This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustees also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

Qantas Airways Limited (UK) Retirement Benefits Scheme (“the Scheme”)
Statement of Investment Principles (“the Statement”)

Investment Objective

The trustees of the Scheme (the “Trustees”) aim to invest the assets of the Scheme prudently with a view to ensuring that the benefits promised to members can be provided. In setting the investment strategy, a low-risk asset allocation in relation to the Scheme's liabilities was identified. The asset allocation strategy that the Trustees have selected is designed to achieve a higher long-term return than the low-risk strategy, while maintaining a prudent approach to meeting the Scheme’s liabilities. The Trustees recognise that higher short-term variability in the funding levels may result.

1. Strategy

The current **planned asset allocation strategy** chosen to meet the objective above is set out in the table below; the actual asset allocation may differ from this. The Trustees have chosen to split the Scheme's assets into two portfolios: an "Equity Portfolio” and a "Bond Portfolio" in order to meet the above objective.

Asset Class	Weighting %	Range (+/- %)	Benchmark
World Multi-Factor Equity	30.0	+/- 5.0	MSCI World Diversified Multi-Factor Index
Total Equity Portfolio	**30.0**		
Fixed Interest and Index-Linked Gilts	70.0	+/- 5.0	Various FTSE Gilt or Index-Linked Gilt Indecies specific to the underlying fund
Total Bond Portfolio	**70.0**		

From time to time tactical allocation decisions may be taken which result in assets being held which deviate from the index.

The Trustees and Qantas Airways Limited (the “Company”) have agreed on a dynamic de-risking framework to enable a proportion of the Scheme's investment in the Equity Portfolio to be switched in stages to the Bond Portfolio when the funding level hits pre-agreed levels (or "trigger points"). The objective is that as the Scheme’s funding level increases, lower investment returns are needed and so investment risk can be reduced. By reducing investment risk at opportune times, the Trustees expect a smoother journey towards their long-term funding target. Further detail on the de-risking framework is outlined in the section 3 (Implementation) of this Statement.

In order to secure the benefits that are promised to members, the Trustees will consider whether opportunities to enter into buy-in arrangements with an insurance company are appropriate.

Following negotiations with the Company, the Trustees agreed to reduce investment risk and the Trustees entered into a buy-in policy with Pension Insurance Corporation PLC during December 2018. This policy remains an asset of the Scheme and, at inception, was valued at c. £26.6m. As the buy-in policy held by the Trustees is an illiquid asset which will be held until the windup of the Scheme, this has been excluded from the target asset allocation strategy outlined above.

The planned asset allocation strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the funding position and the liability profile. It was based on the assumption that equities would outperform gilts over the long term. However, the Trustees recognise the potential for greater short-term volatility in equity returns, particularly relative to the Scheme's liabilities, and the risk that the fund managers do not achieve the targets set.

When choosing the Scheme's planned asset allocation strategy the Trustees considered written advice from Aon Solutions UK Limited (the "Investment Consultant") and, in doing so, addressed the following:

- A full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

Investment in alternative asset classes such as hedge funds, property and private equity have been considered but were not pursued, given the particular circumstances of the Scheme.

In addition, the Trustees consulted with the Company when setting this strategy.

It is the Trustees' policy that the next formal review of the Scheme's planned asset allocation strategy will be conducted in light of the results of the actuarial valuation as at 31 March 2020.

2. Risk Measurement and Management

The Trustees recognise that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustees have identified a number of risks which have the potential to cause deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustees and the Investment Consultant considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk"). The Trustees and the Investment Consultant will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustees ("manager risk"). This risk is considered by the Trustees and the Investment Consultant both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustees and the Investment Consultant considered this risk when setting the Scheme's investment strategy.
- The possibility of failure of the Company ("covenant risk"). The Trustees and the Investment Consultant considered this risk when setting investment strategy and consulted with the Company as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that the Investment Consultant and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk of a default by a bulk annuity provider (buy-in insurer) ("insurer default/credit risk"). The Trustee and its advisors considered the strength of the insurer before entering into the policy whilst considering the wider regulatory framework within which they are required to operate.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

The Trustees monitor the risks arising through the selection or appointment of BlackRock (the “Investment Manager”) on a quarterly basis via investment monitoring reports.

The Trustees measure and manage investment specific risks such as credit risk and market risk of the portfolio on a regular basis. In the case of market risk, the Trustees make the distinction between risks that arise from interest rate exposure, currency exposure and other price risk. The Trustees have identified, and aim to manage these risks as follows:

- Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

  The Scheme invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to its ownership stake in these pooled investment vehicles. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the Investment Manager, the regulatory environments in which the Investment Manager operates and diversification of investments amongst a number of pooled arrangements. The Trustees rely on advice from the Investment Consultant pertaining to the operational strength of all existing and new pooled Investment Managers and on an on-going basis monitors any changes to the regulatory and operating environment of the pooled manager.

  The Scheme is also indirectly exposed to credit risks arising on its UK government bonds held; although the risk of counterparty failure where the counterparty is the UK government is considered very small.

  The Scheme is also subject to credit risk because the Scheme holds cash balances. These cash balances are usually small and balances held are typically only sufficient to cover the working capital requirements of the Scheme over an agreed time period. Credit risk arising on cash is mitigated in this instance by holding cash within financial institutions which are at least investment grade credit rated.

- Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

  The Scheme is subject to interest rate risk because some of the Scheme’s investments are held in UK index-linked gilts and UK fixed-interest gilts through pooled investment vehicles and a small amount of cash. Under this strategy, if interest rates fall then the value of the bonds will typically rise to help match some of the increase in the actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise the bonds held will typically fall in value, as will the actuarial liabilities, because of an increase in the discount rate.

  The Scheme is further exposed to interest rate risk as the Scheme’s investments have less sensitivity to interest rate movements than the liabilities. The Scheme’s investments will increase or decrease to a lesser extent than the liabilities for a movement in interest rates which provides a risk to the Scheme.

  The Trustees receive regular reports from the Investment Manager and Investment Consultant setting out the level of interest rate exposure in the assets of the Scheme.

- Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

- The Scheme is subject to currency risk because some of the Scheme's equity investments are held in overseas markets via pooled investment vehicles. The majority of the Scheme's assets are GBP denominated or hedged to GBP and therefore, not exposed to currency risk. A portion of the Scheme's assets are held in overseas markets and therefore exposed to currency risk.

  The investment in overseas equities is designed to increase the number of equities that can be considered for inclusion in the portfolio and thereby improve the risk/reward and diversification characteristics of this investment. The Trustees are satisfied that the expected benefits from allowing the Scheme to invest in overseas equites compensate for the acceptance of the associated currency risk.

The Trustees receive regular reports on the composition of the overseas equity portfolio and the total portfolio and can therefore measure the size of the exposure relative to the whole portfolio.

- All investments are subject to idiosyncratic price risks that arise from factors peculiar to that asset class or individual investment in addition to credit risk, currency risk and interest rate risk.

  Other price risk arises principally in relation to the Scheme's passively managed equities. The Trustees manage this exposure to overall price movements by diversifying its equity exposure by geography and share issuer. The Trustees receive regular reports from their Investment Manager and Investment Consultant setting out the nature and extent of the risks in the Scheme's assets.

Before investing in any asset class, or entrusting the Scheme's assets to the management of a particular manager, the Trustees take advice from the Investment Consultant. The decision as to whether to invest in a particular security is delegated to the Investment Manager within specified investment restrictions.

The purpose of accepting these risks is to ensure that, when considered as a whole, the assets of the Scheme have a suitably diversified portfolio in terms of the type of risk taken and the sources of expected future returns.

3. Implementation

The de-risking strategy was agreed by the Trustees and the Company with the Trustees having received advice from the Scheme Actuary and the Investment Consultant. The Trustees have delegated responsibility for monitoring and implementing the de-risking strategy to the Investment Consultant.

The Trustees have provided the Investment Manager with an Investment Management Agreement which outlines the investment strategies at each de-risking trigger.

When the funding level reaches a trigger point, the Investment Consultant will advise the Trustees that the Scheme has hit the trigger. The Investment Consultant will provide the Investment Manager with an instruction letter to inform them to switch the portfolio to the relevant strategy. Upon receipt the Investment Manager will implement the de-risking strategy.

The agreed measure of liabilities on which the funding level is assessed is the self-sufficiency basis.

The fund manager structure and investment objectives for the Investment Manager (i.e. its "mandate") are as follows:

Pooled funds

Manager	Objective
BlackRock Advisors (UK) Limited	For passive equity and UK government bonds, the funds have an investment objective to perform in line with its benchmark.

The Investment Manager is remunerated on the basis of fees directly related to the value of funds under their management. This fee structure is chosen to align the interests of the Investment Manager with those of the Scheme.

In addition, the Investment Manager pays commissions to third parties on many trades they undertake in the management of the assets and also incurs other ad hoc costs. These costs are borne within the pooled funds in which the Scheme invests.

Appropriate arrangements are made by the Investment Manager for the custody of the assets comprised within the pooled funds in which the Scheme invests.

Bulk annuity policies

The Trustees hold a bulk annuity policy with Pension Insurance Corporation PLC which insured approximately £26.6m of the Scheme's pensioner liabilities at inception in December 2018.

4. General Investment Policy

When choosing investments, the Trustees and the Investment Manager (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The Investment Manager's duties include:

- Realisation of investments;
- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments; and
- Implementing voting and corporate governance as required to meet the performance objectives of the investments held.

For direct investments in pooled funds, the Trustees expect the Investment Manager of the underlying pooled fund to carry out the above duties. Where the assets are held in segregated rather than pooled format, the Trustees expect each sub fund manager of the underlying assets to carry out the powers of investment delegated to them.

The Trustees are provided statements of corporate governance and voting activity on a quarterly basis in the reports provided by the respective Investment Manager.

5. Arrangements with asset managers

The Trustees evaluate the Investment Manager's performance based on the specific mandate the Investment Manager has been appointed to carry out. The Trustees will also periodically review the suitability of the Scheme's mandates in the context of the Scheme's wider investment strategy, including considering whether the balance between different kinds of investments remains appropriate, the expected return on the investments and the risks to which the Scheme is exposed.

The Trustees appoint its Investment Manager with an expectation of a long-term partnership. When assessing the Investment Manager's performance, the focus is on longer-term outcomes, and the Trustees would not expect to terminate the Investment Manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team. There is typically no set duration for arrangements with the Investment Manager, although the performance and continued appointment of the Investment Manager is monitored on an ongoing basis.

The Trustees take ESG factors into consideration, where appropriate, in the selection of investments, for example agreeing at a strategic level how to incorporate these factors into the asset allocation and considering managers' ESG approach when appointing new managers. Before investing, the Trustees will seek to understand the manager's approach to sustainable investment (including engagement). When investing in a pooled investment vehicle, the Trustees will ensure the investment objectives and guidelines of the vehicle are consistent with its own objectives. This process ensures manager incentives are aligned with the Trustees' policies.

The Trustees also monitor how managers integrate ESG into their processes on a regular basis, aided by the provision of reports and updates from its Investment Manager and Investment Consultant. Should the Trustees monitoring process reveal that the Investment Manager's portfolio is not sufficiently aligned with the Trustees' policies, the Trustees will engage with the manager further to encourage alignment. If, following engagement, it is the view of the Trustees that the degree of alignment remains unsatisfactory, the Investment Manager/fund may be terminated and replaced.

6. Cost Monitoring

Understanding costs:

The Trustees are aware of the importance of monitoring its Investment Manager's total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that in addition to annual management charges, there are a number of other costs incurred by its Investment Manager that can increase the overall cost incurred within the investment portfolio.

The Trustees will collect annual cost transparency reports covering all of their investments in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustees to understand exactly what costs are incurred across the investment portfolio.

Evaluation of performance and remuneration:

The Trustees assess the performance of their Investment Manager on a quarterly basis and the remuneration of their Investment Manager on at least an annual basis. The Investment Manager is paid fees for its services based on the value of the Scheme's assets under management. This is in line with normal market practice and the level of these fees is reviewed with help from the investment consultant.

Portfolio turnover costs:

The Trustees monitor portfolio turnover costs (defined as the costs incurred as a result of the buying and selling of investments) with the help of their Investment Consultant.

The Trustees accept that depending on the strategy, some transaction costs will need to be incurred to drive investment returns. The level of these costs varies across asset classes and by manager style within an asset class. For this reason there is no overall target for portfolio turnover and this is reviewed on a case by case basis depending on market circumstances and manager strategy.

Investment Consultant

The Investment Consultant operates under an agreement to provide services as requested by the Trustees. The investment advice provided in desired areas is designed to ensure that the Trustees are briefed both to take the decisions itself and to monitor those it delegates. They are paid on a fixed fee or a time cost basis as agreed from time to time. For significant areas of advice the Trustees will endeavour to agree a project budget. This structure has been chosen to ensure that cost-effective, independent advice is received.

7. Governance

The Trustees have consulted the Company on the content of this Statement.

The Trustees of the Scheme are responsible for the investment of the Scheme's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision.

The Trustees have established the following decision making structure:

Trustees

- Monitor actual returns versus Scheme investment objective.
- Set structures and processes for carrying out their role.

▪ Select and monitor planned asset allocation strategy. ▪ Select and monitor direct investments (see below). ▪ Select and monitor the Investment Consultant and Investment Managers. ▪ Prepare and maintain this Statement. ▪ Make ongoing strategic decisions relevant to the operational principles of the Scheme's investment strategy.
Investment Consultant ▪ Advises on all aspects of the investment of the Scheme assets including implementation. ▪ Advises on this Statement. ▪ Provides advice when required under s36 Pension Act 1995. ▪ Provides any required training.
Investment Manager ▪ Operates within the terms of this Statement and the Investment Management Agreement. ▪ Selects individual investments with regard to their suitability and diversification. ▪ Advise Trustees on the suitability of the indices in their benchmark and provides other ad hoc advice and views.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a Investment Manager under a written contract and those where a product is purchased directly, eg the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustees' policy is to review their direct investments (which include the vehicles used for members' AVCs) and to obtain written advice about them at regular intervals. When deciding whether or not to make any new direct investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Manager.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this Statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustees' Investment Consultant has the knowledge and experience required under the Pensions Act 1995.

The Trustees expect the Investment Managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this Statement so far as is reasonably practicable.

The Trustees will review this Statement at least every three years and immediately following any significant change in investment policy. The Trustees will take investment advice and consult with the Company over any changes to the Statement.

8. Environmental, Social and Governance

In setting the Scheme's investment strategy, the Trustees' primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustees consider this risk by taking advice from their investment adviser when selecting managers and when monitoring their performance.

9. Stewardship – Voting and Engagement

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.

As part of their delegated responsibilities, the Trustees expect the Scheme's Investment Manager to:

- Take into account environmental, social and governance considerations in the selection, retention and realisation of investments; and
- Exercise the Trustees' voting rights in relation to Scheme assets.

The Trustees regularly review the suitability of the Scheme’s appointed Investment Manager and take advice from their Investment Consultant with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights and engagement by the appointed Investment Manager. If the Investment Manager is found to be falling short of the standards the Trustees expects, the Trustees undertake to engage with the Investment Manager, either verbally or in writing to understand the rationale and seek a more sustainable position but may look to replace the Investment Manager.

The Trustees review the stewardship activities of their asset managers on an annual basis, covering both engagement and voting actions.

10. Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy, the Trustees do not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]).

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018