

Qantas  
Corporate  
Governance  
Statement  
2018





# Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2018

As at 31 August 2018

## OVERVIEW

The Board is responsible for the overall corporate governance of Qantas Airways Limited (Qantas) and its controlled entities (Qantas Group), including adopting appropriate policies and procedures designed to ensure that Qantas is properly managed to protect and enhance shareholder interests.

The Board monitors the operational and financial position and performance of Qantas and agrees its business strategy, including approving the strategic goals of Qantas and considering and approving a business plan and annual budget. The Board is committed to maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of Qantas.

Corporate governance is core to ensuring the creation, protection and enhancement of shareholder value. The Board maintains, and requires that Qantas Management maintains, the highest level of corporate ethics.

The Board comprises a majority of Independent Non-Executive Directors who, together with the Chief Executive Officer (CEO) as Executive Director, have an appropriate balance of skills, knowledge, experience, independence and diversity. Throughout 2017/2018 and at the date of this Statement, the Board has endorsed the ASX Corporate Governance Principles and Recommendations 3rd Edition (ASX Principles).



# Corporate Governance Statement (continued)

FOR THE YEAR ENDED 30 JUNE 2018

## THE BOARD LAYS SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board has adopted a formal Board Charter which is available in the Our Governance section of the Qantas website at <https://www.qantas.com/content/dam/qantas/pdfs/about-us/corporate-governance/board-charter.pdf>.

The Board is responsible for agreeing and reviewing the strategic direction of Qantas and monitoring the implementation of that strategy by Management, including:

- encouraging a culture within the Qantas Group that promotes ethical and responsible decision-making, compliance with legal responsibilities, and transparency through effective and timely reporting;
- monitoring compliance with all relevant laws, tax obligations, regulations, applicable accounting standards and significant corporate policies, including the Qantas Group Code of Conduct and Ethics which is available on the Qantas website at <https://www.qantas.com/content/dam/qantas/pdfs/about-us/corporate-governance/qantas-code-of-conduct.pdf>;
- oversight of the Qantas Group, including its control and accountability systems;
- approving the annual operating budget and monitoring the operating and financial performance of the Qantas Group;
- approving and monitoring the capital management strategy, including major acquisitions and divestitures;
- appointing and removing the CEO;
- appointing and removing the Company Secretary;
- monitoring the performance of the CEO and Executive Management, including the Chief Financial Officer (CFO);
- developing Board and Executive Management and succession planning;
- approving the remuneration and incentive framework for Executive Management and Senior Executives and ensuring a clear relationship between performance and executive remuneration;
- setting the risk appetite within which Management is expected to operate and, at least annually, reviewing the effectiveness of Qantas' implementation of its risk management system and internal control framework;
- oversight of the integrity of the accounting and corporate financial reporting systems, including appointment, reappointment or replacement of the external auditor; and
- ensuring that the market and shareholders are fully informed of material developments; and
- approving and monitoring financial and other reporting to the market and shareholders.

The CEO is responsible for the day-to-day management of the Qantas Group with all powers, discretions and delegations authorised, from time to time, by the Board.

The CEO's Executive Management team, known as the Group Management Committee (GMC), is listed along with biographical details on the Qantas website at <https://www.qantas.com/au/en/qantas-group/acting-responsibly/our-leadership.html>. The GMC is responsible for operating within the risk appetite set by the Board and for providing the Board with timely and clear information to enable the Board to perform its responsibilities.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

### Board Meetings

The Board holds seven scheduled meetings a year, one of which serves to review and approve the strategy and financial plan for the next financial year. Additional meetings are held as required. The Board also meets with Executive Management to consider matters of strategic importance.

Details of the current Directors, their qualifications, skills and experience are contained in the Qantas Annual Report 2018. The Board considers that the current Directors have an appropriate mix of skills to enable the Board as a collective to effectively discharge its responsibilities.

Attendance at 2017/2018 Board and Committee Meetings is also contained in the Qantas Annual Report 2018.

### Australian Provisions

The Constitution of Qantas Airways Limited (Qantas Constitution) contains the following provisions required by the Qantas Sale Act 1992 to ensure the independence of the Qantas Board and to protect the airline's position as the Australian flag carrier:

- head office must be in Australia;
- two-thirds of the Directors must be Australian citizens;
- Chairman must be an Australian citizen;
- quorum for a Directors' Meeting must include a majority of Directors who are Australian citizens; and
- maximum 49 per cent aggregate foreign ownership.

The Qantas Constitution is available on the Qantas website at <https://www.qantas.com/content/dam/qantas/pdfs/about-us/corporate-governance/qantas-constitution.pdf>.

# Corporate Governance Statement (continued)

FOR THE YEAR ENDED 30 JUNE 2018

## THE BOARD IS STRUCTURED TO ADD VALUE

The Qantas Board currently has eleven Directors. Their biographical details are contained in the Qantas Annual Report 2018.

Ten Directors are Independent Non-Executive Directors, of which, nine have been elected by shareholders and one has been appointed by the Board during the year to fill a casual vacancy. The Independent Non-Executive Directors who served Qantas during the 2017/2018 year are set out below:

Director	Year of Appointment
Leigh Clifford (Chairman)	2007
Maxine Brenner	2013
Richard Goodmanson	2008
Richard Goyder	2017
Jacqueline Hey	2013
Belinda Hutchinson	2018
Michael L'Estrange	2016
Paul Rayner	2008
Todd Sampson	2015
Barbara Ward	2008

Director	Appointed	Retired
William Meaney	2012	2018

The Directors possess a range of skills and experience as demonstrated in the following matrix:

Skill / Experience	Number of Non-Executive Directors
Finance Expert – CFO / Accounting / Audit / Banking	6
Aviation Industry	3
FMCG / Marketing	5
Engineer / Scientist	3
Current or Former CEO (or equivalent) of Listed Company	5
Current or Former CEO (or equivalent) of Non-Listed Company	6
International / Global	10
Security	3
Technology	4
Large Capital Projects	4
Mergers & Acquisitions	7
Government Experience	4

## Independence

Independent Directors are those who have the ability to exercise their duties unfettered by any business or other relationship and are willing to express their opinions at the Board table free of concern about their position or the position of any third party. The Board does not consider it is possible to draft a list of criteria which is appropriate to characterise, in all circumstances, whether a Non-Executive Director is independent. It is the approach and attitude of each Non-Executive Director which is critical and this must be considered in relation to each Director while taking into account all other relevant factors, which may include whether the Non-Executive Director:

- is a substantial shareholder (within the definition of section 9 of the Corporations Act) of Qantas or an officer of, or otherwise associated directly with, a substantial shareholder of Qantas;
- has, within the last three years, been employed in an executive capacity by the Qantas Group;
- has, within the last three years, been a principal of a material professional advisor or a material consultant to the Qantas Group or an employee materially associated with the service provided;
- is a material supplier or customer of the Qantas Group, or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer;
- has any material contractual relationship with the Qantas Group other than as a Director;
- has served on the Board for a period which could materially interfere with the Director's ability to act in the best interests of the Qantas Group (and it is neither possible nor appropriate to assign a fixed term to this criteria); or
- is free from any interest, position, association or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of Qantas.

Each Director is required to immediately disclose to the Board if he or she has an interest or relationship which is likely to impact on his or her independence or if a Director believes he or she may no longer be independent.

All Independent Non-Executive Directors bring an independent view to the consideration of Board issues.

Qantas believes that the materiality thresholds set out below are considered relevant to assessing the independence of Non-Executive Directors:

- a relationship which accounts for more than 10 per cent of the Director's gross income (other than Directors' fees paid by Qantas); and
- when the relationship is with a firm, company or entity, in respect of which the Director (or any associate) has more than a 20 per cent shareholding if a private company or two per cent shareholding if a listed company.

For Qantas, the following thresholds are also considered relevant:

- in respect of advisors or consultants – if fees paid exceed \$2 million per annum;
- in respect of suppliers – if goods or services purchased by the Qantas Group exceed two per cent of Qantas' annual consolidated gross revenue (other than banks, where materiality must be determined on a case-by-case basis); and

# Corporate Governance Statement (continued)

FOR THE YEAR ENDED 30 JUNE 2018

- in respect of customers – if goods or services supplied by the Qantas Group exceed two per cent of Qantas’ annual consolidated gross revenue.

Close family ties and cross-directorships may also be relevant in considering interests and relationships which may compromise independence.

Qantas has commercial relationships with most major entities in Australia. Any Director on the board of another entity is expected to excuse himself or herself during any meeting when that entity’s commercial relationship with Qantas is to be discussed.

Qantas currently has one Executive Director, Alan Joyce, who is not treated as independent.

Independent legal, financial or other professional advice at the expense of Qantas is available to the Directors if necessary.

At the 2000 AGM, shareholders approved Qantas entering into Director Protection Deeds with each Director.

## Nominations Committee

The Nominations Committee:

- has four Members who are Independent Non-Executive Directors;
- is chaired by Leigh Clifford, the Qantas Chairman who is an Independent Non-Executive Director;
- has a written Charter which is available on the Our Governance section of the Qantas website at <https://www.qantas.com/content/dam/qantas/pdfs/about-us/corporate-governance/qantas-nominations-committee-charter.pdf>; and
- meets at least once each year and otherwise as required to assist the Board in fulfilling its corporate governance responsibilities with regard to:
  - Board appointments, re-elections and performance;
  - diversity;
  - Directors’ induction and continuing development;
  - Committee membership; and
  - succession of the CEO.

The experience and qualifications of Members of the Nominations Committee and attendance at 2017/2018 Nominations Committee Meetings is detailed in the Qantas Annual Report 2018.

## Appointment and Re-Election of Directors

When appointing new Directors, the Board and its Nominations Committee look to ensure that an appropriate balance of skills, knowledge, experience, independence and diversity is maintained. Appropriate background checks are conducted prior to appointing any new Director, and external consultants are engaged to assist with the selection process as necessary. In addition, each Board Member has the opportunity to meet with the nominated Director.

Directors receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment, including a requirement to inform the Chairman prior to accepting any new appointment to any entity’s board or any other position with a significant time commitment attached.

Directors submitting themselves for re-election at a general meeting are reviewed by the Nominations Committee. Directors are re-elected in accordance with the Qantas Constitution and the ASX Listing Rules. Qantas discloses all information relevant to a decision on whether or not to elect or re-elect a Director in the Qantas Notice of Meeting for the Annual General Meeting (AGM).

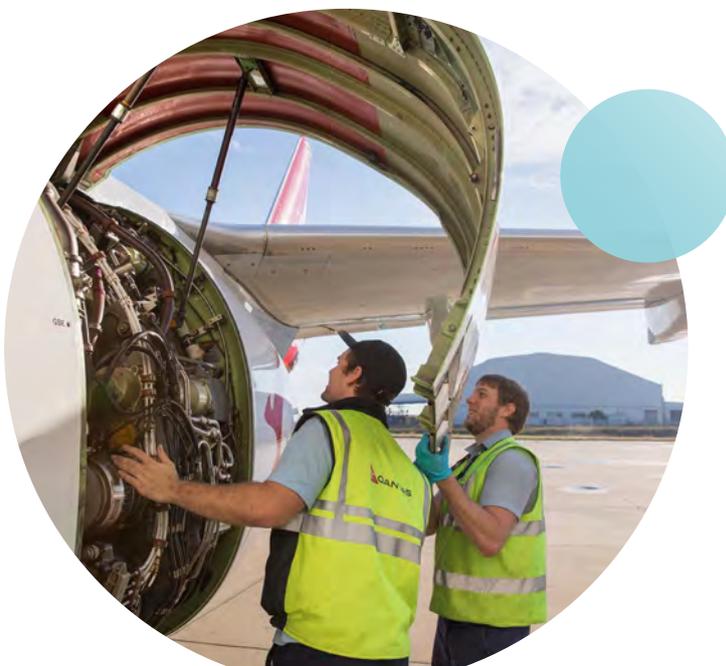
## Induction and Continuing Development of Directors

A formal induction program is available to new Directors to ensure they have a working knowledge of Qantas (including its beliefs and values) and the aviation industry. Directors have open access to all relevant information, including discussions with Management and subject matter experts, and site visits to observe operations. Directors may meet independently with Management at any time to discuss areas of interest or concern.

## Review of Board Performance

The Board continually assesses its performance and undertakes a structured annual review of its performance, and that of its Committees. The Board periodically engages the assistance of external consultants to facilitate formal Board performance reviews.

During 2017/2018 the Board commissioned an external review of Board and Committee performance, during which external consultants held individual discussions with each Director. The consultants presented the findings of those discussions to the Board as a group as well as providing a written report.



# Corporate Governance Statement (continued)

FOR THE YEAR ENDED 30 JUNE 2018

## Diversity

At Qantas we value diversity of thought and experience and believe that our inclusive culture contributes to our success. We are a diverse workforce that reflects contemporary, multicultural Australia. We celebrate and promote this diversity as a strength of our business. The Qantas Inclusion and Diversity Statement is available from the Our Governance section on the Qantas website at <https://www.qantas.com/content/dam/qantas/pdfs/about-us/corporate-governance/qantas-diversity-inclusion-statement.pdf>.

The following diversity-related measurable actions supporting gender balance were endorsed by the Board:

- **Leadership** – have a Group Inclusion and Diversity Council which reports quarterly to Executive Management on progress in achieving gender balance among other things, and
- **Management representation** – senior management target of 38 per cent women by June 2021.

### Leadership – Group Inclusion and Diversity Council

Qantas established its Inclusion and Diversity Council in 2012. In April 2018, a revised governance model was endorsed by the GMC which formalised more regular reporting to GMC and better reflected members of the segment councils and employee networks.

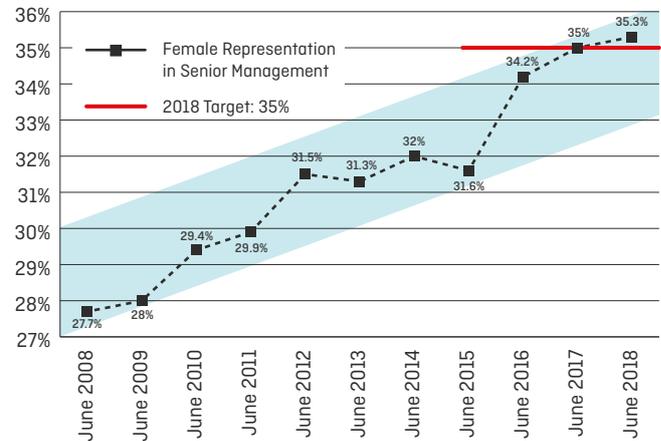
The Group Inclusion and Diversity Council meets regularly and has a strategic focus on, among other things, achieving gender diversity targets and supporting the careers, engagement and experience of women at Qantas.

In 2018/2019 the Council will oversee the delivery of our inclusion and diversity plan including:

- Continued focus on mainstreaming flexible work arrangements;
- Continued focus on removing bias and improving inclusion;
- Consistent application of equity principles in Qantas' recruitment policy and processes;
- Investment in development, networking and sponsorship opportunities for female talent and female senior managers;
- Reviewing and taking action on pay equity; and
- Raising awareness and celebrating inclusion and diversity through events.

## Representation of Women in Senior Management:

As at 30 June 2018 we have maintained 35% women in senior leadership roles



Qantas also measures the following gender related metrics:

Reporting Obligations	2018	2017	2016	2015
Percentage of women employees in the whole organisation	42.3%	42.6%	41.7%	40.6%
Percentage of female graduates recruited	52.4%	52.4%	61.0%	N/A <sup>1</sup>
Percentage of women in senior management positions	35.3%	35.0%	34.0%	31.6%
Percentage of women on the Board	36.4%	30.0%	30.0%	33.3%

<sup>1</sup> No graduate intake in 2015



# Corporate Governance Statement (continued)

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## THE BOARD PROMOTES ETHICAL AND RESPONSIBLE BEHAVIOUR

The Board has established a corporate governance framework, comprising of Non-Negotiable Business Principles (Principles) and Group Policies, which forms the foundation for the way in which the Qantas Group undertakes business. The Principles and Group Policies are detailed in the Qantas Group Business Practices Document which is available on the Our Governance section of the Qantas website at <https://www.qantas.com/content/dam/qantas/pdfs/about-us/corporate-governance/qantas-business-practices-document.pdf>.

Qantas has a formal code of conduct, the Qantas Group Code of Conduct and Ethics, which sets out minimum requirements in a number of areas including:

- compliance with laws, regulations and ethical standards;
- continuous disclosure;
- share trading;
- political donations and anti-bribery law compliance;
- compliance with competition laws;
- giving or receiving gifts, entertainment and hospitality;
- conflicts of interest;
- accounting records and retention and storage of records;
- dealing with auditors and investigators;
- making public statements about the Qantas Group;
- use of confidential information;
- treating people with respect and acting in the best interests of the Qantas Group;
- the whistleblower process;
- privacy; and
- equal employment opportunity.

The Qantas Group Code of Conduct and Ethics is also available on the Our Governance section of the Qantas website at <https://www.qantas.com/content/dam/qantas/pdfs/about-us/corporate-governance/qantas-code-of-conduct.pdf>.

## Qantas' Employee Share Trading Policy

The Qantas Group Employee Share Trading Policy sets out guidelines designed to protect the Qantas Group and its employees from intentionally or unintentionally breaching the law. The Policy prohibits employees from dealing in the securities of any Qantas Group listed entity while in possession of material non-public information.

In addition, certain nominated Qantas employees (including key management personnel) are required to follow 'request to deal' procedures and are prohibited from dealing in Qantas shares (with some exceptions, as contemplated in ASX Guidance Note 27) between:

- 31 December and 24 hours after the release to the ASX of Qantas' half year results; and
- 30 June and 24 hours after the release to the ASX of Qantas' full year results.

Nominated Qantas employees are also prohibited from entering into any hedging or margin lending arrangement or otherwise granting a charge over the securities of any Qantas Group listed entity where control of any sale process relating to those securities may be lost.

The Qantas Group Employee Share Trading Policy is contained in the Qantas Group Code of Conduct and Ethics which is available on the Our Governance section of the Qantas website at <https://www.qantas.com/content/dam/qantas/pdfs/about-us/corporate-governance/qantas-code-of-conduct.pdf>.

## Whistleblower Policy

The Qantas Group Whistleblower Policy encourages employees to report concerns relating to illegal, unethical or improper conduct in circumstances where they may be apprehensive about raising their concern because of fear of possible adverse repercussions. The Whistleblower Committee has been established to manage investigations and report to the Board and Audit Committee. The Whistleblower Policy is available to all Qantas Group employees and is contained in the Qantas Group Code of Conduct and Ethics which is available on the Our Governance section of the Qantas website at <https://www.qantas.com/content/dam/qantas/pdfs/about-us/corporate-governance/qantas-code-of-conduct.pdf>.

## Other Policies

The Qantas Group also has formal policies and statements relating to its legal and other obligations. These include areas such as safety, health, environment, security, cyber security, finance, risk management, employment practices and fair trading. Policies are supported by procedures for compliance and monitoring effectiveness. A summary of Qantas' core business principles, values and practices can be found in the Qantas Group Business Practices Document which is available on the Our Governance section of the Qantas website at <https://www.qantas.com/content/dam/qantas/pdfs/about-us/corporate-governance/qantas-business-practices-document.pdf>.



# Corporate Governance Statement (continued)

FOR THE YEAR ENDED 30 JUNE 2018

## THE BOARD SAFEGUARDS THE INTEGRITY OF CORPORATE REPORTING

### Audit Committee

The Board has an Audit Committee which:

- has four Members who are Independent Non-Executive Directors;
- is chaired by Barbara Ward, an Independent Non-Executive Director;
- has a written Charter which is available on the Our Governance section of the Qantas website at <https://www.qantas.com/content/dam/qantas/pdfs/about-us/corporate-governance/qantas-audit-committee-charter.pdf>;
- includes Members who are all financially literate;
- is responsible for assisting the Board in fulfilling its corporate governance responsibilities with regard to financial reporting, audit and risk management, including:
  - the integrity of the Qantas Group's financial reporting;
  - compliance with legal and regulatory obligations;
  - the effectiveness of the Qantas Group's enterprise-wide risk management and internal control framework; and
- oversight of the independence of the external and internal auditors.

In particular, the Audit Committee undertakes the functions of an audit committee and the elements of a risk committee (other than those undertaken by the Safety, Health, Environment and Security Committee) as set out in the ASX Principles.

The experience and qualifications of Members of the Audit Committee are contained in the Qantas Annual Report 2018. Membership of and attendance at 2017/2018 Audit Committee Meetings are also detailed in the Qantas Annual Report 2018.

The Board and Audit Committee closely monitor the independence of the external auditor. Regular reviews occur of the independence safeguards put in place by the external auditor. As required by section 300(11D)(a) of the Corporations Act and the Audit Committee Charter, the Audit Committee has advised the Board that it is appropriate for the following statement to be included in the 2018 Directors' Report under the heading "Non-Audit Services":

"The Directors are satisfied that:

1. the non-audit services provided during the 2017/2018 financial year by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act; and
2. any non-audit services provided during the 2017/2018 financial year by KPMG as the external auditor did not compromise the independence requirements of the Corporations Act for the following reasons:
  - i. KPMG services have not involved partners or staff acting in a managerial or decision-making capacity within the Qantas Group or being involved in the processing or originating of transactions;
  - ii. KPMG non-audit services have only been provided where Qantas is satisfied that the related function or process will not have a material bearing on the audit procedures;
  - iii. KPMG partners and staff involved in the provision of non-audit services have not participated in associated approval or authorisation processes;
  - iv. a description of all non-audit services undertaken by KPMG and the related fees have been reported to the Board to ensure complete transparency in relation to the services provided; and
  - v. the declaration required by section 307C of the Corporations Act 2001 confirming independence has been received from KPMG."

Qantas rotates the lead external audit partner every five years and imposes restrictions on the employment of personnel previously employed by the external auditor. Qantas last rotated its lead external auditor partner during the 2016/17 year.

Policies are in place to restrict the type of non-audit services which can be provided by the external auditor and a detailed review of non-audit fees paid to the external auditor is undertaken on a quarterly basis.

At each meeting, the Audit Committee meets privately with Executive Management without the external auditor, and with the internal and external auditors without Executive Management. The external auditor attends each AGM.

### CEO and CFO Declaration

Prior to Board approval of Qantas' half year and annual financial reports, the CEO and CFO provide the Board with the declarations required under section 295A of the Corporations Act and Recommendation 4.2 of the ASX Principles.

For the financial year ended 30 June 2018, the CEO and CFO made a declaration in accordance with section 295A of the Corporations Act. The declaration was formed on the basis of a sound system of risk management and internal control which is operating effectively. An equivalent declaration was made for the half-year ended 31 December 2017.

# Corporate Governance Statement (continued)

FOR THE YEAR ENDED 30 JUNE 2018

## THE BOARD MAKES TIMELY AND BALANCED DISCLOSURE

Qantas is committed to ensuring that trading in its shares takes place in an orderly and informed market, with transparent and consistent communication with all shareholders. Qantas has an established process to ensure that it complies with its continuous disclosure obligations at all times, including a bi-annual confirmation by all Executive Management that the areas for which they are responsible have complied with the Qantas Group Continuous Disclosure Policy. Qantas proactively communicates with its shareholders via the ASX and its web-based Newsroom, with all materials released by the Group made available to all shareholders at the same time. Additionally, Qantas actively conveys its publicly-disclosed information and seeks the views of its shareholders, large and small, in a number of forums, including at the Annual General Meeting, the Qantas Investor Day and, as is common practice among its major listed peers, through periodic meetings with current and potential institutional shareholders.

The Qantas Group Continuous Disclosure Policy is contained in the Qantas Group Code of Conduct and Ethics which is available on the Our Governance section of the Qantas website at <https://www.qantas.com/content/dam/qantas/pdfs/about-us/corporate-governance/qantas-code-of-conduct.pdf>.

## THE BOARD RESPECTS THE RIGHTS OF SECURITYHOLDERS

Qantas has a Shareholder Communications Policy which promotes effective two-way communication with shareholders and the wider investment community, and encourages participation at general meetings. The Qantas Shareholder Communications Policy is summarised in the Qantas Group Business Practices Document which is available on the Our Governance page of the Qantas website at <https://www.qantas.com/content/dam/qantas/pdfs/about-us/corporate-governance/qantas-business-practices-document.pdf>.

All company announcements lodged by Qantas with the ASX are available on the Qantas website at <http://investor.qantas.com/home/?page=home>. These include the Annual Report, notices of meeting and payment statements. In addition, materials presented at significant investor briefings are made available on the Qantas website and are lodged with the ASX where required.

Shareholders also have the option to receive communications from, and send communications to, Qantas and its Share Registry electronically, including email notification of significant market announcements. Electronic communications have the added advantage of being more timely and cost effective, which benefits all shareholders. Shareholders should contact Link Market Services if they want to elect to receive electronic communications.

The Qantas Notice of Meeting 2018 for the AGM will be provided to all shareholders and made available on the Qantas website at <http://investor.qantas.com/home/?page=home>. The 2018 AGM proceedings will be available for viewing by live and archived webcast. For shareholders unable to attend, an AGM Question Form will accompany the Qantas Notice of Meeting 2018, giving shareholders the opportunity to forward questions and comments to Qantas or the external auditor prior to the AGM.

Qantas' contact details are available on the Qantas website at <http://investor.qantas.com/contacts/?page=contacts>. Shareholders can email Qantas from this page or contact its share registry, Link Market Services Limited, at [registry@qantas.com](mailto:registry@qantas.com).

### Auditor at AGM

The external auditor attends the AGM and is available to answer shareholder questions about:

- the conduct of the audit;
- the preparation and content of the Independent Auditor's Report;
- the accounting policies adopted by Qantas in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

# Corporate Governance Statement (continued)

FOR THE YEAR ENDED 30 JUNE 2018

## THE BOARD RECOGNISES AND MANAGES RISK

Qantas is committed to embedding risk management practices to support the achievement of business objectives and fulfil corporate governance obligations. The Board is responsible for reviewing and overseeing the risk management strategy for the Qantas Group and for ensuring the Qantas Group has an appropriate corporate governance structure. Within that overall strategy, Management has designed and implemented a risk management and internal control system to manage Qantas' material business risks.

Qantas is a complex business and is exposed to a range of strategic, financial, operational, socially responsible and sustainability-related risks that are inherent in operating in the aviation industry.

Risks that could affect results and performance include:

- impacts arising from a weakening global or Australian economy;
- fluctuations in the price of aviation fuel;
- increased competition from domestic and international airlines;
- fluctuations in currency exchange rates;
- performance of key aircraft and engine suppliers;
- government regulations including national aviation regulators;
- industrial relations;
- natural disasters or the rapid spread of contagious illness, placing restrictions on aviation operations;
- performance of technology in our operations;
- a change in our credit rating;
- a significant incident within the aviation industry; and
- performance of alliance partners or termination of a significant airline alliance.

The Qantas Group Risk Management Framework (Framework) supports the proactive management of these and other risks facing Qantas.

The Qantas Group Risk Management Policy (Policy) sets out the minimum requirements, roles and responsibilities for managing risk across the Qantas Group. This Policy is summarised in the Qantas Group Business Practices Document available on the Our Governance section of the Qantas website at <https://www.qantas.com/content/dam/qantas/pdfs/about-us/corporate-governance/qantas-business-practices-document.pdf>.

The Framework is aligned to the Australian/New Zealand Standard on Risk Management (AS/NZS ISO 31000:2009) and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for evaluating internal controls.

The Group Management System Standard (GMS), which has been implemented across the Qantas Group, provides a common standard for identifying, assessing and managing material business risks across the Qantas Group. The GMS provides guidance for business units regarding leadership, commitment and planning, process management, risk management, assurance and training and promotion.

Material risks and Management's responses to managing these risks are escalated to Executive Management, Board Committees and the Board as appropriate and are reported on bi-annually as part of the risk reporting process. Risk management is also integrated into key business decision-making and activities, including strategy development, projects and change initiatives.

Management self-assessments, audits and risk management reviews are undertaken to confirm that risks are being effectively managed and reported to the Board through the Audit Committee. On a quarterly basis, Executive Management certifies that there is an effective risk management process in place within their respective areas of responsibility.

An independent review of the Framework is performed periodically to assure effectiveness and drive continuous improvement.

During 2017/2018, the two Board Committees responsible for oversight of risk-related matters, being the Audit Committee and the Safety, Health, Environment and Security Committee, undertook their annual review of the effectiveness of Qantas' implementation of its risk management system and internal control framework.



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## Safety, Health, Environment and Security Committee

To protect Qantas' reputation as one of the world's safest and most secure airlines and to manage the safety, health, environment and security performance of the Qantas Group, the Safety, Health, Environment and Security Committee is responsible for assisting the Board in oversight and monitoring of the GMS.

The Safety, Health, Environment and Security Committee:

- has five Members – the CEO and four Independent Non-Executive Directors;
- is chaired by Richard Goodmanson, an Independent Non-Executive Director;
- has a written Charter which is available on the Our Governance section of the Qantas website at <https://www.qantas.com/content/dam/qantas/pdfs/about-us/corporate-governance/qantas-chess-charter.pdf>; and
- is responsible for assisting the Board in fulfilling its strategy, policy, systems oversight, monitoring and corporate governance responsibilities in regard to safety, health, environment, security and business resilience matters including:
  - compliance with related legal and regulatory obligations; and
  - the effectiveness of the Qantas Group's enterprise-wide risk management framework.

In particular, the Safety, Health, Environment and Security Committee undertakes the functions of a risk committee (other than in respect of those matters overseen by the Audit Committee) as set out in the ASX Principles.

The experience and qualifications of Members of the Safety, Health, Environment and Security Committee are detailed in the Qantas Annual Report 2018 together with membership of and attendance at 2017/2018 Safety, Health, Environment and Security Committee Meetings.

## Internal Audit

The internal audit function is carried out by Group Audit and Risk and is independent of the external auditor. Group Audit and Risk provides independent, objective assurance and consulting services on Qantas' system of risk management, internal control and governance through:

- maintaining and improving the risk management framework as approved by the Audit Committee;
- bi-annual risk reporting to the Audit Committee; and
- performing audits and other advisory services to assure risk management throughout the Qantas Group.

Group Audit and Risk adopts a risk-based approach in formulating its audit plan to align audit activities to the key risks across the Qantas Group. The audit plan is approved by the Audit Committee bi-annually and submitted to the Safety, Health, Environment and Security Committee for information and approval where appropriate.

The Audit Committee approves the Group Audit and Risk Internal Audit Charter which provides Group Audit and Risk with full access to Qantas Group functions, records, property and personnel, and establishes independence requirements. The Audit Committee also approves the appointment, replacement and remuneration of the internal auditor. The internal auditor has a direct reporting line to the Audit Committee and also provides reporting to the Safety, Health, Environment and Security Committee.

In addition to Group Audit and Risk, operationally focused business units within the Qantas Group have their own internal audit functions to provide assurance to accountable managers on the effectiveness of operational risk management and compliance. The findings from these audit activities, along with the status of audit management actions, are reported through operational safety governance structures and to the Safety, Health, Environment and Security Committee.



### THE BOARD REMUNERATES FAIRLY AND RESPONSIBLY

The Qantas executive remuneration objectives and approach are set out in full in the Directors' Report, which is contained in the Qantas Annual Report 2018.

#### Remuneration Committee

The Board has a Remuneration Committee which:

- has three members who are Independent Non-Executive Directors;
- is chaired by Paul Rayner, an Independent Non-Executive Director;
- has a written Charter which is available on the Our Governance section of the Qantas website at <https://www.qantas.com/content/dam/qantas/pdfs/about-us/corporate-governance/qantas-remuneration-committee-charter.pdf>;
- is responsible for assisting the Board in fulfilling its corporate governance responsibilities with regard to remuneration matters including:
  - the remuneration framework for Non-Executive Directors, within the pool of Directors' fees approved by shareholders;
  - the remuneration and incentive framework, including any proposed equity incentive awards for the CEO, Executive Management and other Senior Executives;
  - recommendations and decisions (as relevant) on remuneration and all incentive awards for the CEO and Executive Management; and
  - strategic human resources policies.

The experience and qualifications of Members of the Remuneration Committee together with attendance at 2017/2018 Remuneration Committee Meetings are detailed in the Qantas Annual Report 2018.

Information about remuneration of Executive Management is disclosed to the extent required in the Remuneration Report which is part of the Directors' Report contained in the Qantas Annual Report 2018.

Qantas Directors are entitled to statutory superannuation and certain travel entitlements (accrued during service) which are reasonable and standard practice in the aviation industry. Non-Executive Directors do not receive any performance-based remuneration. Details of Directors' remuneration are disclosed to the extent required in the Remuneration Report which is part of the Directors' Report contained in the Qantas Annual Report 2018.





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