen Airports Denmark Holdings (CADH) in respect of dividend and interest withholding tax amounts for the 2006 – 2011 years inclusive. In response to demands from the DTA in 2017, CADH paid all disputed interest withholding tax liabilities. As OTPP is indemnified by SAT1 for its 52% share of any liabilities of CADH arising in respect of these matters, OTPP then issued indemnity claims for SAT1's share of those liabilities which were paid by SAT1 to OTPP in November 2017. This was recognised as a non-current receivable in the 31 December 2017 and 2018 Financial Reports. The assessments are currently being contested in the Danish High Court with resolution unlikely to be before 2022.

Financial results and financial position continued

14. Provisions continued

SAL and SAT1 announced on 24 May 2019 that decisions of the Court of Justice of the European Union (ECJ decisions), although not in relation to CADH's interest and dividend withholding tax disputes being contested in the Danish High Court, had prompted reconsideration of the status of the indemnities provided by SAT1. Following analysis of all relevant information available to it at that time, SAT1 determined in the 31 December 2019 Financial Report to:

- Expense the $119.1 million non-current receivable which had been recognised in the 31 December 2018 Financial Report (note 9) relating to the interest withholding tax indemnity; and
- Provide $63.1 million as a non-current provision for a possible call on the indemnity in respect of the dividend withholding tax matter. This provision reflected (and continues to reflect) the Group's estimate of a final indemnity call which would be payable if an unfavourable resolution of the dispute had occurred as at 31 December 2019, including primary tax and additional interest accrued to that date. The non-current provision was estimated using the spot exchange rate of AUD/DKK 4.67 as at 31 December 2019, and was to be escalated by around $6.0 million per annum in potential additional interest for as long as the dividend withholding tax matter remained unresolved in the Danish High Court.

No income tax benefit has been recognised against the indemnity expense.

Developments during the 2020 financial year

On 24 June 2020, the DTA announced that:

- It had since 2008 incorrectly applied the rules concerning the application of interest in withholding tax cases currently before the Danish courts;
- It would review and recalculate interest in all affected cases;
- It would revise assessments and repay excess interest which had previously been paid; and
- It expected to finalise this process by the end of 2020.

On 21 December 2020, the DTA issued a revised interest calculation to CADH and, on 28 December 2020, repaid overcharged interest to CADH in respect of the interest withholding tax matter, followed by a payment of compensatory interest on the overcharged amount. Under the indemnity arrangements, OTPP is required to pay SAT1 52% of such amounts, net of professional costs incurred in pursuing the litigation. At 31 December 2020, SAT1 accordingly recognised $41.9 million as a receivable from OTPP. This reflects a partial write back of the $119.1 million previously expensed in relation to the interest withholding tax indemnity. Payment in respect of that receivable was received subsequent to reporting date.

The Group considers that the DTA's June 2020 announcement should also result in a reduction in the interest charged by the DTA in relation to the dividend withholding tax matter if there were an unfavourable resolution of that dispute. While it is not known whether such a reduction would be applied by the DTA in relation to the dividend withholding tax matter, if the same methodology as has now been used by the DTA in the interest withholding tax matter were applied, the potential reduction in the provision for the dividend withholding tax matter as at 31 December 2020 has been estimated to be $15.2 million, and would be recognised as a write back of the provision.

No adjustment has been made at this time to the non-current provision for the dividend withholding tax matter, which remains at $63.1 million. The provision has also not been adjusted for potential additional interest from 31 December 2019 to 31 December 2020, as these impacts are considered likely to be exceeded by the benefit flowing from the DTA's June 2020 announcement.

CADH (in agreement with SAT1) continues to vigorously contest these matters in the Danish High Court. In addition, SAT1 has incurred expenditure of $2.2 million during the year to continue to fully explore options currently available.

The refund, net of costs, of $39.7 million is reflected in the Consolidated statements of comprehensive income as at 31 December 2020.

There remains uncertainty as to the outcome of the litigation which has the potential to change SAT1's accounting determinations described above.

15. Sydney Gateway

In September 2018, Sydney Airport Corporation Limited (SACL), a wholly owned subsidiary of the SAL Group, reached an agreement with the NSW Government on Sydney Gateway, in exchange for the Australian Government granting an easement to the NSW Government over part of the Sydney Airport site (easement sites). The NSW Government agreed to compensate the Group to the value of $170 million escalating annually at 5% over three years from the date of the agreement. This escalation is recognised as interest income from the date of de-recognition of leasehold land.

Access to all easement sites was provided during the year, resulting in the de-recognition of the carrying value of leasehold land of $71.8 million reflected in Note 11 *Intangible Assets*. The gain on de-recognition of $115.7 million and interest income of $2.3 million calculated from the date of de-recognition to 31 December 2020, is reflected in the Consolidated statements of comprehensive income. An associated current receivable of $189.8 million is reflected in Note 9 *Receivables* under Other receivables.

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for the year ended 31 December 2020

Employee benefits

Overview

The Group aims to attract, retain and motivate high performing individuals and has various compensation and reward programs in place for employees and management, which are detailed in this section.

16. Key management personnel

Key management personnel (KMP) compensation for the Groups for the year comprised the following:

	SAL Group		SAT1 Group	
	2020 $	2019 $	2020 $	2019 $
Short term employee benefits – salary and fees [1]	5,439,992	5,564,648	86,172	91,533
Short term employee benefits – bonus and other [2]	-	3,794,598	-	-
Post employment benefits – superannuation	199,628	218,648	9,046	8,696
Share based payments (LTI)	322,861	247,123	-	-
Total KMP compensation	5,962,481	9,825,017	95,218	100,229

1. KMP short term employee benefits for SAT1 comprises Directors' fees only.
2. 2019 included cash and equity payments made in place of incentives foregone at their previous place of employment.

17. Share based payments

Sydney Airport provides incentives to executives in the form of share based payments. Share based payments expensed during the year was $359,868 (2019: $90,944).

Long-term incentive plan

Sydney Airport has put in place a Long-Term Incentive Plan (LTIP) to provide an incentive for certain management personnel, linking their remuneration to Sydney Airport's long-term financial performance and security holder returns. The Board granted contractual rights (Rights) to certain management personnel to receive Sydney Airport stapled securities at a future date subject to the following performance conditions being satisfied.

Under the LTIP for the 2020 – 2022 and 2019 - 2021 LTI series:

- half of the Rights granted are based on a market comparative Total Shareholder Return performance condition (TSR tranche); and
- half of the Rights granted are based on cash flow per stapled security performance conditions (CPS tranche).

For the LTI series 2018 – 2020:

- one third of the Rights granted are based on a market comparative Total Shareholder Return performance condition (TSR tranche);
- one third of the Rights granted are based on cash flow per stapled security performance conditions (CPS tranche); and
- one third of the Rights are assessed at the Board's discretion based on of the long-term performance of the business and each participant's contribution to that long-term performance (Other tranche). Measures used to evaluate this tranche include outcomes and performance conditions specific to each individual, taking into account such elements as people and leadership, customer satisfaction and delivery of long-term financial outcomes.

Refer to the Remuneration Report 1.3.4 for further details.

Fair value calculations

Performance conditions are measured over a three year period. Rights do not have distribution entitlements during the vesting period. If a participant ceases employment due to circumstances such as death, permanent disability or redundancy, unvested rights may, at the Board's discretion, remain on foot, vest or lapse. If the participant resigns or is dismissed for cause, the rights lapse. These rights may be cash settled at the Board's discretion.

Any rights that vest are expected to be satisfied by stapled securities that may be issued or purchased on-market.

Employee benefits continued

17. Share based payments continued

Recognition and measurement

Equity-settled share-based transactions are measured at fair value at the date of grant. The cost of these transactions are recognised in the profit or loss and credited to equity over the vesting period. At each reporting date, the Group revises its estimates of the number of rights that are expected to vest for service and non-market performance conditions. The expense recognised each year takes into account the most recent estimate.

The fair value of rights granted for each tranche is described below:

- The TSR tranche was determined at grant date using the Monte Carlo model;
- The CPS tranche was determined at grant date using the binomial option pricing model; and
- Where applicable, the Other tranche will be remeasured each year until vesting as the grant date for this tranche has not been reached. The Board will determine what proportion (if any) of the rights will vest, having regard to individual and company performance.

The Board granted 475,721 LTI rights in 2020. Of these, 118,469 were forfeited during the year. At 31 December 2020, the following rights remain unvested.

LTI Series 2020 – 2022

Condition	Number of rights	Grant value	Vesting date
TSR tranche	178,626	$1.09	February 2023
CPS tranche	178,626	$5.21	February 2023

The Board granted 527,668 LTI rights in 2019. Of these, 108,372 rights were forfeited during the year. At 31 December 2020, the following rights remain unvested.

LTI Series 2019 – 2021

Condition	Number of rights	Grant value	Vesting date
TSR tranche	209,648	$3.34	February 2022
CPS tranche	209,648	$6.11	February 2022

The Board granted 404,400 LTI rights in 2018. Of these, 79,495 were forfeited during the year. At 31 December 2020, the following rights remain unvested.

LTI Series 2018 – 2020

Condition	Number of rights	Grant value	Vesting date
TSR tranche	90,304	$2.82	February 2021
CPS tranche	90,304	$6.16	February 2021
Other tranche	90,303	$5.42	February 2021

Retention plan

Sydney Airport implemented a retention plan for certain KMP during the year to ensure leadership continuity through the COVID-19 crisis and recovery. Under the plan, 842,635 rights were granted in October 2020 with a three year vesting period. Providing the relevant KMP remains employed by Sydney Airport and performs to the Board's satisfaction during with vesting period, 100% of the rights will vest in October 2023. Grant value of each right at 31 December 2020 was $4.96.

Refer to the Remuneration Report 1.3.4 for further details.

Notes to the financial statements

for the year ended 31 December 2020

Employee benefits continued

18. Superannuation plan

Sydney Airport employees are entitled to varying levels of benefits on retirement, disability or death through the Sydney Airport Superannuation Plan (the Plan). The Plan consists of a defined benefit plan, available only to existing members, which is fully funded and provides lump sum or pension benefits based on years of service and final average salary; and a defined contribution plan, available to all Sydney Airport employees. The Plan also provides accumulation style benefits for the Superannuation Guarantee and Members' Contributions. Employees contribute to the Plan at various percentages of their remuneration.

The SAL Group contributes 9.5% of employees' remuneration on defined contribution plans. This is legally enforcable in Australia. For the year ended 31 December 2020 these amounted to $6.3 million (2019: $6.3 million).

The following table discloses details pertaining to the defined benefit plan:

	2020 $m	2019 $m
Amounts recognised in the Consolidated Statements of Comprehensive Income in respect of defined benefit plans:		
Current service costs	(1.5)	(1.5)
Interest income	0.1	0.2
Total included in employee benefit expense	(1.4)	(1.3)
Remeasurement gains / (losses) recognised in other comprehensive income [1]	-	0.7
The amounts included in the Consolidated Statements of Financial Position arising from the Groups' obligations in respect of its defined benefit plans were:		
Present value of defined benefit obligations	(29.9)	(28.6)
Fair value plan assets [2]	37.2	36.0
Net asset arising from defined benefit obligations	7.3	7.4

1. The 2020 balances for remeasurement gain/(loss) on defined benefit plan is $0.05 million. These have been rounded to nil in the consolidated statements of comprehensive income.
2. Plan assets are held in managed funds, of which 41% are held in international and domestic equity investments, 32% in fixed income, 11% in cash and 16% in other asset classes (2019: 43%, 27%, 13% and 17% respectively).

Recognition and measurement

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Defined benefit plan (DBP)

The net obligation in respect of DBP is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The SAL Group determines the net interest expense or income on the net defined benefit liability or asset for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability or asset.

The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the SAL Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the SAL Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the SAL Group. An economic benefit is available to the SAL Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Employee benefits continued

18. Superannuation plan continued

The principal actuarial assumptions used in determining the Plan liability and sensitivities were:

	SAL Group 2020	SAL Group 2019
Discount rate	1.3%	2.0%
Future salary increases	2.0%	3.0%
	0.5% decrease	0.5% increase
Discount rate ($m)	1.2	(1.1)
Future salary increases ($m)	(0.9)	1.0

Remeasurements arising from DBP comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The SAL Group recognises them immediately in other comprehensive income and all other expenses related to DBP in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The SAL Group recognises gains and losses on the settlement of a DBP when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payment made directly by the SAL Group in connection with the settlement.

Notes to the financial statements

for the year ended 31 December 2020

Other disclosures

Overview

This section provides details on other required disclosures relating to the Group's compliance with accounting standards and other pronouncements.

19. Group structure and parent entity

SAL and SAT1

Sydney Airport (the Group) is a stapled vehicle comprised of SAL and SAT1, formed in Australia. A stapled security in the Group consists of one share in SAL and one unit in SAT1. They are quoted and traded on the ASX as if they were a single security.

SAL holds a 100% economic interest in Sydney (Kingsford Smith) Airport through its ownership of the Sydney Airport operating entities, including Sydney Airport Corporation Limited (SACL), the lessee and operator of Sydney (Kingsford Smith) Airport.

The Trust Company (Sydney Airport) Limited (TTCSAL) is the Responsible Entity of SAT1. SAT1 has ownership of various Australian and foreign non-operating entities. In June 2020, MAp Airports International Pty Limited, a company incorporated in Australia and wholly owned entity in the SAT1 Group, sold its investment in Copenhagen Airports S.a.r.l (a private limited liability company registered in Luxembourg) to The Trust Company Limited (custodian agent of Sydney Airport Trust 1), a trust incorporated in Australia.

Significant subsidiaries

The Group has 100% ownership interest in Southern Cross Airports Corporation Holdings Limited (SCACH) and SACL, both incorporated in Australia.

Non-controlling interest

SAL is identified as the parent of the consolidated group comprising SAL and its controlled entities and SAT1 and its controlled entities at 31 December 2020. SAL Group is deemed to control the SAT1 Group and therefore consolidates 100.0% of the assets, liabilities and results of the SAT1 Group into its consolidated financial report for the year ended 31 December 2020 (2019: 100.0%) and recognises an associated non-controlling interest.

Other disclosures continued

19. Group structure and parent entity continued

Parent entity financial result and position

The SAL parent has designated its investment in SCACH at fair value through profit or loss, determined in accordance with a valuation framework adopted by the directors of SAL. Changes in fair value of this investment are recognised by the parent entity as income or expense.

	SAL		SAT1	
	2020 $m	2019 $m	2020 $m	2019 $m
Result of the parent entity				
(Loss)/Profit after income tax expense [1]	(3,495.4)	2,123.2	154.4	48.4
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	(3,495.4)	2,123.2	154.4	48.4
Financial position of parent entity				
Current assets	33.9	296.2	243.4	8.0
Total assets	16,150.8	18,139.8	2,043.6	1,808.3
Current liabilities	0.3	323.2	0.7	122.8
Total liabilities	1,796.7	2,077.3	63.8	185.9
Total equity of the parent entity comprising of:				
Contributed equity	7,632.9	5,845.5	2,975.7	2,772.6
Retained profits / (Accumulated losses)	6,721.2	10,217.0	(28.3)	(182.6)
Reserves	-	-	(967.6)	(967.6)
Total equity	14,354.1	16,062.5	1,979.8	1,622.4

1. SAL's loss after income tax expense in 2020 reflects the fair value movement of its investment in SCACH.

Parent entity guarantees, commitments and contingencies

At 31 December 2020 the parent entities:

- have no contingent assets or liabilities which are material either individually or as a class;
- have not made any capital expenditure commitments (2019: $nil); and
- have not guaranteed debts of their subsidiaries (2019: $nil).

SAL is the head company of the SAL Tax Consolidated Group (SAL TCG) (refer to note 12). At 31 December 2020 no current tax liabilities exist within the SAL TCG (2019: $nil).

20. Related party disclosures

Resources Agreement fee

SACL and TTCSAL entered into a Resources Agreement where SACL provides resources to enable TTCSAL to perform various functions in connection with its role as Responsible Entity (RE) of SAT1 and trustee of one of its subsidiaries, Sydney Airport Trust 2 (SAT2). Fees are charged from SACL to TTCSAL for resources provided, calculated under the provisions in the Resources Agreement. TTCSAL is entitled to recover these fees out of the assets of SAT1 and SAT2 under their respective constitutions.

During the year ended 31 December 2020:

- $349,876 was charged by SACL to TTCSAL (2019: $186,802) with $70,917 payable at 31 December 2020 (2019: $65,000); and
- $272,914 was charged by TTCSAL to SAT1 as RE fees (2019: $267,589) and $68,528 payable at 31 December 2020 (2019: $66,897).

Notes to the financial statements

for the year ended 31 December 2020

Other disclosures continued

20. Related party disclosures continued

Put Option Deed

Under the Put Option Deed (the POD) entered into in connection with the Sydney Airport governance arrangements, SAL granted The Trust Company Limited (TTCL) an option to require SAL (or a SAL nominee) to purchase all of the issued shares in TTCSAL. Before TTCL can exercise the option under the POD, it is required to engage with SAL for a period which is expected to allow a replacement responsible entity or an alternative purchaser of the issued shares in TTCSAL to be identified. This is intended to avoid any potential adverse outcome that would arise on the issued shares in TTCSAL being acquired by SAL (or one of its subsidiaries). During the year, TTCL novated the put option to MAp Airports Holdings Pty Ltd. No value has been attributed to the option under the POD.

SAT1 and SAL cross staple loan

In December 2013, an interest bearing, unsecured subordinated loan (the loan), was entered into between SAT1 as lender and SAL as borrower. The loan expires on 28 November 2023 and interest is calculated at 13.0% per annum payable in advance during the first two months of semi-annual periods beginning on 1 January and 1 July. Interest which is not paid is capitalised.

Under the terms of the loan, Sydney Airport Limited (SAL) is required to pay SAT1 interest in advance on the outstanding principal amounts at the beginning of an interest period.

SAT1 received approximately $116.5 million of interest from SAL in February 2020 in respect of the period from 1 January 2020 to 30 June 2020. The Consolidated statements of cash flows reflect the $116.5 million interest received by the SAT1 Group during the half year ended 30 June 2020.

On 9 June 2020, The Trust Company (Sydney Airport) Limited as responsible entity of SAT1 executed a Deed Poll in favour of SAL. Under the Deed Poll, SAT1 agreed to waive its right to interest payable by SAL and the accumulation and capitalisation of unpaid interest of $117.1 million for the six month period ended 31 December 2020. This is reflected in the SAT1 Group's profit and loss as interest income with an associated finance cost, based on applicable accounting standards.

In December 2020 SAL resolved not to pay cross staple loan interest to SAT1 for the six month period ending 30 June 2021. As no cross staple loan interest will be paid for the six month period ending 30 June 2021, the cross staple loan interest will capitalise to the outstanding principal in accordance with the loan agreement.

Interest will accrue on the unpaid and capitalised interest from the due date up to the date of payment at the current interest rate of 13% per annum.

The related party principal balance at 31 December 2020 was $1,796.5 million (31 December 2019: $1,796.5 million).

The loan balances and transactions are as follows:

	2020 $	2019 $
Loan principal		
Opening balance	1,796,467,057	1,796,467,057
Paid during the year	-	-
Closing balance	1,796,467,057	1,796,467,057
Interest		
Opening balance	-	-
Interest accrued	233,540,717[1]	233,540,717
Paid during the year	(116,450,440)	(233,540,717)
Waived during the year	(117,090,277)[1]	-
Closing balance payable	-	-

1. Reflects interest income and finance cost relating to the interest waived for the six month period to 31 December 2020.

Custodian fees

TTCL was a related entity of SAT1 for the years ended 31 December 2020 and 31 December 2019. During the 2020 financial year, custodian fees of $105,349 was charged by TTCL (2019: $106,921) and $54,065 remains unpaid at 31 December 2020 (2019: $26,295).

Other disclosures continued

20. Related party disclosures continued

Transactions with parties related to a Director

Although not required, disclosure of the transactions during the reporting period with subsidiaries of Downer EDI Limited, a party related to a non-executive director, is made for transparency reasons. These were for services in relation to airfield resheet and power resilience works including substation and networks upgrades. Mr Fenn is a non-executive director of SAL and is CEO of Downer EDI Ltd. The contracts are at arm's length and were made following competitive tender processes. Mr Fenn was not involved in any board decision regarding the contracts.

Entity	Contract Value [1] $	Amounts paid during the financial year ended 31 December 2020 $
Downer EDI Works Pty Ltd	26,770,405	11,871,581
Downer EDI Engineering Power Pty Ltd	15,423,188	4,010,209

1. Contract value includes variations as applicable.

21. Remuneration of auditors

	SAL Group		SAT1 Group	
	2020 $	2019 $	2020 $	2019 $
Amounts paid or payable to auditors (KPMG) for:				
Audit and review of financial statements of the Group (excluding the parent entity)	662,822	597,583	55,000	57,700
Audit and review of financial statements of the parent entity	60,000	55,750	-	-
Other services				
- Other assurance services	87,806	56,888	-	-
- Non-assurance services	64,145	65,000	6,575	-
Total amount paid or payable to auditors	874,773	775,221	61,575	57,700

Other assurance services in 2020 relates to work performed on the Sustainability Report. (2019: Sustainability report).

Non-assurance services in 2020 relates to the capital raising due diligence $64,145 (2019: Operating model assessment ($65,000)).

22. Operating lease receivable arrangements

Future minimum rentals are receivable under non-cancellable operating leases. The associated revenue will be recognised on a straight-line basis over the lease term in future periods. These are as follows:

SAL Group	2020 $m	2019 $m
Receivable within one year	239.6	356.2
Receivable later than one year but no later than five years	314.2	620.4
Receivable after five years	95.5	27.2
	649.3	1,003.8

Notes to the financial statements

for the year ended 31 December 2020

Other disclosures continued

23. Government assistance

In April 2020, the SAL Group enrolled for the JobKeeper government assistance program for 498 eligible employees. During the year ended 31 December 2020, the SAL Group recognised $13.0 million in government assistance. This has been recognised as an offset to Employee benefits expense in the Consolidated statement of comprehensive income for the year ended 31 December 2020, as permitted by AASB 120 Government Grants. Excluding the impact of JobKeeper, the Employee benefits expense would have been $52.3 million for the year ended 31 December 2020.

The SAL Group received $11.7 million of the JobKeeper assistance. This is reflected in the Consolidated statements of cashflows.

This was not applicable to the SAT1 Group.

24. Subsequent events

COVID-19

The downturn in domestic travel is expected to persist until sustained unrestricted travel is permitted again. The downturn in international passenger traffic is expected to persist until government travel restrictions are eased.

Indemnity provision

Subsequent to balance date, SAT1 received an indemnity payment from Ontario Teachers' Pension Plan Board which reflected a refund of interest paid by the Danish Tax Agency to former subsidiary Copenhagen Airports Denmark Holdings. Detailed description is included in note 14.

Other than these items, the directors of SAL are not aware of any matter of circumstance not otherwise dealt with in the Directors' Report that has significantly affected or may significantly affect the operations of the SAL Group, the results of those operations or the state of affairs of the Group in the period subsequent to the year ended 31 December 2020.

Statement by the Directors of Sydney Airport Limited

In the opinion of the Directors of Sydney Airport Limited (SAL):

a. the consolidated financial statements and notes for SAL set out on pages 89 to 132 and the Remuneration Report in the Directors' Report (set out on pages 59-72), are in accordance with the Corporations Act 2001, including:

   i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory reporting requirements;

   ii. giving a true and fair view of the SAL Group's financial position at 31 December 2020 and of its performance for the financial year ended on that date; and

b. there are reasonable grounds to believe that the SAL Group will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for year ended 31 December 2020.

The Directors draw attention to the statement of compliance with International Financial Reporting Standards set out on page 95.

This declaration is made in accordance with a resolution of the Directors.

Trevor Gerber
Sydney
23 February 2021

John Roberts
Sydney
23 February 2021

Statement by the Directors of the Responsible Entity of Sydney Airport Trust 1

In the opinion of the Directors of The Trust Company (Sydney Airport) Limited, the Responsible Entity of Sydney Airport Trust 1 (SAT1):

a. the consolidated financial statements and notes for SAT1 set out on pages 89 to 132, are in accordance with the Corporations Act 2001, including:
   i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory reporting requirements;
   ii. giving a true and fair view of the SAT1 Group's financial position at 31 December 2020 and of its performance for the financial year ended on that date; and

b. there are reasonable grounds to believe that SAT1 will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for year ended 31 December 2020.

The Directors draw attention to the statement of compliance with International Financial Reporting Standards set out on page 95.

This declaration is made in accordance with a resolution of the Directors.

Patrick Gourley
Sydney
23 February 2021

Anne Rozenauers
Sydney
23 February 2021

Security holder information

at 19 February 2021

Distribution of stapled securities

Range	Total holders	Number of stapled securities	% of stapled securities
1 – 1,000	66,645	27,200,035	1.01
1,001 – 5,000	55,208	139,078,827	5.15
5,001 – 10,000	16,166	116,003,570	4.30
10,001 – 100,000	12,222	261,708,306	9.70
>100,001	362	2,154,709,515	79.84
Total	150,603	2,698,700,253	100.0

Unmarketable Parcels	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $5.50 per stapled security	91	5,803	334,402

Top 20 holder of stapled securities

Rank	Investor	Number of stapled securities	% of stapled securities
1	HSBC Custody Nominees (Australia) Limited	776,299,049	28.8
2	BNP Paribas Nominees Pty Ltd	427,266,786	15.8
3	J P Morgan Nominees Australia Pty Limited	383,295,619	14.2
4	Citicorp Nominees Pty Limited	132,842,949	4.9
5	National Nominees Limited	77,433,988	2.9
6	Neweconomy.com.au Nominees Pty Limited	38,099,896	1.4
7	Custodial Services Limited	33,396,479	1.2
8	BNP Paribas Noms Pty Ltd	22,461,511	0.8
9	Australian Foundation Investment Company Limited	21,442,593	0.8
10	MTAA Super Fund (Air-Serv Intnl Hold.) Utilities Pty Ltd	19,863,923	0.7
11	Argo Investments Limited	16,093,841	0.6
12	BNP Paribas Nominees Pty Ltd Barclays	15,190,343	0.6
13	HSBC Custody Nominees (Australia) Limited	15,042,841	0.6
14	National Nominees Limited	9,484,201	0.4
15	Netwealth Investments Limited	9,311,858	0.4
16	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	8,845,785	0.3
17	Citicorp Nominees Pty Limited	7,739,634	0.3
18	BNP Paribas Noms (NZ) Ltd	4,948,280	0.2
19	Milton Corporation Limited	4,874,629	0.2
20	Australian United Investment Company Limited	4,500,000	0.2

Substantial security holders

Investor	Number of stapled securities [1]	% of stapled securities
Unisuper Ltd	412,242,349	15.3%

1. Figure is based on the substantial security holder notice made by Unisuper Ltd on 7 December 2020

Special notice and disclaimer

Stapling

In accordance with its requirements in respect of stapled securities, ASX reserves the right to remove SAL and/or SAT1 from the official list of ASX if, while the stapling arrangements apply, the securities in one entity cease to be stapled to the securities in the other entity or an entity issues securities which are not then stapled to the securities in the other entity.

Foreign ownership restrictions

The SAL and SAT1 constitutions set out a process for disposal of securities to prevent ASX-listed Sydney Airport from becoming a Foreign Person or to cure the situation where ASX-listed Sydney Airport becomes a Foreign Person (Foreign Ownership Situation). Where a Foreign Ownership Situation occurs or is likely to occur, SAL and the RE can require a foreign security holder (on a last-in, first-out basis) to dispose of Sydney Airport securities. SAL and the RE have the power to commence procedures to divest foreign security holders once the foreign ownership of ASX-listed Sydney Airport reaches 48.5% under the Foreign Ownership Divestment Rules that apply. If the foreign security holder fails to dispose of its Sydney Airport securities, SAL and the RE may sell those securities at the best price reasonably obtainable at the time.

Privacy

We understand the importance you place on your privacy and are committed to protecting and maintaining the confidentiality of the personal information you provide to us. Sydney Airport's privacy policy is available on its website.

Voting rights

Each fully paid stapled security confers the right to vote at meetings of security holders, subject to any voting restrictions imposed on a security holder under the Corporations Act 2001, ASX Listing Rules and the foreign ownership provisions in the SAL and RE constitutions. On a show of hands, every security holder present in person or by proxy has one vote. On a poll, every security holder who is present in person or by proxy has one vote for each dollar of the value of the total interests they have in SAT1 and one vote for each share they hold in SAL.

Disclaimer

The information in this annual report is given in good faith and derived from sources believed to be accurate at this date but no warranty of accuracy or reliability is given and no responsibility arising in any other way, including by reason of negligence for errors or omission herein is accepted by Sydney Airport Limited, The Trust Company (Sydney Airport) Limited or their respective officers. This annual report is general advice and does not take into account the particular investment objectives, financial situation or particular needs of the investor. Before making an investment in Sydney Airport, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

Forecasts

Information, including forecast financial information, in this report should not be considered as a recommendation in relation to holding, purchasing or selling Sydney Airport securities. Due care and attention have been used in the preparation of forecast information. However, actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Sydney Airport. Past performance is not a reliable indication of future performance.

Buy back

There is no current on-market buy-back in operation for Sydney Airport securities.

Complaints resolution

A formal complaints handling procedure is in place for ASX-listed Sydney Airport and is explained in section 8 of the continuous disclosure and communications policy, available from the Sydney Airport website (www.sydneyairport.com.au). The RE is a member of the Australian Financial Complaints Authority. Investor complaints should, in the first instance, be directed to Sydney Airport Limited.

Corporate Directory

Sydney Airport Limited

ACN 165 056 360
10 Arrivals Court
Sydney International Airport NSW 2020

Investor Relations +61 2 9667 9871
www.sydneyairport.com.au/investor

Directors of Sydney Airport Limited

- Trevor Gerber (Chairman)
- John Roberts
- Stephen Ward
- Ann Sherry AO
- Grant Fenn
- Abi Cleland
- David Gonski AC

Chief executive officer

Geoff Culbert

Company secretary

Karen Tompkins

The Trust Company (Sydney Airport) Limited

ACN 115 967 087 AFSL 301162
Level 18
123 Pitt Street
Sydney NSW 2000

Directors of The Trust Company (Sydney Airport) Limited

- Anne Rozenauers
- Russell Balding AO
- Patrick Gourley

Company secretaries

Karen Tompkins, Sylvie Dimarco and Gananatha Minithantri

The Trust Company (Sydney Airport) Limited is the responsible entity of Sydney Airport Trust 1

Registry

Computershare Investor Services Pty Limited
GPO Box 2975 Melbourne VIC 3001
Telephone: 1300 850 505 or +61 3 9415 4000

Sustainability Report

Our 2020 Sustainability Report will be published in February 2021. The report is available on our website.

Corporate Governance Statement

Our Corporate Governance Statement is in the Corporate section of our website. **www.sydneyairport.com.au/corporate/about/corporate-governance**

Annual General Meeting

SYD's Annual General Meeting is scheduled to be held on Friday 21 May 2021.

Closing date for the receipt of nominations from persons wishing to be considered for election as a director is 31 March 2021.

SYD