



A \$20 Billion revenue hit still not a knockout punch for Qantas

Company/ASX Code	Qantas/QAN
AGM date	Friday 5 November 2021
Time and location	11am https://agmlive.linl/QAN21
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Allan Goldin
Pre AGM Meeting?	Chair: Richard Goyder, Filip Kidon: Head of Investor Relations and Lindsay Evans, Investment Relations Manager

Please note any potential conflict as follows: The individuals or their associates involved in the preparation of this voting intention have no shareholding in this company.

What Company sees \$20B of revenue disappear?

From the beginning of Covid the Board, CEO and top executives have led the way for Corporate Australia in forgoing rewards.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

A business that by the end of this calendar year will have lost a combined \$20 Billion of Revenue in two years.

Once again this year Qantas was ravished by the consequences of COVID-19 related lockdowns. Qantas International flights remained at a virtual standstill and there were only 30 days across the year when there was not some form of domestic restriction.

No public Company in Australia has seen Directors and Executives do more to share the pain, empathising with employees and trying to do the right thing to keep the business alive. It was and continues to be rough for the staff at least 9,500 of whom are no longer employed by the airline. Many have found alternative employment in other industries over the last two years.

Staff will be re-employed as full Domestic and International timetables ramp up, however these segments will ramp up at differing speeds with International travel schedules not back at pre-COVID levels until FY23. By that point, Qantas will be much slimmer with total staff numbers well under 25,000.

Domestic flights (95% which were cash flow positive), the government funded repatriation flights and freight has assisted in keeping some employees working and has also importantly allowed a number of pilots to retain or train for their certification. But add in having to hotel quarantine for two weeks in some States and not others has just added more complexity to keeping people working.

The TWU on behalf of the ground crew that Qantas paid out in order to switch to commercial outsourcing has taken legal action. Although this is being appealed, the Company was found to be in breach of the Fair Works Act, if the ruling is upheld the penalty is likely to be compensation to the people involved.

Aviation fuel costs are always one of the key factors in determining if a particular year is profitable or not. Qantas is following its usual hedging procedure of continuing to purchase futures contracts during the year and the result of which will be seen when results are produced.

One positive component of the lockdown has been that with many airlines not flying to Australia and a massive upsurge in e-commerce sales, the freight side of the business has soared. The increase in the freight business looks to be ongoing and the Company has undertaken some fleet reconfiguring to accommodate this increase. This revenue stream is expected to continue to perform strongly with consumer purchasing habits to continue to favour e-commerce.

As recently announced, Qantas has sold land in Mascot for \$800M, this combined with a surprisingly healthy balance sheet should mean that there is little need for short-term funding requirements.

The disagreement with Perth Airport is before the courts. There is likely to be discussion with some regional airports on landing charges

As all passengers on Qantas international flights will need to be vaccinated, the Company very early announced that all employees will also need to be vaccinated. For Domestic flights, Qantas will not mandate vaccination but will rather follow state government public health orders.

Qantas has made a commitment to net zero. It is making changes to help achieve this on the ground. While in the air by purchasing more fuel efficient aircraft and investing in research and development of sustainable aviation fuel. Realistically unless there is some major technical breakthrough Qantas will only obtain its target by using well regulated offsets.

For this coming year 2021/2022, Mr. Joyce and the KMP's have already decided to forego their Short Term Incentives (STI). All of this salary sacrificing comes at a cost and Qantas is losing key executives to other companies. The Chair has committed to introducing some form of bonus that will reach deep into the Company as compensation and reward structure. It is uncertain what this will look like, however in part it may be in the form of retention bonuses. ASA usually votes against retention bonuses, however in this case, due to incentives that were earned and should have been awarded but weren't, we will wait to see the detail of the structure and may see us next year reversing our usual stance in this one case.

Summary

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)	(1,728)	(1,964)	840	953	853
UPAT (\$m)	(1,826)	124	1,326	1,565	1,401
Share price (\$)	4.66	3.78	5.40	6.16	5.72
Dividend (cents)	-	-	25	17	14
Simple TSR (%)	23.2	(11)	(8.2)	10.6	111
EPS (cents)	(91.8)	(129.6)	51.5	54.4	46
CEO total remuneration, actual (\$m)	2.43	2.63	11.1	10.87	24.6

For 2021, the CEO's total actual remuneration was **26 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics)

Item 2.1	Re-election of Belinda Hutchinson as a Director
ASA Vote	For

Ms Hutchinson has over 30 years' experience in the financial services sector, working in senior roles at Citibank and Macquarie Group. Ms Hutchinson also has extensive board experience. She was formerly Chairman of QBE Insurance Limited, and a Director of Telstra Corporation Limited, Coles Group Limited, Crane Group Limited, Energy Australia Limited, TAB Limited, Snowy Hydro Trading Limited, Sydney Water and AGL Energy.

Belinda Hutchinson is currently Chancellor of the University of Sydney, and Chairman of Thales Australia

The Board believes Ms Hutchinson's extensive background on numerous boards and in financial services adds to the depth of experience currently on the Qantas Board, and enables her to make a valuable contribution to the Board and as a Member of the Safety, Health, Environment and Security Committee and the Audit Committee.

Belinda Hutchinson was appointed a director in 2018 holds 47,199 shares including rights held under the Qantas Non-Executive Director Fee Sacrifice Share Plant.

ASA will be voting undirected proxies in favour of her re-election

Item 2.1	Re-election of Antony Tyler as a Director
ASA Vote	For

Antony Tyler has broad aviation and management experience. He was Director General and Chief Executive Officer of the International Air Transport Association from 2011 to 2016. Prior to this,

Mr Tyler spent over 30 years with Cathay Pacific Airways Limited. His career includes several management and executive roles in Hong Kong, UK, Italy, Japan, Canada, the Philippines, and Australia before serving in the role of Chief Executive Officer from 2007 to 2011.

He is a Non-Executive Director of Bombardier Inc., BOC Aviation Limited and Trans Maldivian Airways Limited as well as being a Fellow of the Royal Aeronautical Society.

The Board believes that Mr Tyler’s extensive international aviation experience and strong industry relationships, together with his commercial and management experience will enable him to continue to make a significant contribution to the Board.

Antony Tyler was appointed to the board in 2018 and holds 52,000 shares.

ASA will be voting its non-directed proxies in favour of his re-election.

Item 2.1	Re-election of Todd Sampson as a Director
ASA Vote	For

Mr Sampson was Executive Chairman of the Leo Burnett Group from September 2015 to January 2017, and National CEO from 2008 to 2015. He has over 20 years’ experience across marketing, communication, new media and digital transformation.

The Board believes that Mr Sampson’s significant marketing and management experience enable him to make a valuable contribution to the Board and the Remuneration Committee

Todd Sampson was appointed a director in 2015 holds 33,783 shares including rights held under the Qantas Non-Executive Director Fee Sacrifice Share Plant.

ASA believes it is very important to appoint non-traditional Directors from the wider circle than Boards are usually selected from and will vote our non-directed proxies in favour of his re-election.

Item 3	Participation of the Chief Executive Office , Alan Joyce in the Long Term Incentive plan
ASA Vote	For

This resolution is for the awarding of 861,000 performance rights which were calculated based on 185% of Mr. Joyce’s salary divided by the \$4.66 market value of shares on June 30, 2021.

For these rights to fully vest to no-cost shares, this will depend on the performance against hurdles set out in Appendix 1.

It should be noted that Alan Joyce should have had performance rights vest as shares for both the year ending June 2020 and June 2021 however at his request the awards have been deferred until normal circumstances prevail.

Item 4	Adoption of Remuneration Report
ASA Vote	For

The Qantas Board and senior executives shared some of the pain that COVID-19 lockdowns brought upon the business.

The CEO took no Base Pay in July 2020 and then a 35% reduction in fixed remuneration from 1 August through to 31 October 2020.

Executive Management took a 15% reduction in fixed remuneration until 31 October 2020.

Non-Executive Directors took a 15% reduction in fees until 31 October 2020.

The CEO, Executive Management and Non-Executive Directors returned to full pay from 1 November 2020.

No awards were made under the Short Term Incentive Plan (STIP) although under the scorecard everyone qualified for a substantial payment.

Mr. Joyce and the senior executives have already decided that they will not receive an STI for this coming year.

The Board is considering remuneration initiatives that are designed to reward and incentivise all employees in setting up Qantas for post-pandemic success. In the case of the CEO and Executive Management, any such plan would operate in lieu of the traditional annual incentive plan for the year. A separate plan would operate to reward non-executive employees.

More Remuneration details are in Appendix 1

Item 5	Change to Constitution
ASA Vote	For

As Qantas has withdrawn the resolution regarding virtual meetings, ASA supports the other proposed Constitution changes and will be voting its non-directed proxies in favour of the motion.

Appendix 1 – Remuneration Framework Detail

SHORT TERM INCENTIVE PLAN (STIP)

Paid 2/3 in cash 1/3 in deferred equity

STIP OUTCOME

Notwithstanding that there was strong performance against both the financial and non-financial components of the STIP Scorecard that would have resulted in a substantial award (estimated at 121 per cent) under the 2020/21 STIP, the Board applied its discretion and determined the STIP Scorecard outcome to be zero

STIP SCORECARD

2020/21 STIP Scorecard: Each year, the Board aligns the performance measures that comprise the STIP Scorecard with the Qantas Group's strategic priorities. For 2020/21, this involved aligning these performance measures with the key financial, operational and safety measures supporting the recovery plan. For 2020/21, the Board selected cash preservation and recovery plan metrics as the key financial performance measures for the Qantas Group, with a weighting of 50 per cent of the STIP Scorecard.

2020/21 STIP Scorecard: Strategic Objective, Weighting, Outcome:

- Financial Measures, 30%, Achieved
- Recovery Plan and Growth, 20%, Achieved
- Customer, 15%, Achieved
- Leading Domestic Market Recovery, 20%, Achieved
- Workplace and Operational Safety, 15%, Achieved

LONG TERM INCENTIVE PLAN (LTIP)

Measured over 3 years paid over 4

OUTCOME

50% of bonus paid as Qantas' 3-year relative TSR performance was ranked: – 4th in the airline peer group – performance condition fully achieved – 70th in the ASX100 – performance condition not achieved.

PERFORMANCE MASUREMENTS

Qantas' TSR compared to: – A global airline peer group – ASX100 companies. Up to 50 per cent of the total number of Rights granted may vest based on Qantas' TSR performance in comparison to the global airline peer group; Air Asia, Air France/KLM, Air New Zealand, All Nippon Airways, American Airlines, Cathay Pacific, Delta Airlines, Deutsche Lufthansa, easyJet, International Consolidated Airlines Group, Japan Airlines, LATAM Airlines Group, Ryanair, Singapore Airlines, Southwest Airlines, United Continental

- 50 per cent of the total number of Rights granted may vest based on Qantas' TSR performance in comparison to the ASX100 companies.

Rights vest commencing at 50% of individual award if Qantas TSR is better than 50% of the comparator group. Then linear to 75% where it is 100%

YR 2022 Forecast

CEO rem. Framework for Alan Joyce	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2.170	35.1	2.170	35.1
STI - Cash	0		0	
STI - Equity	0		0	
LTI	4.014	64.9	4.014	64.9
Total	6.184	100	6.184	100

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year

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