



Monetisation of Moorebank -transitioning for the future

Company/ASX Code	QUBE Holdings Limited
Thursday	11 November 2021
Time and location	10-30am Virtual Meeting via Lumi
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Ian Graves assisted by Peter Gregory
Pre AGM-Meeting	With Chairman Allan Davies, Director Jackie McArthur, Company Secretary Adam Jacobs, Belinda Flynn General Manager Safety Health & Sustainability.

Please note any potential conflict as follows: An individual involved in the preparation of this voting intention has a shareholding in this company.

Summary of issues for meeting

Moorebank MPL. The completion of a binding agreement for the Sale of the Logistics Park to the Logos consortium was announced with the release of the Annual results. The consideration is \$1.67 billion before adjustments with settlement which includes adjustments to take place in the 4th quarter this year. This has resulted in a Fair value pre-tax profit of \$195.6m.

Remuneration Changes. Last year QUBE experienced a first strike for the Remuneration report. Since then, the Board has carefully considered all feedback in conjunction with reviews of executive and director remuneration against our business strategy. The Board decided on changes to address remuneration strategy and other issues, while also addressing concerns expressed by a significant minority of shareholders. As a result, although meeting the guidelines for COVID-19 assistance, when they applied for and received JobKeeper payments in the first half of FY21.

These have been voluntarily repaid, along with other changes made to the previous Plan. Some have been introduced this year with more to be implemented in FY22 with one to be introduced in FY23. The proposed structure was announced with the release of the results along with the newly appointed MDs remuneration. With more details to be released later this year. During discussions ASA advised that there were some aspects the Structure that we were unable to support particularly, that the STI was larger than the LTI, at both the Target and Maximum opportunity. QUBE advised that they envisage that the finalised remuneration plan will be released in 2022 commencing in FY 2023.

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

Summary of ASA Position

A strong financial performance with underlying revenues up 7.9% to \$2,032.4 with an Underlying NPAT up 36.8% to \$142.5m. This was assisted by strong growth in existing markets particularly Motor Vehicles, Forestry, Bulk & Containers along with an increase in Patrick's profitability and small strategic acquisitions.

Since the release of the financial year's results QUBE has announced the acquisition of the Newcastle Agri Terminal which provides it with the ability to attract export grain from northern NSW

Governance and culture

ESG

QUBE's comprehensive Sustainability Report describes FY21 achievement and sets FY22 targets - which have clear and quantifiable measurements. It provides supporting detail on the targets and how they were achieved. This is managed through their robust Risk Management framework. The FY21 report described their focus on COVID19, and the importance placed on Safety and Health of employees and resilient and robust approach to sustainability as one of the keys to the long-term success of the organization.

This was highlighted by their Safety and Health outcomes with their goal of Zero Harm. QUBE achieved zero fatalities and reduced Lost time injury rate (LTIFR from 0.9 to 0.8 million hours worked although Total recordable Injury Frequency rate (TRIFR) increased from 8.3 to 9.0 mainly due to consolidating recent acquisitions. The Critical Incident Frequency Rate (CIFR) decreased from 1.5 to 0.3 as a result of their leading-edge monitoring Centre which is preventing Truck roll overs thereby reducing CIFR incidents.

QUBE's approach in their Sustainability Report is to align their actions and is based on United Nations Sustainable Development Goals. Establishing the following guiding principles:

- Zero Harm – safety and environment
- Integrity and Reliability
- Customer Commitment
- Shareholder Return
- Inclusion and Equity
- Knowledge and Innovation

Financial performance including dividends and shareholder returns

Despite the impact of Covid and the consequent interruption to work activities QUBE produced a strong financial performance record underlying earnings.

Statutory earnings revenue up 14.5% to \$2.177m with underlying EBITA up 14.5% & Statutory NPATA plus 4% to \$108.7 pre amortisation. \$182.9m and Statutory EPSA of 4.8 cents. The figures are impacted because of the various adjustments made for Discontinued operations which mainly comprise Moorebank in the FY 21 financial statements. as the intention to sell was made in July

the fair value gains of \$195m from the MLP investment property of \$195.6 million. Dividend was up 3% to 6 cents with a TSR of 10.6%.

Key events such as restructures, acquisitions, buy backs and capital raisings

As a result of the sale of both Minto properties and the still to be finalised Moorebank Logistics Park the Property Division has been disbanded reducing the Operating Divisions to two, being Ports and Bulk plus Logistics.

On 8 September 2021 QUBE announced that it would acquire Newcastle Agricultural Terminals (NAT) for \$90 million. This transaction was completed on 30 September despite requests from the ACCC to delay completion of the transaction after competition concerns were raised by market participants. ACCC are investigating and have warned of possible action if there is a breach found.

Key Board or senior management changes

Retirement of Maurice James Retirement from 30 June.

Paul Digney appointed MD from 1 July. He has had 30 years' executive management experience in supply chain and port logistics roles across Australia, and from 2016 was the QUBE Chief Operating Officer. It is noted that two of the QUBE senior executives, John Digney, Director – Logistics and Infrastructure, and David Digney, Director – Operations (Logistics) are brothers of the MD. This family association emanates from their time working at Patrick's. Any potential conflict of interest has been managed through structural separation as they have each individually pursued their careers.

ASA focus issues

Cyber security

QUBE are cognizant that their computer systems need to interface with external partners, including customers, suppliers and transport operators. With the Covid caused increase in the number of their people working remotely there is an added level of cyber risk. QUBE have a well-developed cyber security plan that includes thorough training to ensure individuals are fully informed and act responsibly; a system that is structured so that appropriate entry barriers are in place; and monitoring to detect and immediately block any intrusion.

Directors

3 of QUBE's 7 Non-Executive Directors (NED) were appointed in 2011. One of these, Allan Davies is Chairman and given the change of MD we consider his continuation as a director to be appropriate. The other two, Sam Kaplan and Ross Burney are standing for reelection at this year's AGM and if re-elected will have served 13 years at the end of their terms. While the QUBE board has stated that these directors are independent and provided a description of the process involved, at the AGM ASA will be seeking further clarification of why the board is of this opinion.

QUBE provide a basic Board Skills matrix which does not provide the capability level of each skill for each director. During the pre-AGM meeting this was discussed, and it was suggested that shareholders need this level of information to be able to determine the capability of each director to represent their interests.

Summary

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)	91.6	87.5	196.16	199.3	77.3
UPAT (\$m)	142.5	104.2	123.2	106.8	102.2
Share price (\$)	3.17	2.91	3.04	2.41	2.66
Dividend (cents)	6.0	5.2	6.7	7.5	5.5
TSR (%)	10.6	.2	22.8	-6.6	19.8
EPS (cents)	4.8	6.2	12.5	12.4	5.3
CEO total remuneration, actual (\$m)	4.18	3.54	5.22	3.19	3.23

For FY21, the CEO's total actual remuneration was **45 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2020 data from the Australian Bureau of Statistics). Actual earnings are ASA defined as the cash payments made during the year (FR, STI, deferred STI, plus any vesting of equity incentives at share price on date of vesting).

Note - For November 2020, the Full-time adult average weekly total earnings (annualised) was \$92,034.80 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings").

Resolution 1	Re-election of Sam Kaplan as a Director
ASA Vote	Undecided

Summary of ASA Position

Sam Kaplan began his association with QUBE in 2006 when he worked as an investment manager leading to the establishment of QUBE Limited in 2011. At that time, he became a QUBE director. He is currently Deputy Chair and Chair of Audit and Risk Management Committee.

He has stated that if re-elected he will serve the full 3-year term and by then will have been a director for 13 years, at which point ASA will not consider him to be independent.

At the AGM we will ask him why he considers he is independent from management (see comments under Directors) given his tenure as a director and prior association with QUBE; whether it is appropriate that he continue as Deputy Chair; and whether the critical role of Chair of the Risk and Audit committee should be transitioned to another director under his mentorship? We will also ask that he reconsider his plan to serve the full term.

Based on responses to these questions we will determine whether his re-election is in shareholders' best interests.

Resolution 2	Re-election of Ross Burney as a Director
ASA Vote	Undecided

Summary of ASA Position

Ross Burney has been a QUBE director since 2011. He is a member of Nomination and Remuneration Committee

He has stated that if re-elected he will serve the full 3-year term and by then will have been a director for 13 years, at which point ASA will not consider him to be independent.

At the AGM we will ask him why he considers he is independent from management (see comments under Directors); and to reconsider his plan to serve the full term. We are of the opinion that board renewal is critical for QUBE and that it is appropriate for his re-election to be part of a planned transition process.

Based on responses to these questions we will determine whether his re-election is in shareholders' best interests.

Item 3	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

Last year QUBE experienced a First strike on the Remuneration report with 53% of shareholders voting against it. Resulting in a review and concluded that Executive KMP should receive a greater proportion of their pay as equity. This change to be effective for STI payments from FY22. With a Mandatory shareholding requirement of 50% (MSR) for KMP'. Executive KMP will receive 50% of their annual STI award in cash and 50% restricted shares deferred for one year. Only in the event the Executive KMP already holds shares in excess of the MSR, may the executive elect to take the balance of the deferred component in cash. Payments in restricted shares will increase equity holdings to an acceptable level; further align management's interest with shareholders; and permit discretion to not award the deferred

In 2017 Share Appreciation Rights (SARs) were introduced to recognise the significant potential for value creation under major transformative projects, including the Moorebank development. When Moorebank sale has been finalised later this year with a final grant of SARS in FY 22 to be replaced in FY 2023 by LTI with a lower incentive opportunity and be more consistent with market practice.

This will align more with ASA's preference of a simpler plan with additional hurdles and a STI which is less than both fixed remuneration and the LTI.

As QUBE appointed a remuneration consultant in January this year and expects to introduce a new plan in FY23. Along with the temporary reduction for FY 21 in the STI from maximum award of 140% target to 120% of target we will support the plan this year's plan although emphasis that ASA will not support the FY 23 plan if it hasn't addressed our stated concerns.

This year although with the reservations expressed above ASA will support the resolution and vote all undirected proxies in favour of it.

Item 4	Approval of FY22 award of SARs under the Qube Long Term Incentive (SAR) Plan to Paul Digney
ASA Vote	For

Summary of ASA Position

This grant under the LTI of 1,932,305 SARS share price appreciation rights base on the LTI opportunity of will granted based on the LTI plan of \$968,085.

ASA supports this resolution awarding of the rights and will vote all undirected proxies in favour of the resolution,

ASA supports this resolution and will vote all undirected proxies in favour of this resolution.

Item 5	Approval of the issue of securities under the Qube Long Term Incentive (SAR) Plan
ASA Vote	For

Summary of ASA Position

The purpose of this resolution is to comply with the ASX listing rules and to provide the company with the flexibility to raise further funds up to 15% of its issued capital and ensure that any securities issued under this plan do not count towards the calculation of this limit.

ASA supports this resolution and will vote all undirected proxies in favour of this resolution.

Item 6	Increase in Directors' fee pool
ASA Vote	For

Summary of ASA Position

This resolution seeks approval to increase the maximum aggregate remuneration payable to non-executive directors for their services as Directors. The existing Limit is \$1,400,000 and was last changed in 2017. This increase will provide the flexibility to increase benefits to directors for the increased demands on Directors as well as provide the flexibility in appointing additional Non-Executive Directors

ASA supports this resolution and will vote all undirected proxies in favour of this resolution.

Item 7	Spill Resolution
ASA Vote	Against

Summary of ASA Position ASA opposes spills as it is too dramatic action and disruptive to the Business, and not consider the steps already announced by the Chairman of the action they are taking to improve the remuneration report.

ASA will vote all undirected proxies against this resolution.

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Appendix 1 Remuneration framework detail

CEO rem. Framework for FYXX	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1,490	42	1,490	39
STI - Cash	520	15	730	18
STI - Equity	520	15	730	18
LTI	970	28	970	25
Total	3,500	100%	3,920	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, with deferred amounts subject to hurdles in subsequent years before vesting.