

SYD

For the year ended
31 December 2020
**Corporate
Governance
Statement**

Corporate Governance Statement

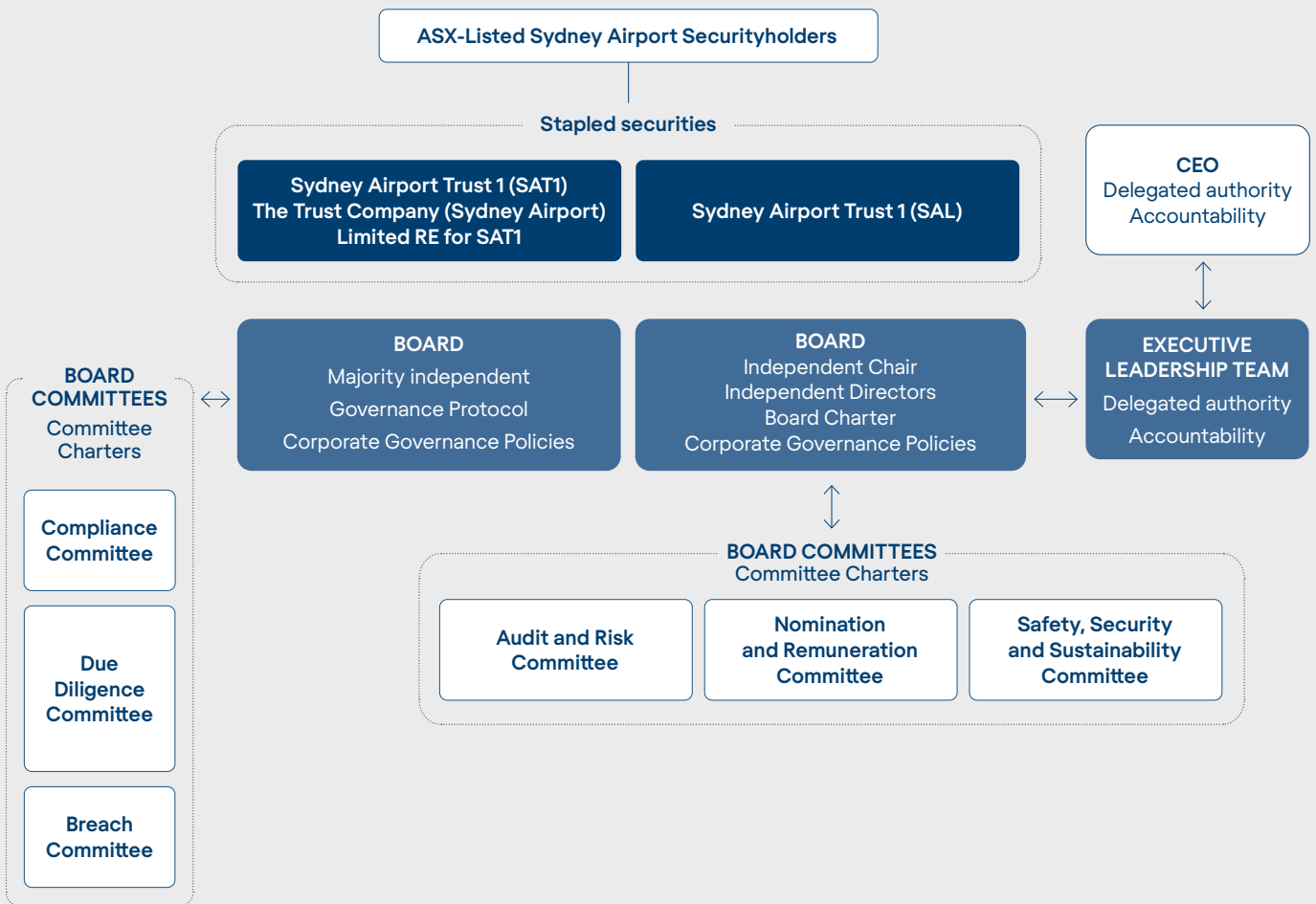
The boards of Sydney Airport Limited and Sydney Airport Trust 1 and their respective management teams are committed to the highest standards of corporate governance. This statement outlines the corporate governance framework and practices of ASX-listed Sydney Airport (SYD) against the ASX Corporate Governance Principles and Recommendations (4th Edition) (Principles) for the period ending 31 December 2020.

SYD is comprised of Sydney Airport Limited (SAL), which is the parent company of Sydney Airport Corporation Limited (Sydney Airport) the operator of Sydney (Kingsford Smith) Airport, and Sydney Airport Trust 1 (SAT1) a registered managed investment scheme, whose responsible entity is The Trust Company (Sydney Airport) Limited (the RE), a wholly owned subsidiary of Perpetual Limited (ASX:PPT) (Perpetual). Each SAL share is stapled to a SAT1 unit, and the stapled securities are quoted on ASX under the ticker "SYD".

SAL and the RE have distinct boards, each of which functions independently of the other. Each has a commitment to high standards of corporate governance and operates in accordance with its own policies and procedures.

The RE is reliant on Perpetual for access to adequate resources including directors, management, staff, functional support (including company secretarial, responsible managers, legal, compliance and risk and finance) and financial resources. Perpetual has at all times made these resources available to the RE. In operating SAT1, the RE's overarching principle is to always act in good faith and in the best interests of SAT1's unitholders, in accordance with its fiduciary duty. The RE's duties and obligations in relation to SAT1 principally arise from: the constitution of SAT1; the compliance plan for SAT1; the Corporations Act 2001; the ASX Listing Rules; the RE's Australian Financial Services Licence; relevant regulatory guidance, contractual arrangements and other applicable laws and regulations.

An overview of SYD's corporate governance framework is depicted below:



This statement applies to both SAL and the RE. The Responsible Entity addresses each of the Principles that are applicable to externally managed listed entities in relation to the Schemes, including the Trust, as at the date of this Corporate Governance Statement.

It is current as at 23 February 2021, and has been approved by the boards of SAL and the RE. It has been lodged with ASX along with SYD's ASX Appendix 4G and the 2020 Annual Report, each of which is available on the Sydney Airport website (www.sydneyairport.com.au).

Principle 1: Lay solid foundations for management and oversight

A listed entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.

Recommendation 1.1

SAL and the RE have separate boards that function independently. They each operate in accordance with their own policies and procedures as described below.

SAL Board

Charter

The SAL board's charter which is available on the Sydney Airport website, sets out the roles, responsibilities and functions reserved to the SAL board, the way in which the board operates to discharge those roles, responsibilities and functions and the extent to which the board has delegated responsibilities to the CEO and management.

To facilitate the effective and efficient discharge of the board's responsibilities, it has delegated the day-to-day exercise of certain powers to management. The powers conferred upon management such as operating and capital expenditure limits and the authority to enter into revenue contracts, leases and licences are clearly documented. Notwithstanding that operating or capital expenditure may be within a delegate's delegation, matters reserved only to the board as outlined in the charter must be raised with the Chief Executive Officer (CEO) and the board.

The chair of the SAL board is Trevor Gerber. The chair is responsible for leading the board, facilitating the proper briefing of directors, facilitating effective discussion of matters considered by the board and managing the board's relationship with management.

The CEO is responsible to the board for implementation of strategies, policies and decisions determined by the board.

Meetings

The board meets as frequently as it believes is required to effectively discharge its responsibilities, generally holding 7-8 scheduled meetings throughout the year. Additional meetings may be convened if matters arise between scheduled meetings that need immediate consideration. In response to the COVID-19 pandemic, the 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. All meetings were well attended despite being unscheduled at the beginning of the reporting period. A table of board and committee members and the number of times they met throughout the year can be found on page 55 of the 2020 Annual Report. The board met 28 times throughout the year, 21 of which were unscheduled COVID-19 related meetings.

RE Board

The role of the RE board is generally to set objectives and goals for the operation of the RE and SAT1, to oversee the RE's management, to regularly review performance and to monitor the RE's affairs acting in the best interests of the unitholders of SAT1.

The RE board is accountable to the unitholders of SAT1. The RE board delegates to Perpetual management all matters not reserved to the RE board, including the day-to-day management of the RE and the operation of SAT1. Directors, management and staff are guided by Perpetual's Code of Conduct and Perpetual's Risk Appetite which is designed to assist them in making ethical business decisions.

The RE has appointed other parties ("Service Providers") either under a resources agreement or outsourcing arrangement to provide amongst other services including fund administration and custody functions in relation to SAT1. Prior to appointment, all Service Providers are subject to operational due diligence and assigned an initial operational risk rating. The RE has an effective process in place for monitoring the performance of Service Providers based on a risk rating system that includes informal discussions, periodic reporting and formal service provider reviews which typically occur every 18 months. The Service Provider risk rating dictates any additional monitoring measures required to be put in place – for example a Service Provider assessed as 'low to medium risk' will be subject to the standard monitoring measures the RE utilises under the Service Provider Monitoring Framework. Service Providers risk rated 'high to very high' may be subject to additional oversight measures.

Recommendation 1.2

SAL Board

Director selection and appointment practices ensure the SAL 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. Directors with a range of knowledge, skills and experience, diversity and personal attributes are appointed to the board to enable it to effectively discharge its duties and to add value to the board's deliberations. Appropriate checks are conducted prior to appointing a director or senior executive, including criminal and bankruptcy checks.

Security holders are provided with all material information to enable them to make an informed decision on whether or not to elect or re-elect a director at the Annual General Meeting (AGM). Biographies of each of the directors standing for election or re-election are provided in the Notices of Meeting, including a list of qualifications, experience, skills, tenure, independence status and other material directorships.

Profiles for directors of SAL are available on pages 52-53 in the Directors Report in the Sydney Airport 2020 Annual Report.

RE Board

This recommendation is not applicable to the RE.

Recommendation 1.3

SAL Board

All non-executive directors (NEDs) of SAL have received a letter of appointment addressing the matters recommended by the ASX Principles. They clearly set out the terms of engagement outlining their roles, responsibilities, entitlements and access rights. NEDs are informed of the agreed procedure for the board and committees to obtain independent professional advice at Sydney Airport’s expense (as set out in each of the board and committee charters) and are provided with Sydney Airport’s key policies.

All senior executives have comprehensive written employment agreements.

RE Board

This recommendation is not applicable to the RE.

Recommendation 1.4

SAL Board

The SAL Company Secretary has a dual reporting line to the Chief Executive Officer and to the SAL board, through the chair.

The Company Secretary directly communicates to the board, advising on governance matters, facilitating inductions and professional development for directors and ensuring that the directors receive timely, regular and appropriate information to enable them to fulfil their duties. This information is provided as part of directors’ board papers and regular reporting on airport performance.

RE Board

This recommendation is not applicable to the RE.

Recommendation 1.5

SAL Board

SAL’s Diversity Policy is available on the Sydney Airport website. The SAL Nomination and Remuneration Committee assists and advises the SAL board in establishing and monitoring strategies to promote workplace diversity at Sydney Airport. The board is responsible for approving and monitoring the effectiveness of the Diversity and Inclusion Policy, it is also responsible for setting measurable objectives for achieving diversity in the composition of the board, senior executives and the workforce generally and monitoring the progress towards achieving those objectives.

Diversity and inclusion strategy

Sydney Airport’s Diversity and Inclusion Council is responsible for creating a safe, diverse and inclusive culture, and connects and empowers our people and community.

The Diversity and Inclusion Council is comprised of a diverse team of employee members that work in and across the breadth of Sydney Airport’s organisation functions and is sponsored by Sydney Airport’s Chief Commercial Officer and Chief Financial Officer under the direction of the CEO, with reports and achievement tabled through to the CEO and leadership team.

Six working groups have been established and are supported by the Council, focused on delivering impactful initiatives aligned with the diversity and inclusion strategy and positively improving our employee experience throughout the reporting period. Each working group’s purpose is profiled in the table below:

Indigenous@SYD	Pride@SYD	Women@SYD
Creates a culturally safe workplace where current and future Indigenous employees feel supported	Focuses on celebrating and raising awareness about LGBTQI+ inclusion	Connects, supports and empowers women to bring about positive change through active engagement and collaboration
Men@SYD	Multi-Cultural@SYD	Carers@SYD
Creates awareness on men’s mental health and supports them to be able to make positive lifestyle, health and career choices	Promotes awareness and inclusiveness of employees from diverse cultures, religious beliefs and abilities	Supports employees with and creates awareness of caring responsibilities

The updated three-year diversity and inclusion strategy focuses on four key areas to drive diversity and inclusion initiatives and support Sydney Airport’s purpose and objectives:

1. Culture, engagement and survey feed back
2. Diversity and Inclusion learning and education for our people and leaders
3. Policy, including flexible work, personal & careers leave, parental leave and family and domestic violence and
4. Staff events and activities to raise awareness, recognise and celebrate diversity and inclusion.

A key focus area for the Diversity and Inclusion Council is to review and update employee policies to ensure they reflect the needs of our people, our values and the airport's unique operating environment. During the reporting period, our Parental Leave, Personal and Carers Leave and Domestic and Family Violence Policy were updated to reflect best practice and relevant legislation.

These 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
- introducing three days wellbeing leave under the updated Personal and Carers Leave policy
- identifying roles and responsibilities and practical support for team members affected by domestic and family violence

We continued to progress actions in our Innovate Reconciliation Action Plan (RAP) in 2020 and will begin the development of our next RAP for delivery in 2021.

To continue the progress of our RAP deliverables, a toolkit was developed in consultation with Gujaga Foundation to shine a spotlight on our Acknowledgement of Country. We also created an Indigenous-themed signature block for staff, exhibiting our RAP artwork by Aboriginal artist Charmaine Mumbulla.

In 2020, our Supplier Code of Conduct was updated to encourage suppliers to engage and support local, Indigenous and diverse suppliers and communities, and to contribute to the sustainable development of the local communities which the supplier impacts. This foundational step ensures that our suppliers are aligned with the airport in making a positive contribution to the Indigenous community.

As part of our commitment to build connection with the Indigenous community, we celebrated and participated in a number of events this year including National Reconciliation Week and NAIDOC Week.

In February 2020, we were proud to be the first hello for everyone travelling by air to Sydney to experience the Sydney Gay and Lesbian Mardi Gras. To celebrate, the arrivals areas across our terminals were painted 'rainbow' and over 80 of our people and their families joined Sydney Airport's first float in the Mardi Gras parade. The Pride@SYD team also used the opportunity to create awareness within the organisation on the LGBTQI+ community through support packs and engaged with the community through a stall at the Mardi Gras Fair Day.

A broad-based diversity and inclusion employee survey will be undertaken in Q1 2021 to measure the impact and progress of diversity and inclusion initiatives and generate further employee led insights to identify areas of focus as well as refine the strategy.

Measure	Baseline (2018)	Actual (2020)	Target (2021)
Achieve 10% uplift in female representation in management	35%	34%	39%
Achieve 10% uplift in overall female representation	39%	35%	43%
Achieve 30% female board representation	25%	29%	30%

Measure	2020	2019	2018	2017	2016
Board	29%	29%	25%	29%	29%
CEO	0%	0%	0%	100%	100%
Key management personnel ¹	33%				
Other executive/ General Manager ²	42%	38%	30%	27%	33%
Senior Manager	38.5%	52%	45%	48%	41%
Other Manager	32.1%	33%	33%	37%	36%
Professional	43%	44%	46%	43%	42%
Technical and trade	10%	9%	3%	8%	8%
Administration and clerical	92%	90%	82%	92%	94%

In 2020, we achieved a gender pay ratio of 99.8 per cent³. 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 2019. This was predominantly the result of the conversion of internal contractor roles to permanent in the Technology team which were mostly male. 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.

Sydney Airport continues to demonstrate its commitment to gender equality each year by reporting to the Australian Gender Equality Agency. The latest report is available on Sydney Airport's website.

RE Board

This recommendation is not applicable to the RE.

1. These include Chief Financial Officer, Chief Commercial Officer and Chief Aviation Officer

2. These include General Counsel & Company Secretary, Executive General Manager Corporate Affairs and General Managers

3. To calculate this ratio, we align to the WGEA methodology and compare fixed annual remuneration paid to employees in management roles to non-management roles

Recommendation 1.6**SAL Board**

The chair of the SAL board is responsible for evaluating and monitoring the performance of the board and manages this process in accordance with the board charter.

The board undertakes periodic assessments of its performance, the performance of its standing committees and the performance of individual directors against the requirements of the board charter and the relevant committee charters and other agreed goals and objectives.

In planning each assessment, the board considers whether it is appropriate to use external facilitators to assist. Following each assessment, the board will consider the outcomes and how performance can be improved.

During the reporting period, an internal evaluation of the board's performance was led by the Chair of the SAL board.

Recommendation 1.7**SAL Board**

SAL has a robust performance management system which starts with the setting of comprehensive objectives which are supplemented by behavioral requirements that align to the Sydney Airport values. Objectives are reviewed mid-year and a formal appraisal of results are conducted at the end of the year. Remuneration outcomes (Fixed Annual Remuneration (FAR) increases and Short Term Incentives (STI)) are based on the performance outcomes achieved for the objectives. The deferral of a component of the STI ensures focus on both the short and long term success of Sydney Airport.

SAL has a Long Term Incentive Plan (LTI Plan) that provides senior executives incentives by linking potential reward to continued growth in Sydney Airport's long term financial performance and security holder returns. This is subject to performance conditions set by the board and measured over a three year period.

Objectives for the CEO are approved by the SAL board at the commencement of the year. The CEO then cascades the key themes to the senior executives where individual and cross functional objectives are set. During 2020, the performance of the leadership team was reviewed in line with the overall process outlined above.

Performance management through COVID

2020 has been a difficult year to assess performance as many of the goals and objectives became redundant as Sydney Airport pivoted to managing COVID-19 via two new primary objectives of keeping both the company and our people safe.

The actions taken to reduce opex and capex, raising new debt and equity and restructuring our workforce were done with speed and accuracy to protect Sydney Airport and its stakeholders.

Further details in relation to the process for evaluating the performance of the CEO and other senior executives and remuneration outcomes can be found in the Remuneration Report in the 2020 Annual Report.

RE Board

This recommendation is not applicable to the RE.

Principle 2: Structure the board to be effective and add value

A listed entity should have a board of an appropriate size, composition, skill and commitment to enable it to discharge its duties effectively.

Recommendation 2.1**SAL Board**

The SAL board has a Nomination and Remuneration Committee which comprises of at least three NEDs, all of whom are independent. The current chair of the committee is different to the chair of the board and is an independent director.

The Committee's charter sets out its composition, size, roles and responsibilities. A copy of the charter is on the Sydney Airport website. A table of Board and Committee members and the number of times they met throughout the year can be found on page 55 of the 2020 Annual Report. The Committee met six times throughout the year, two of which were unscheduled meetings.

RE Board

This recommendation is not applicable to the RE.

Recommendation 2.2**SAL Board**

SAL's director selection, appointment practices and annual performance reviews involve thorough processes to ensure that the board has the benefit of directors with diverse and relevant knowledge, skills, experience and personal attributes and that the board continues to be of a size and composition conducive to making appropriate decisions in the best interest of Sydney Airport's investors and stakeholders.

The board also supplements its collective skills and experience when specific issues arise by using external advisors.

Board skills matrix

Set out in the following table are the collective skills and experience of SAL’s directors categorised according to the requirements of the business:

Skills and experience	Number of directors
 <p>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</p>	4
 <p>Property and construction Experience in all aspects of major property infrastructure and delivery of large construction programs</p>	3
 <p>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</p>	3
 <p>Retail Retail industry experience, with deep understanding of product delivery and customer strategy</p>	4
 <p>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</p>	6
 <p>Strategic and commercial acumen Using commercial judgement and experience in assessing, monitoring and where necessary questioning and challenging strategic objectives and delivery</p>	7
 <p>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</p>	7
 <p>Leadership CEO or senior position in listed companies or large organisation with experience in driving direction, guidance, leading organisational change and strategic planning</p>	7
 <p>Governance and compliance Experience in implementing and providing direction on organisation-wide governance and compliance policies, systems and frameworks, training and education</p>	7
 <p>Health, safety and environment Experience in developing health, safety and environment policy, strategies and initiatives</p>	5
 <p>Government relations Having worked with or experience in interacting with domestic and international, state and federal governments and regulators</p>	5
 <p>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.</p>	7

RE Board

This recommendation is not applicable to the RE.

Recommendation 2.3

SAL Board

The SAL board considers that a director is independent if the director is free of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before the board and to act in the best interest of Sydney Airport as a whole rather than in the interest of an individual shareholder or other party. SAL has no set tenure limits for directors.

Each director’s independence is regularly assessed. Each director is responsible for informing the board if there is any change in their interests, position or relationship that could be relevant to an assessment of their independence. The board then reassesses that director’s independence based on all matters that are in SAL’s opinion relevant including those factors outlined in the board charter.

The board makes its assessment of independence on a case by case basis, based on the materiality of any relevant interest, position or relationship and where such factors exist will disclose the reason for making its determination.

The names of the current Sydney Airport directors that are considered to be independent and the year in which they were appointed are listed below:

Trevor Gerber (Chair)	2002
John Roberts	2009
Stephen Ward	2011
Ann Sherry	2014
Grant Fenn	2015
Abi Cleland	2018
David Gonski	2018

Trevor Gerber and John Roberts have each been Sydney Airport directors for over 10 years. The board considers that each of them has clearly demonstrated their independence from management through their decision making and general performance as directors.

Grant Fenn is the Managing Director and Chief Executive Officer of Downer EDI Limited, the parent company of Downer EDI Works Pty Ltd and Downer Engineering Power Pty Ltd, which have entered into contracts with Sydney Airport for the year ended 31 December 2020, as described on page 131 of the Annual Report. The contracts were made following competitive tender processes and Grant Fenn was not involved in any board decision regarding the contracts. In considering Grant Fenn's independence, the board has concluded that these contracts do not impact on his capacity to act in the best interest of Sydney Airport or on his ability to act with independent judgement.

RE Board

The names of the RE directors that are considered to be independent and the year in which they were appointed are listed below:

Russell Balding	2013
Patrick Gourley	2013

Anne Rozenauers who was appointed as a director on 27 September 2019 is not considered to be independent as she is an employee of Perpetual, the parent company of the RE.

Recommendation 2.4

It is SAL's policy that a majority of directors must be independent. All SAL NEDs are independent.

It is the RE's policy that a majority of directors must be independent. A majority of RE directors are independent. The boards of both SAL and the RE each regularly considers the independence of each of its directors.

SAL NEDs regularly meet in the absence of management.

The RE board also ensures that it maintains independent judgement in board decisions. The RE board meets as required to consider matters in relation to SAT1.

The RE adds value in terms of the best interests of SAT1's unitholders through being independent of SAL. This independent structure avoids any conflicts of interest between the RE and SAL whenever discretionary decisions are required of either entity in their respective capacities.

Each member of each board is subject to re-election on a rolling three year basis at the SYD AGM.

Additionally, the RE board has a Compliance Committee for SAT1 that does not contain any board members. The Compliance Committee has a majority of independent members and is chaired by an independent member who is not the chair of the RE board.

Recommendation 2.5

SAL Board

The SAL board charter requires the chair of the board to be an independent NED. The chair may not hold the office of the CEO. The market will be notified in a timely way of any change to a director's status as an independent director.

RE Board

This recommendation is not applicable to the RE.

Recommendation 2.6

SAL Board

All new directors and executives are required to participate in an induction and training program about Sydney Airport and their roles and responsibilities. All directors are invited to participate in training sessions, conferences and airport tours organised by management. During 2020 the directors participated in an airport tour of international retailers and the terminal protocols and procedures that had been developed and put in place in response to COVID-19.

RE Board

This recommendation is not applicable to the RE.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.

Recommendation 3.1

SAL Board

Sydney Airport launched its new board approved values in 2020 to fulfill its purpose - to make Sydney proud every day. The values set the standards of conduct, behaviours and decision making expected from directors, senior executives and employees and are set out on the Sydney Airport website.

The board is responsible for approving the values and has charged the senior executive team with the responsibility of embedding these values across the business, ensuring employees are appropriately trained. The board monitors progress through employee engagement survey results and annual performance assessment.

Throughout 2020 the values have been integrated into the culture of our organisation through objective setting processes, the employee performance and recognition frameworks and by forming the foundations of our internal and external communications.



RE Board

The RE's culture is underpinned by Perpetual's three core values: Excellence – delivering exceptional outcomes; Integrity – doing what's right; and Partnership – succeeding together, and can be found on Perpetual's website (www.perpetual.com.au).

The RE relies on a variety of mechanisms to monitor and maintain appropriate workplace culture:

- policies and procedures: Code of Conduct and cyclical mandatory training and a Whistleblowing Policy (further details noted below);
- the "Way We Work" behaviour framework, and risk ratings that are intertwined into its annual performance, remuneration and hiring processes; and
- regular feedback mechanism in place to assess employee sentiment, with action plans developed in response to results

Perpetual's Code of Conduct, Way We Work, and Core Values supports all aspects of the way the RE conducts its business and is embedded into Perpetual's performance management process.

Recommendation 3.2

SAL Board

Sydney Airport's Code of Conduct was updated and approved by the board during the reporting period and applies to all directors, employees, contracted staff and consultants. The document sets out the commitments that Sydney Airport and its people make as to how we do business. Guided by our purpose and values it helps to assist how to do the right thing in our roles each and every day. The Audit and Risk Committee oversees and reviews any material incidents or breaches of the Code of Conduct.

All directors, senior executives and staff receive training in relation to their obligations under the Code of Conduct, the training program includes mandatory induction training, annual declaration, general awareness and is continually reinforced throughout the year.

Sydney Airport prohibits directors and staff participating in activities that involve a material conflict between their duties and responsibilities or which are prejudicial to Sydney Airport's business. Directors and staff must not put themselves in a position which would prejudice the best interests of investors or which unfairly puts the interests of one investor above another's.

SYD's Securities Dealing Policy was updated and approved by the board during the reporting period and applies to directors as well as employees of both SAL and the RE and sets out the parameters for trading in SYD securities. Trading in SYD securities is not permitted during blackout periods. The blackout periods operate from 1 January until the day after full-year financial results are released to the ASX, and from 1 July until the day after half-year financial results are released to ASX. A blackout period also operates during the four weeks prior to the AGM until the day after the AGM. Additional blackout periods may also operate when Sydney Airport is considering market-sensitive transactions. Directors and staff are required to obtain prior approval for any trade in accordance with the Securities Dealing Policy which is available on the Sydney Airport website.

SAL's Human Rights Policy was updated and approved by the board during the reporting period and outlines Sydney Airport's commitment to not tolerate human rights abuse in our business and supply chain. We are committed to creating a culture in which employees respect the rights and dignity of people. Sydney Airport seeks to partner with suppliers, vendors, contractors and consultants who share in our commitment to demonstrate responsible business practices. These expectations form part of our procurement process and are set out in our Supplier Code of Conduct. The Supplier Code of Conduct was updated in 2020, 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.

Our Code of Conduct and the policies outlined above can all be found in the Corporate Governance section of the Sydney Airport website.

RE Board

Perpetual's Code of Conduct draws from and expands on Perpetual's Core Values of Integrity, Partnership and Excellence. The Code of Conduct underpins Perpetual's culture. The RE Board and the Compliance Committee are informed of material breaches of the Code of Conduct which relate to SAT1 and the RE entity.

Additional policies deal with a range of issues such as the obligation to maintain client confidentiality and to protect confidential information, the need to make full and timely disclosure of any price sensitive information and to provide a safe workplace for employees, which is free from discrimination. Compliance with Perpetual's Code of Conduct is mandatory for all employees.

A breach is considered to be a serious matter that may impact an employee's performance and reward outcomes and may result in disciplinary action, including dismissal.

A full copy of the Code of Conduct is available on Perpetual's website.

Recommendation 3.3

SAL Board

In 2019 the SAL board adopted a new Whistleblower Policy and procedures to support Sydney Airport's focus on compliance by encouraging those who have concerns about a known or suspected unlawful, unethical or irresponsible behaviour within SAL and its related bodies corporate, to speak up, as well as providing a reporting and investigation system that is safe, confidential, reliable and transparent. Sydney Airport has an independent, third party hotline, HALO, which is accessible 24 hours a day, 7 days a week and provides an independent and confidential hotline for those who prefer to raise their concern with an external organisation. Material incidents reported under this policy are reported to either the SAL Board or the Audit and Risk Committee. A copy of the policy is available on the Sydney Airport website.

Training and awareness across the business continued throughout the year to ensure employees are aware of their rights and obligations under the policy. People leaders are expected to champion the Sydney Airport values and encourage employees to speak up on behaviours that are unlawful, unethical or contrary to our values or Code of Conduct. This message is reinforced by the CEO and other senior executives regularly.

RE Board

Perpetual also has a Whistleblowing Policy to protect directors, executives, employees, (including current and former), contractors and suppliers (and relatives and dependants of any of these people) who report misconduct, including:

- conduct that breaches any law, regulation, regulatory licence or code that applies to Perpetual;
- fraud, corrupt practices or unethical behaviour;
- bribery;
- unethical behaviour which breaches Perpetual's Code of Conduct or policies;
- inappropriate accounting, control or audit activity; including the irregular use of Perpetual or client monies; and
- any other conduct which could cause loss to, or be detrimental to the interests or reputation of, Perpetual or its clients.

As part of Perpetual's Whistleblowing Policy, a third party has been engaged to provide an independent and confidential hotline for whistleblowers who prefer to raise their concern with an external organisation. The RE Board and the Compliance Committee are informed of material breaches of the Whistleblowing Policy which relate to the SAT1 and the RE entity.

A full copy of the Whistleblowing Policy is available on Perpetual's website (www.perpetual.com.au).

Recommendation 3.4**SAL Board**

During the reporting period the board approved a new standalone Fraud and Corruption Control Policy which sets out the commitments, expectations and responsibilities of directors, senior executives and employees to ensure that all business relationships are conducted with the highest professional integrity and meet legal requirements. Sydney Airport has no tolerance for fraud, bribery or corruption in any part of its business. The policy forms part of Sydney Airport's risk management framework and is a tool which assists in identifying key principles that must be adhered to in relation to fraud, bribery, corruption, facilitation payments and political donations. It is consistent with and supported by Sydney Airports Code of Conduct, Gifts and Benefits Policy and Whistleblower Policy. Breaches of this policy are reported to, overseen and reviewed by the Audit and Risk Committee.

RE Board

Perpetual is committed to conducting its business in accordance with the highest ethical and legal standards. Corrupt practices will not be tolerated by Perpetual under any circumstances. Perpetual has a Gifts, Political Donations, Bribery and Corrupt Practices policy which states that gifts should only be accepted by employees in circumstances that do not compromise, and are not perceived to compromise, the integrity of Perpetual or its employee's decision-making processes. Employees are prohibited from accepting gifts that may be perceived as creating an obligation to or a potential conflict of interest with the provider of the gift or, a potential conflict of interest with the RE's ability to act in the best interests of investors. Perpetual sets out expectations on gifts in the Code of Conduct.

Material breaches of the Code of Conduct or the Gifts, Political Donations, Bribery and Corrupt Practice policy are managed in accordance with Perpetual's usual issues management process which would include reporting to the RE Board and Compliance Committee where the breach relates to a product or service offered by the RE Entity. A full copy of the Gifts, Political Donations, Bribery and Corrupt Practices policy is available on Perpetual's website (www.perpetual.com.au).

Principle 4: Safeguard the integrity of corporate reports

A listed entity should have appropriate processes to verify the integrity of its corporate reports.

Recommendation 4.1**SAL Board**

The SAL Audit and Risk Committee comprises at least three NEDs, all of whom are independent. The chair of the committee is an independent director and is not the chair of the board.

The SAL Audit and Risk Committee charter is available on the Sydney Airport website and it sets out the committee's role, responsibilities, and composition. The Audit and Risk Committee and the Safety, Security and Sustainability Committee are each responsible for overseeing each of their respective responsibilities the structure and management systems that ensure the integrity of SAL's corporate reporting (financial and non-financial). For financial reporting, the Audit and Risk Committee reviews and assesses the adequacy and integrity of the annual and half-yearly financial statements, including the directors report and considering whether they are consistent with information known to the committee and provide a true and fair view of Sydney Airport's financial position and performance. The relevant qualifications and experience of the members of the SAL Audit and Risk Committee are set out in the biographies of directors on pages 52-53 of the 2020 Annual Report. A table of board and committee members and the number of times they met throughout the year can be found on page 55 of the 2020 Annual Report. The Committee met six times throughout the year, two of which were unscheduled meetings.

RE Board

The functions of an audit committee are all undertaken by the full board of the RE with assistance from the RE's management. The RE has policies and procedures designed to ensure that the Trust's financial reports are true and fair and meet high standards of disclosure and audit integrity. This includes policies relating to the preparation, review and sign off process required for the Trust's financial reports and the engagement of the Trust independent auditors.

The RE receives confirmations from personnel involved in the financial reporting and management of SAT1. The RE board receives periodic reports from the external auditors in relation to financial reporting and the compliance plan for SAT1. In conjunction with SAL, the RE manages the engagement, monitoring and rotation of independent external auditors.

The relevant qualifications and experience of the RE board are set out in the biographies of directors on page 75 of the 2020 Annual Report.

Recommendation 4.2

Declarations under Section 295A of the Corporations Act 2001 ("CEO and CFO declarations") provide formal statements to the SAL board and to the RE board in relation to SAT1. The declarations confirm the matters required by the Corporations Act 2001 in connection with financial reporting and that the CEO and CFO form that opinion on the basis of a sound system of risk management and internal control which is operating effectively. The RE also receives confirmations from the service providers involved in financial reporting and management of SAT1, including relevant Sydney Airport staff.

Recommendation 4.3

SAL and the RE undertake a thorough process to validate its annual and other corporate reports to ensure they are accurate, factual and balanced. Prior to releasing information to the market, reports are subject to comprehensive internal vetting and are underpinned by the processes set out in SYD's Continuous Disclosure and Communications Policy which applies to both SAL and SAT1.

For periodic reports that are not audited or reviewed by an external auditor a formal verification process is undertaken which includes a sign off process, evidence of source documents, thorough vetting of accuracy by senior management, CEO and for all board matters and disclosures, the approval of the board is received. A record is kept of this review process. The SAL and RE boards review and approve reports separately that relate to matters within the reserved powers of the boards prior to their release to the market.

Principle 5: Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1

SYD's Continuous Disclosure and Communications Policy was updated during the reporting period and approved by both the SAL and RE boards and is available on the Sydney Airport website. SAL and the RE provide timely, open, balanced and accurate information to its investors, regulators and other stakeholders to ensure that all investors have equal and timely access to material information concerning Sydney Airport and facilitate trading on an informed basis. The policy applies to both SAL and SAT1.

The Continuous Disclosure and Communications Policy facilitates compliance with ASX Listing Rule 3.1 and clearly outlines the roles and responsibilities of directors, officers and employees. It includes guidance for identifying potentially price-sensitive information, and sets out the process to review and authorise market announcements to ensure that ASX releases are accurate and complete. The SAL and RE boards approve announcements that relate to matters within the reserved powers of the boards and which have not been delegated to management or which are of particular significance to SYD. The ASX liaison person is the SAL company secretary.

Recommendation 5.2

The SAL and RE boards approve disclosures to the market that relate to matters reserved only to the board or which are of particular significance to Sydney Airport and SAT1. To ensure the board has visibility of all disclosures, including those delegated to management, the boards receive all material market disclosures to ensure visibility of the nature, quality and frequency of information being disclosed to the market.

Recommendation 5.3

To ensure all investors have equal and timely access to material information concerning SYD, market presentation materials provided to new, substantive investors or analysts are disclosed to the market ahead of the presentation and are available in the Investor section of the website.

Principle 6: Respect the rights of investors

A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

Recommendation 6.1

SYD is committed to ensuring timely and accurate information about the airport, SAT1 and all relevant corporate governance information is available to security holders via the Sydney Airport website. The website has a "Corporate Governance" section under the "About" tab that stores all the governance-related documents, the names, photographs and biographies of directors and senior executives and Sydney Airport's values. All ASX announcements are promptly posted on the website under the "Investors" tab. The annual and half year results presentations, financial statements, media releases, key dates, traffic announcements, webcasts and other communication materials are also published in the Investors section of the website.

Recommendation 6.2

Sydney Airport has a comprehensive security holder engagement program which includes annual reports, emails, briefings, presentations and events, including investor days and retail roadshows. The program includes periodic and ad-hoc briefings with institutional and private investors, analysts and the financial media. Sydney Airport aims to arrange time for questions at appropriate opportunities during briefing events providing a forum for two-way communication. Sydney Airport also provides the mechanism for investors to sign up for personalised notification of ASX and media releases as well as an "investors" email address through which everyone can communicate directly with our investor relations team.

The RE is a member of the Australian Financial Complaints Authority, an independent dispute resolution scheme, which is available to investors in the event that any complaints cannot be satisfactorily resolved by the RE in line with the Continuous Disclosure and Communications Policy, which can be found on the Sydney Airport website.

Recommendation 6.3

SYD regards the AGM as an important opportunity to communicate with security holders. It is also a major forum for security holders to ask questions about the performance of Sydney Airport, and to provide feedback about information they have received.

This year due to COVID-19 SYD held its first virtual AGM. Investors were encouraged to attend the live webcast, ask questions and vote. Securityholders were also encouraged to submit questions ahead of the AGM to either Sydney Airport or the auditor. During the virtual AGM securityholders were able to submit questions at any time during the meeting, these questions as well as all pre-submitted questions were answered either during the formal addresses or during the designated question time. The full text of notices of meeting and explanatory material is published on the website. AGMs are webcast live and later archived for the benefit of security holders who are unable to attend in person. Investors who are unable to attend in person can also vote using proxy forms by post, fax or via the internet.

Recommendation 6.4

It is SYD's policy that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands. This ensures greater accuracy to identify the true will of security holders whether they attend in person or by proxy. This process continued during SYD's virtual AGM, with polls opened by the Chair at the beginning of the meeting to allow maximum time for securityholders to vote.

Recommendation 6.5

Security holders are able to, and encouraged to elect to, receive all company information in electronic format including communications from the security registry in line with SYD's commitment to sustainability.

Principle 7: Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1**SAL Board**

The SAL Audit and Risk Committee assists the board to monitor Sydney Airport's Enterprise Risk Management Framework as set out in the Audit and Risk Committee Charter. The SAL board has established a policy governing Sydney Airport's approach to risk and internal control systems to minimise different categories of risks. The SAL risk management policy is available on the Sydney Airport website, and it addresses a wide range of risks (financial and non-financial) including:

- financial risks (e.g. liquidity, interest rate and credit);
- legal risks (e.g. the enforceability of important contracts, litigation);
- compliance risks;
- operational risks (e.g. processes, information technology, outsourcing of services);
- environmental and social risks;
- WHS risks;
- strategic risks;
- climate change risks;
- reputational risks; and
- cyber security risks.

The board requires management to design and implement the risk management and internal control systems, including undertaking a risk assessment of SAL and its business and operations. Management reports to the board on whether those risks are being managed effectively. The Audit and Risk Committee and the Safety, Security and Sustainability Committee each oversees and monitors the risk profile in relation to their responsibilities and the effectiveness of the controls implemented by management, recommending to the board any changes that should be made to the risk management framework or the risk appetite set by the board. The board is responsible for setting the appetite within which the board expects management to operate and ensure it is satisfied that appropriate frameworks are in place to identify and manage significant financial and non-financial risks. The board also monitors compliance with laws and regulations including those relating to health and safety, transport, and the environment. All SAL directors are also members of the board of Sydney Airport Corporation Limited, the company which operates Sydney (Kingsford Smith) Airport. This provides directors with direct visibility of matters considered and reported on by management.

RE Board

The RE values the importance of robust risk management systems and maintains a current risk register as part of its formal risk management program. SAT1 has a Compliance Committee, comprised of Johanna Turner (Chair), Simone Mosse, and Virginia Malley.

The Compliance Committee meets at least quarterly. In 2020 there were four meetings held, which were attended by all members. The Compliance Committee Charter, which can be found on the Sydney Airport website, sets out its role and responsibilities. The Compliance Committee is responsible for compliance matters regarding the RE's compliance plan and constitution and the Corporations Act.

Perpetual's Audit, Risk and Compliance Committee is responsible for oversight of Perpetual's risk management and internal control systems. The Audit, Risk and Compliance Committee is comprised of Ian Hammond (Chair), Gregory Cooper, Nancy Fox and Craig Ueland. In 2020 there were six meetings held which were attended by all members.

The Audit, Risk and Compliance Committee terms of reference sets out its role and responsibilities. This can be obtained on the Perpetual website. The majority of the Compliance Committee and the Audit, Risk and Compliance Committee members are independent. They are chaired by independent members.

The RE manages the engagement and monitoring of independent external auditors for SAT1. The RE board receives periodic reports in relation to financial reporting and the compliance plan audit outcomes for SAT1.

Recommendation 7.2**SAL Board**

In the reporting period the board reviewed the Enterprise Risk Management Framework to ensure it remains sound and tested its risk appetite as part of that process.

During 2020, management reported to the SAL Audit and Risk Committee and the board on the risk profile and the effectiveness of controls. In addition, the board received assurance from the CEO and CFO that their declaration under Section 295A of the Corporations Act 2001, founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. Additional detail in relation to Sydney Airport's material risk and the controls are contained on pages 46-49 of the 2020 Annual Report.

RE Board

The RE values the importance of robust risk and compliance management. The RE operates under the Perpetual Limited (Perpetual) Risk Management Framework (RMF) which applies to all the activities Perpetual undertakes as RE. The RMF aligns to International Standard ISO 31000:2018 'Risk Management Guidelines' and consists of supporting frameworks, programs and policies which have been developed, implemented and are regularly assessed for effectiveness.

Perpetual maintains a current risk register as part of its formal risk management program. The systems supporting the business have been designed to ensure risks are managed within the boundaries of the Perpetual Risk Appetite Statement which articulates the expected behaviours, metrics and tolerances that management are to take into account when setting and implementing strategy and running their day-to-day areas of responsibility. Perpetual's RMF is reviewed annually and was last updated and approved by the Perpetual Board in June 2020, with other programs and policies supporting the RMF regularly reviewed to ensure they remain fit-for-purpose and effective.

The declarations under section 295A of the Act provide assurance regarding a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The RE also receives appropriate declarations from the service providers involved in financial reporting.

Recommendation 7.3**SAL Board**

SAL has an established internal audit function and framework which is regularly monitored and reviewed by the Audit and Risk Committee. Internal audits, testing system controls and processes are undertaken by the internal audit function throughout the year. The Head of Internal Audit and Risk commenced in March 2020 building an in-house internal audit function that is supported by a co-sourced internal audit partner. The Head of Internal Audit and Risk has a direct reporting line to the Audit and Risk Committee.

RE Board

Internal audit is an integral part of Perpetual's governance and risk management culture and aims to protect Perpetual's earnings, reputation and customers. Perpetual's Internal Audit (IA) function reports functionally to the Perpetual Limited Audit Risk & Compliance Committee (ARCC), and for administrative purpose, through the Perpetual Chief Risk Officer. Internal Audit provides independent and objective assurance, a disciplined approach to the assessment and improvement of risk management and monitoring and reporting on audit findings and recommendations. The internal audit plan is approved annually by ARCC with results of audit activity reported quarterly.

Recommendation 7.4

Sydney Airport is committed to responsible growth that delivers positive outcomes for customers, investors and the community in which it operates. Sydney Airport's sustainability strategy forms an integral part of its broader business strategy. It seeks to respond to the changing world, and the emerging challenges and opportunities that are shaping businesses. As a sustainable business Sydney Airport is committed to:

- operating fairly and responsibly, ensuring risks are identified and appropriately managed;
- integrating social and environmental considerations into our decision-making processes; and
- working in collaboration with our customers, the airport community and other stakeholders to deliver mutually beneficial outcomes.

The sustainability strategy has three pillars:

- responsible business – being ethical, responsible and transparent in how we do business;
- planning for the future – delivering operational excellence through innovative, technology based solutions and supporting customers' needs now and into the future; and
- supporting our community – working with our communities to create shared value.

Sydney Airport's annual sustainability report is prepared in alignment with the 'Core' option of Global Reporting Initiative (GRI) Standards, the Sustainability Accounting Standards Board (SASB) framework and the recommendations of the Taskforce on Climate Related Disclosures (TCFD). The 2020 Sustainability Report is available on Sydney Airport's website. It sets out Sydney Airport's commitments, identifies those issues considered material to its stakeholders and the business, and outlines how it is managing relevant risks.

Each year, a review of a range of current and emerging issues that may impact stakeholders and the business is conducted and in 2020, Sydney Airport reevaluated these in the context of the COVID-19 pandemic, emerging global trends, key stakeholder interests, sustainability best-practice, and our overall business strategy. This resulted in a number of material issues increasing in priority.

SAL assesses physical and transition climate risks based on climate scenarios informed by the climate projections of the Intergovernmental Panel on Climate Change's (IPCC) Representation Concentration Pathways (RCPs). In 2020, SAL expanded its climate scenario analysis to better understand the exposure of our assets to physical climate risks and to test the climate transition resilience of our business.

The assessment used inputs from the scenario analysis to determine risks that will arise in the short (2030), medium (2031-2050) and long-term (>2050). Further detail on Sydney Airport's climate resilience approach in line with the Taskforce on Climate-related Financial Disclosures (TCFD) can be found in the 2020 Annual Report and 2020 Sustainability Report and the 2020 TCFD Report.

Principle 8: Remunerate fairly and responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders and with the entity's values and risk appetite.

Recommendation 8.1

SAL Board

The SAL board has a Nomination and Remuneration Committee and a copy of its charter is on the Sydney Airport website.

The role of the Nomination and Remuneration Committee is to assist and advise the board on director selection and appointment practices, director performance evaluation processes and criteria, board composition and succession planning for the board and senior executives, diversity within the organisation, overall culture and engagement, the executive remuneration framework and remuneration reporting (including by gender). The committee is chaired by an independent director and comprises at least three directors, all of whom are independent. A table of committee members, the number of times they met throughout the year and each Committee member's attendance record can be found on page 55 of the 2020 Annual Report.

RE Board

The RE does not have a Remuneration Committee. The fees and expenses which the RE is permitted to pay out of the assets of SAT1 are set out in the constitution, and the only remuneration paid directly is the fees for the independent directors. The RE's non-independent director and staff involved in the day to day operations of the RE are remunerated by Perpetual and not by SAT1.

Recommendation 8.2

SAL Board

The Remuneration Report sets out Sydney Airport's policy and practices for remunerating SAL directors and Sydney Airport staff.

The Nomination and Remuneration Committee oversees the remuneration of the CEO and senior executives as well as major remuneration programs applying to other employees. Salaries are benchmarked against comparable market participants based on information from remuneration consultants. An incentive policy has been developed to align staff performance with Sydney Airport's objectives. Policies are in place to ensure that no senior executive is directly involved in deciding their own remuneration.

The remuneration of SAL NEDs, the CEO and other senior executives has been disclosed to investors and is described in the Remuneration Report on pages 60-72 of the 2020 Annual Report. NED remuneration is determined with reference to external benchmarking undertaken by consultants engaged by the board. None of the NEDs are entitled to options, securities, bonuses or retirement benefits as part of their remuneration from Sydney Airport.

The Nomination and Remuneration Committee develops and reviews the process for selection, appointment and re-election of NEDs as well as developing and implementing a process for evaluating the performance of the SAL board, board committees and directors individually.

NEDs are subject to election by investors at the first AGM after their initial appointment by the board. In addition, each NED must stand for re-election by security holders on a rolling three yearly basis.

Letters of appointment for the NEDs, which are contracts for service but not contracts of employment, have been put in place. These letters confirm that the NEDs have no right to compensation on the termination of their appointment for any reason, other than for unpaid fees and expenses for the period actually served.

RE Board

This recommendation is not applicable to the RE.

Recommendation 8.3

SAL Board

Sydney Airport's Securities Dealing Policy sets out the provisions that apply to trading in derivatives. Sydney Airport's policy prohibits Sydney Airport people to use, or allow to be used, any such price protection arrangements in relation to any Sydney Airport Securities (such as shares, options or performance rights).

A copy of the policy is available on the Sydney Airport website.

RE Board

This recommendation is not applicable to the RE.

Principle 9: Additional recommendations that apply only in certain cases

Recommendation 9.3

SYD's external auditor attends its AGM and is available to answer questions from unitholders relevant to the audit.