Australian Shareholders' Association Limited
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Green shoots and significant headwinds

Company/ASX Code	Qantas/QAN
AGM time and date	11:00am AEDT Friday, 25 October 2024
Location	Centurion Ballroom, L4, Crowne Plaza Hobart, 110 Liverpool St Hobart TAS
Registry	Link Market Services
Type of meeting	Hybrid
Monitors	Sue Howes, Julieanne Mills and Rachel Waterhouse
Pre-AGM Meeting	Yes, John Mullen (Chairman), Nora Scheinkestel (Chair - Remuneration), Filip Kidon (Investor relations), Adam Luc (Investor relations) Phil Taylor (EM Remuneration and Benefits) and Catherine Walsh (Group Chief People Officer)

Monitor Shareholding: The individuals (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

1. How we intend to vote

No.	Resolution description	
2 a)	Election of Mr John Mullen	Undecided
2 b)	Election of Dr Nora Sheinkestel	For
2 c)	Re-election of Mr Antony Tyler	For
3	Participation of the CEO in the LTI Plan	For
4	Remuneration Report	For
5	Renewal of Proportional Takeover Provisions in the Qantas Constitution	For
6	Spill Resolution (Conditional)	Against

2. Summary of Issues and Voting Intentions for AGM

- The ability of the company to effectively turn its culture from CEO centric to one that operates for the benefit of customers, staff and shareholders is yet to be realised, but change is happening.
- Mr Mullen's workload. The current workload is significant, and the Chair is very aware of this. Generally, we would vote against given workload, and if we were voting for Mr Mullen this year in any other Board role we would definitely vote against.

However, QAN is at a pivotal point of change, Mr Mullen has clearly done the work to gain a deep and broad understanding of the company and its issues, is demonstrably part of the considerable culture change underway in the organisation and has developed a solid working relationship with the new CEO as well as bringing the Board together on key issues, including transparency.

Although workload is a major concern, John Mullen is recognised by everyone as one of our strongest change management Chairs and, as Qantas is not only a significant ASX Company but also an emotionally important major Australian brand, both national and internationally, it merits the best Chair available.

Mr Mullen is aware of the workload issue and has indicated that he will be working to resolve this in an orderly fashion over the next year. We will be requesting his commitment to this prior to voting our proxies at the meeting and should the situation not be resolved when he comes up for re-election we would vote against him at that time.

- Regulatory and governance issues. Work on all is in train and detailed below.
- Remuneration changes: detailed below.

See [ASA Voting guidelines] and [Investment Glossary] for definitions.

3. Matters Considered

Accounts and reports

Financial performance

(As at FYE)	**2024**	**2023**	**2022**	**2021**	**2020**
NPAT ($m)	1,251	1,744	(860)	(1,692)	(1,964)
UPBT ($m)	2,078	2,465	(1,859)	(1,774)	124
Share price ($)	5.85	6.20	4.47	4.66	3.78
Dividend (cents)	0	0	0	0	0
Simple TSR (%)	(5.6)	38.7	(4.1)	23.2	(11)
EPS (cents)	75.9	96.0	(45.6)	(89.9)	(129.6)
CEO total remuneration, actual ($m)	4.38	21.44 Restated (14.91)	2.272	2.43	2.63

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

CEO Alan Joyce F23 remuneration has been restated to take into account the forfeiture of $9.26M in F24

The financial result was lower than the FY23 bumper profit year. The difference between statutory and underlying profit this year is the provision for ACCC settlement and remediation ($128m) and the provision for the High Court ground staff case ($70m).

Despite the two most recent improved years, the company has not resumed dividend payments. The last dividend payment was $0.13 in September 2019. The share price at end FY19 was $5.40. This means that over these 5 years shareholders have seen one 13 cent dividend and an increase in share price of 45 cents. Terribly disappointing after watching so many millions leave the company into Mr Joyce's pocket.

The company has been continuing its fleet renewal program with 16 new planes delivered this year and 20 scheduled for FY25. This comes at an ongoing cost of around $2.8 billion this year and a similar figure in FY25. This figure is expected to reduce from FY26 onwards, however with the age of the fleet and the size (347 aircraft at June 2024) capital expenditure is likely to be elevated compared to years prior to FY23, where fleet average age was let slide.

Interestingly, with an increase in passenger load combined with better efficiency in the newer aircraft being purchased, one would expect the increase in revenue (11.7%) over the year to be greater than the increase in operating aircraft variable (21.2%) and fuel (16.7%) expenses. This is not the case. Given the work being undertaken to move to a more efficient fleet, finalise the expensive issues of recent years and move the culture to customer centric and thus attract more passengers we anticipate this will adjust more favourably in the next year or two. However, the situation in the Middle East could have a significant effect on fuel costs.

Having successfully lobbied to prevent Qatar from competing on international routes, Qantas now finds itself in a position of likely high competition from Virgin if the Qatar/Virgin deal gains approval. Discussing this with the Chair, though, the company welcomes the competition as this has been the case in the past and Qantas has survived. The company did flag the issue of 'wet leasing' of Qatar aircraft by Virgin. This is seen as fine if done for a short period to get things off the ground but longer term it is seen as creating an unlevel playing field as the staff on Qatar flights are paid at about half that of Qantas staff.

Governance and culture

This is by far the biggest issue Qantas is facing.

The release in early August of the Qantas Governance Review Report commentary, the release of the actual report by Mr Saar and changes to the remuneration plan going forward indicate a new level of openness in Qantas dealing with shareholders and customers. This has been welcomed by ASA.

The governance report indicated there were significant deficiencies in the governance, management and remuneration structure of the organisation. We are pleased to see these issues being addressed. The Board has accepted all 32 recommendations and progress on implementation comes to the Board on a regular basis.

We continue to watch the performance of Ms Hudson closely to see if it is indeed possible that she can turn the culture around in the organisation, given her long working relationship as CFO to Mr Joyce. Prior to the meeting with the company we still harboured concerns about this, but discussion with the Chair has allayed these. Mr Mullen has had significant contact with Ms Hudson – generally daily – and the Board finds her open minded, transparent, cautious with a core of inner steel. The Chair has no reservations and describes Ms Hudson as the antithesis of Mr Joyce.

The company does appear to be moving in the right direction. There is identifiable cultural change evidenced by accountability, transparency and openness.

Key events

The ACCC case has been settled and the fine and remediation expense has been provisioned for in the FY24 accounts.

The High Court case has been provisioned for in the FY24 accounts but is not yet finalised.

The collapse of Bonza and Rex (capital city routes) has decreased competition for Qantas.

Qatar Airways proposal to purchase shares in Virgin Australia, if approved by regulators, will significantly increase competition for Qantas.

Key board or senior management changes

The board has seen significant change this year largely due to shareholder pressure. The chair Mr Goyder resigned on the 16 September 2024 and has been replaced by Mr Mullen, an experienced ASX company chair, he was appointed to the board in March 2024. This has allowed a reasonable time for a handover.

Michael L'Estrange retired in November 2023 and Maxine Brenner and Jacqueline Hey retired in February 2024. Dr Smith joined the board in August 2023 and Doug Parker joined in May 2023. Dr Nora Scheinkestel also joined the board in March 2024 and immediately assumed the role of the Chair of Remuneration. There are now only three of the FY23 board directors on the Board. These directors have elected to reduce their fees by 33% for the FY24 year. It is important to have some corporate knowledge on the board, which these directors can provide.

The new CEO, Vanessa Hudson, was appointed in September 2023 and has had a busy first year. Her team has been restructured, Oliva Wirth has been replaced by Andrew Glance as CEO Qantas Loyalty, Rob Marcolina is now group CFO, and Andrew David has been replaced by Markus Svennson as CEO Qantas Domestic. 2024 also saw the departure of Andrew Finch, Group General Council and Andrew Parker head of Sustainability.

Catherine Walsh was appointed to Group Chief People Officer and brings significant experience to an important role. This clearing of the decks and reshuffle of management will allow the new CEO to establish a very different style of management and contribute to cultural change.

Sustainability/ESG

QAN was one of the first airlines to adopt a net zero target in 2019. The company recognises the impact of decarbonisation on long-term shareholder return and has continued to progress its 2022 Climate Action Plan (CAP).

The company utilises an internal carbon price and in FY24 refreshed the scenario analysis regarding transition and physical risk. QAN recognises that the key to a sustainable airline industry is the development of Sustainable Aircraft Fuel (SAF) in Australia. The EU, UK and Singapore already have requirements for SAF by 2030. This also benefits fuel security and has environmental benefits.

QAN is investing in projects developing new fuel sources in the WA wheat belt and N. Queensland. Currently, only 0.2% of total fuel is SAF, well below its 1.5% target. The annual target of 1.5% has now been removed because it is not achievable.

The company is investing in sustainable operations that include more efficient planes and reducing operational burn of fuel. In 2025-26 it will retro fit four 737s and twenty 738s aircraft to reduce fuel use and will electrify ground vehicles. QAN purchased 16 new planes in FY24 with improved fuel efficiency and will be adding another 40 over the next two years.

Qantas has also embraced a Nature Action Plan 2024 (NAP) to reduce its impact on nature and biodiversity. It will introduce nature reporting (TNFD) in FY25. $20m will be spent on Australian Carbon Credit Unit projects aligned with nature include funding for the Great Barrier Reef. Carbon offsets for corporate travel have been invested in high quality and integrity nature-based decarbonisation methods such as: wildfire management in Arnhem Land; energy efficient cooking stoves in Ethiopia and rainforest conservation in PNG.

A $400m Climate Fund was established in 2023 with $200m in joint funding from Airbus and Qantas to develop a domestic SAF supply. QAN has invested $50m in Sustainability Aircraft Fuel Federation Australia (SAFFA). This is an ongoing problem that is not going to fixed in the short term. It is also developing nature based carbon offsets, in carbon removal technology, operational efficiencies and waste recycling.

Now for the bad news, Scope 1 emissions (65%) increased in FY24 by 17.9% to 11,456,418 t CO_2e (11.45Mt CO_2e) due to the increase in flying to near pre-pandemic levels. Scope 1, 2 & 3 emissions totalled 17.61 Mt CO_2e. As the number of flights increase so too will emissions, even with aircraft efficiencies. SAF fuels need to become more accessible and affordable.

The remuneration scorecard has a 5% weighting to the climate target for FY24. One measure is of group emissions reductions. The FY24 result of 32,700 tCO_2e was above target. This represents 0.28% of total group emissions. Is this meaningful? It is hard to tell. Another measure has seen 25% of waste from landfill diverted and $4.3m spent on B2B Offsets and SAF programs. More work to do and perhaps more board skills in this area.

Gender diversity is at 50% for the board and 40% for senior management.

The WGEA pay gap is very high, 38.3%, largely due to the engineering and pilot roles. QANTAS has AWEI gold status for diversity and inclusion. Employee engagement is up slightly by 2% to 64%.

If you are interested in what impact flying has on global emissions, click on the link below https://ourworldindata.org/global-aviation-emissions.

4. Rationale for Voting Intentions

Resolution 2 a) Election of Mr John Mullen (undecided)

Mr Mullen has a proven track record as a director and Chair. Our only concern is his workload given the number and type of other director positions he holds. He is currently chair of ASX listed Brambles and Treasury Wine Estates along with chair of Scyne Advisory (ex PWC spin off) and the Australian National Maritime Museum. He is also a non-executive director of Brookfield Infrastructure Partners.

This is a very large load for any Director, and we questioned him on his capacity to manage all these roles should something go wrong with any of these companies or should we encounter another “black swan” event. He was cognisant of these concerns and has committed to resolving to responsibly reduce his commitments within the year. In our meeting we were impressed by his transparency, openness, engagement and commitment as Chair, and we feel confident he is the right person for this role. We are undecided only due to the workload issue.

Resolution 2 b) Election of Dr Nora Sheinkestel (for)

Dr Sheinkestel has the skills and abilities suitable for the role of director and Chair of Remuneration on this Board. She has been responsible for driving the remuneration outcomes and changes since joining the Board in May, has engaged readily with shareholders, including meeting with the ASA to fully explain changes to the remuneration plan and clearly has a good grasp of the nature and sensitivity of the issues the company is facing.

The Chair gave her a glowing review and we can see the benefit of her support during this stage of board renewal. We fully support Dr Sheinkestel's election.

Resolution 2 c) Re-election of Mr Antony Tyler (for)

Mr Tyler joined the Board in 2018 following a career at Cathay Pacific and CEO of the International Air Transport Association (IATA). He is Chair of the Safety, Health, Environment and Security Committee and a Member of the Nominations Committee on this Board.

We quizzed the company on the disparate results in the STIP on Operational Safety and Workplace Safety. The Chair was able to clearly explain the difference between the two, succinctly, as aircraft failure and injury to staff. One contributing factor around the Workplace metrics is the return to full operations as the metric compares to prior years with less activity.

The Chair was also clear on the importance of Mr Tyler's expertise and contribution to the company, particularly in the current circumstances and that he was entirely necessary to the Board and company going forward.

Accordingly, we will be voting any undirected proxies for Mr Tyler.

Resolution 3 Participation of the CEO in the LTI Plan (for)

We are supportive of the changes that have occurred, and that are planned, to the remuneration arrangements of the company and will be voting any undirected proxies for this resolution.

Resolution 4 Remuneration Report

The remuneration report this year is quite complex as it covers actions over a number of periods.

FY23

Firstly, subsequent to the finalisation of the FY23 report, when the various issues came to light, the Board used its discretion to reduce STIP for senior management by 20%. Further investigation and review by the Board has resulted in a 33% reduction in STIP for senior management (inclusive of the 20%) implemented as removal of deferred shares, and the cancellation of all remaining LTIP shares held by the previous CEO. The monetary results of these two actions are $4.1m and $8.36m respectively.

FY24

Secondly, while no wholesale changes were made to the remuneration plan for this year, there is a major difference in the approach adopted by the Board. The changes made are:

- Restriction on trading of shares by executives without prior Board approval
- Minimum shareholding requirements instituted for executives.
- Customer component of the scorecard increased from 20% to 30%.
- Increased Board discretion over remuneration outcomes.
- Improved disclosure of the measures and metrics of remuneration outcomes.

FY25

Further changes include:

- Removal of the Individual Performance Factor (IPF). Eliminating this factor means that instead of a potential maximum STIP of 300% of FAR, outperformance will now be a more realistic 150% of FAR.
- STIP equity changed from 1/3 to 50% with vesting of the shares deferred two years.
- Improved transparency on Balanced Scorecard reporting.
- Addition of a third LTIP hurdle (of equal weighting) relating to reputation.

Outcomes for FY24 for the CEO

A clear description of the outcomes of the STIP and how they were arrived at can be found on page 39 of the annual report.

We largely agree with the metrics and measurement of this scorecard with the following comments:

- Group Financial Measure: It could be argued that the more appropriate measure for this year is the PBT rather than the Underlying Profit Before Tax, given that the two main components of the difference between the two measures are the provision for the ACCC settlement and the High Court case, both of which are largely the result of management decisions that were implanted. However, the Board had already taken this into account in the reduction to FY23 outcomes using their discretion.
- Customer: rates very highly in the current scorecard. We think this is coming off a pretty low base and have discussed with the company the likely changes to this going forward.

We applaud the concise and informative commentary on the CEO's performance (page 42). The CEO was assessed at 100% of target (62% of maximum) STIP resulting in a total STIP Award of

$1,541. This was then augmented by the IPF of 105%, which is not unreasonable given the work the CEO has had to expend during the year.

The LTIP outcomes are identified on page 44. Qantas uses a combination of TSR compared to a reference group of global airlines and TSR compared to other ASX100 companies. A three-year TSR measure is used, which somewhat smooths this metric. This measure resulted in an 86.11% vesting of LTIP benefits.

Dr Sheinkestel was able to clearly articulate the deliberations of the Board in making these changes as well as the benchmarking exercises undertaken to ensure parity. Qantas Is highly unionised and has 52 Enterprise Bargaining Agreements, many of which have been renegotiated in the past 12 months. Additional benefits, such as post-employment flights, are included in the calculations and benchmarking of the remuneration plan.

Given the changes made to date and the proposed changes for FY25 we will be voting any undirected proxies for this resolution.

5 Renewal of Proportional Takeover Provisions in the Qantas Constitution (for)

This is a standard renewal of provisions within the Constitution to prohibit the registration of transfers of shares acquired under a proportional takeover bid.

We will be voting any undirected proxies for this resolution.

6 Spill resolution – conditional item (against)

Should the Remuneration Report be voted down for a second time this resolution would be advanced for voting.

It is unlikely that the remuneration plan would be voted down again this year, given the work that has been done on this by the company and the changes that have been implemented. However, if this were to occur we would still vote any undirected proxies against this resolution due to the considerable change that has already occurred at Board level and the disruption that this would cause the company at this juncture.

Appendix 1
Remuneration framework detail

CEO rem. Framework for FY24	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	1.65	28%	1.65	24%
STI - Cash	0.55	9%	0.88	13%
STI - Equity	1.1	18%	1.76	25%
LTI	2.64	45%	2.64	38%
Total	5.94	100.0%	6.93	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. Some remuneration framework set a maximum opportunity amount, but not all.

NOTE: The inclusion of the Individual Performance Factor that allows Board discretion to increase the STIP remuneration of an employee by up to 50%. This factor was assessed for Ms Hudson at 1.05x this year. This factor will be removed FY25 onwards.