

Chairman's message

This past year has been extremely challenging on a number of fronts — both for our company and many of our stakeholders.

OPERATIONAL CHALLENGES AND INVESTMENT

We had significant issues as Qantas and Jetstar's flying ramped up post-COVID, with supply chain and resourcing challenges resulting in too many cancellations and delays. It was deeply disappointing and we sincerely apologise.

Our people worked incredibly hard to fix this, and by the end of the year Qantas was the most on time of the major domestic airlines for 11 out of 12 months.

Demand for travel has been very strong and our flying increased to carry 46 million people — more than twice the number we carried the year before. Importantly, our operational safety performance across the Group was strong, and this will always be our top priority.

We took delivery of 10 new aircraft during the year as we started a decade-long renewal program of our jet fleet. Over the next three financial years alone, we're investing around US\$4.3 billion in a mix of wide and narrow-body aircraft, which will open up new domestic and international routes.

These aircraft also burn around 20 per cent less fuel, helping us towards our interim net emissions reduction targets for 2030.

REPUTATIONAL CHALLENGES AND ACCOUNTABILITY

As we move through our recovery, management and the Board are acutely aware of the need to rebuild your confidence in Qantas. We're also conscious of the loss of trust that has occurred because our service has often fallen short of expectations, compounded by a number of other issues relating to the pandemic period.

In recognition of the customer and brand impact of cumulative events, the Board has applied its discretion to reduce short term incentives for senior executives in FY23. Details of this are outlined in our Remuneration Report on page 31.

In August 2023, the ACCC started proceedings against Qantas for alleged breaches of Australian Consumer Law, dating back to our difficult restart in the first half of calendar 2022.

We take our obligations under consumer law, and therefore these allegations, very seriously and are working through the legal process now underway. What we can say in the interim is Qantas' longstanding practice is that when a flight is cancelled, customers are offered an alternative flight or a refund. However, in the interests of good governance, the Board will withhold payments under the FY23 short term incentive program for senior executives while this matter progresses.

In September 2023, the High Court upheld the findings of the Federal Court that Qantas' decision to outsource the remainder of its ground handling function in 2020 was a breach of the Fair Work Act.

While the Court endorsed that Qantas had sound commercial reasons for making this decision, it wasn't satisfied that we discharged the reverse onus of proof that applied in this case. We regret that the circumstances in 2020 necessitated difficult decisions across much of our workforce, including the retrenchment of the 1,700 workers involved. We will be working with the Court on appropriate compensation.

On any matter, management and the Board only take a course of action if they believe it's lawful. However, we also accept that there must be accountability where those actions are found to be otherwise, and we will work through these and other issues with relevant stakeholders.

RENEWAL

Both Board and Management are undergoing a significant period of renewal.

Alan Joyce retired in September 2023 after 15 years as Group CEO. Alan guided the company through some of the toughest periods in its history and led some pivotal long-term decisions on fleet and network. He openly recognised that there were elements of the COVID restart that could have been managed better and took action to start turning that around. The Board thanks him sincerely for his enormous contribution.

Vanessa Hudson took over the role as Group CEO and is expanding the effort to serve our customers better. Vanessa has restructured the Group Management Committee with seven new appointments, including creation of a Chief People Officer role to help increase the focus on what is our most important asset.

The Board is also undergoing renewal. As announced in May, Non-executive Director Michael L'Estrange will step down in November 2023 after seven years of dedicated service.

Joining the board are Doug Parker and Dr Heather Smith, who bring a wealth of experience across aviation and government affairs respectively. These new appointments, including Vanessa as Managing Director, are subject to shareholder approval at the AGM.

This process of Board renewal will continue with a focus on the skills and capabilities required for the challenges and opportunities now in front of us.

STRONG FOUNDATIONS FOR IMPROVEMENT

As we face into the current challenges, we can't lose sight of the fact that the Group is in a strong position to manage them.

We have a pipeline of investment that will improve what we deliver for our customers — from new aircraft to new routes and new lounges. We are making significant investment in digital technology that will put more power in the hands of our people and passengers. And we continue to grow Qantas Loyalty and Qantas Freight.

Our ability to invest comes from a strong balance sheet and strong travel demand, which means we can also keep delivering returns to shareholders.

We have incredibly passionate people working for us and we're continuing to invest heavily in skills development for pilots, cabin crew and engineers.

On behalf of the Board, we are committed to delivering strong, sustainable outcomes for all stakeholders.



RICHARD GOYDER AO