

## Remuneration report

1 July 2017 to 30 June 2018

For more than 75 years, Qantas Super has been looking after members' retirement savings, and has evolved to accommodate their distinct needs as aviation employees.

With almost 32,000 members and approximately \$8 billion in assets, Qantas Super is one of Australia's largest corporate super funds.

Qantas Super is run entirely for the benefit of members and we do not profit from members.

Here are the principles which underpin our remuneration policy:

- Remuneration is structured to reward and/or recognise people for their individual and collective contribution to the long-term financial soundness of the Plan, for demonstrating exemplary governance in action, and for protecting and creating value for members;
- Remuneration and risk management are aligned;
- Fair, consistent and competitive reward and/or recognition will be provided to attract, motivate and retain high calibre people;
- Reward includes fixed pay, performance based incentives and other benefits made available to directors and executives as a direct result of their Trustee duties. Reward outcomes will vary between directors and executives as appropriate for the mix of Qantas Group and non-Qantas Group employees that may be in director or executive roles; and
- Benchmarking is undertaken periodically and judgement is applied in the evaluation of market data to ensure reward remains appropriate and proportional when compared to market practice.

This report sets out the remuneration for:

1. The Qantas Super Board; and
2. The Qantas Super Executive Officers.

## 1. About the Qantas Super Board

The Qantas Super Board has 10 directors:

- five directors are appointed by Qantas Airways Limited (a mix of Qantas Group employees and non-Qantas Group employees); and
- five directors are elected by our members from various occupational groups (all Qantas Group employees).

All directors must ensure they understand relevant legal and regulatory requirements and their delegations.

All directors must act in the best interests of members, regardless of whether they are company-appointed or elected by members. They are expected to prepare for, and attend board meetings.

### **Directors who are Qantas Group employees**

as at 30 June 2018

Qantas Group employees who serve as directors on the Qantas Super Board **do not** receive payments or benefits associated with their role as a director. However, Qantas Airways ensures they can participate fully as directors by absorbing the impact of any absence from regular work activities to prepare for and attend meetings, and to take part in professional development opportunities. The following eight directors are Qantas Group employees.

#### **Company-appointed**

- Cecilia Ho, Treasurer Risk Management
- Andrew Monaghan, Executive Manager Employee Relations
- Rachel Yangoyan, Executive Manager, Loyalty Services

#### **Member-elected**

- Group A: Mark Thorpe, First Officer
- Group B: Bruce Roberts, A380 Customer Service Supervisor
- Group C: John Sipek, Aircraft Maintenance Engineer
- Group D: Luke Murray, Aircraft Maintenance Engineer
- Group E: Hendrik van Calcar, Head of Finance Qantas Domestic

### **Directors who are not Qantas Group employees**

**Anne Ward, Chair.** Qantas Airways pays Ms Ward's director's fees, in consideration of all responsibilities and in keeping with superannuation industry practice. Qantas Airways also provides the Chair with access to a travel benefit.

**Paul Costello.** Qantas Airways pays Mr Costello director's fees, in consideration of all responsibilities and in keeping with superannuation industry practice.

In addition, travel concessions are provided to these directors under the Qantas Airways Limited staff travel policy. Travel at concessionary prices is on a sub-load basis, that is, subject to considerable restrictions and limits on availability.

### **About our corporate governance**

The Qantas Super Board is committed to sound corporate governance practices and adhering to relevant governance standards set by the Australian Prudential Regulation Authority (APRA). The Board has adopted a charter that incorporates the objectives and key requirements of APRA's Prudential Standard SPS 510, Governance, and APRA's related Prudential Practice Guide.

The Qantas Super Board schedules a number of formal meetings and a strategy session each year, but meets more frequently if required.

The Qantas Super Board's purpose is to:

- Approve the strategic plan and annual business plan;
- Provide strategic guidance to Qantas Superannuation Ltd (QSL);
- Take ultimate responsibility for the sound and prudent management of the business operations of QSL;
- Select and evaluate the performance of the Chief Executive Officer (CEO); and
- Provide oversight of Management.

### **Committees**

In addition, the Qantas Super Board has put in place standing committees (and, when necessary, ad hoc committees for specific matters). These are designed to help the directors manage the Board's functions and responsibilities. Board members are appointed to various committees depending upon their skills and experience, the need for diversity of views, and backgrounds. Each committee has at least one company-appointed director, and at least one member-elected director.

### **The remuneration approach for the Qantas Super Board**

**Company-appointed directors who are not Qantas Group employees** are remunerated in keeping with superannuation industry practice. Any fees payable are paid by Qantas Airways to the directors personally.

**Directors who are Qantas Group employees** do not receive payments or monetary benefits.

**All directors** are provided with insurance and indemnity cover.

## Qantas Super Board - Payment and benefits

as at 30 June 2018

Director name	Period served on Qantas Super Board	Year	Fee	Superannuation contributions	Non-monetary benefits
A Ward Chair	02/03/2004 – current	2017 – 2018	\$109,589	\$10,411	\$56,258 <sup>1</sup>
		2016 – 2017	\$109,589	\$10,411	\$38,252 <sup>1</sup>
P Costello	26/05/2014 – current	2017 – 2018	\$63,927	\$6,073	\$0
		2016 – 2017	\$63,927	\$6,073	\$0
C Ho	28/01/2015 – current	2017 – 2018	\$0	\$0	\$0
		2016 – 2017	\$0	\$0	\$0
R Macfarlane	07/06/2012 – 10/11/2016	2017 – 2018	n/a	n/a	n/a
		2016 – 2017	\$0	\$0	\$0
A Monaghan	26/11/2014 – current	2017 – 2018	\$0	\$0	\$0
		2016 – 2017	\$0	\$0	\$0
M Thorpe	12/06/2008 – current	2017 – 2018	\$0	\$0	\$0
		2016 – 2017	\$0	\$0	\$0
C Pagden	05/09/2008 – 05/09/2016	2017 – 2018	n/a	n/a	n/a
		2016 – 2017	\$0	\$0	\$0
J Sipek	12/08/2004 – current	2017 – 2018	\$0	\$0	\$0
		2016 – 2017	\$0	\$0	\$0
K Gillies	21/10/2002 – 22/10/2017	2017 – 2018	\$0	\$0	\$0
		2016 – 2017	\$0	\$0	\$0
G Manning	03/06/2010 – 03/06/2018	2017 – 2018	\$0	\$0	\$0
		2016 – 2017	\$0	\$0	\$0
R Yangoyan	10/11/2016 – current	2017 – 2018	\$0	\$0	\$0
		2016 – 2017	\$0	\$0	\$0
B Roberts	30/09/2016 – current	2017 – 2018	\$0	\$0	\$0
		2016 – 2017	\$0	\$0	\$0
L Murray	04/12/2017 – current	2017 – 2018	\$0	\$0	\$0
		2016 – 2017	n/a	n/a	n/a
H v. Calcar	21/06/2018 – current	2017 – 2018	\$0	\$0	\$0
		2016 – 2017	n/a	n/a	n/a

### Notes

1. The Chair is entitled to one free of charge long-haul trip on Qantas operated services each calendar year for her family. If the trip is not taken during the year, that year's entitlement lapses.

## 2. About our Executive team

The Qantas Super Executive Office consists of specialists across investments, operations, legal, risk and compliance, member services and finance.

The Qantas Super Remuneration Committee oversees the remuneration policy.

The objectives for executive remuneration are to attract, motivate, retain and appropriately reward a capable Executive team. This is achieved by setting pay opportunity at an appropriate level and by linking remuneration outcomes to performance.

An independent benchmarking review of executive remuneration was conducted in mid 2012. The review concluded:

- financial services data was to be used for the majority of executive role benchmarks;
- for the Investments roles, the Financial Services – Asset Management/Investment Banking job family benchmarks were more appropriate; and
- for the Legal, Risk and Compliance roles, the Financial Services – Risk Management job family benchmarks were more appropriate.

In addition, every year, the Remuneration Committee reviews the McGuirk Fund Executive and Staff Remuneration Survey benchmark data for these roles.

The Qantas Super Board, in principle, does not support guaranteed or upfront cash payments for incoming executives or accelerated or unusually large payments to terminating executives.

### What's the Remuneration Committee?

This committee consists of three Qantas Super directors. Among other responsibilities, the committee reviews and/or makes recommendations to the Board, on the remuneration of all members of the Executive Office, including the Chief Executive Officer.

### The Qantas Super Executive Remuneration Framework

The framework is based on:

- **Base pay** – referred to as Fixed Annual Remuneration (FAR). This is established upon employment and is reviewed annually. Performance and the positioning of an executive's FAR relative to the market data will be taken into account in each review. FAR is comprised of salary, statutory and salary sacrifice superannuation contributions and other salary package benefits as detailed on employment and amended from time to time.
- **Annual performance based incentive** – This incentive depends upon Qantas Super's overall performance relative to objectives as well as the executive's individual performance.

The key elements are:

- the ability to achieve a performance-based incentive payment is dependent on the performance of the Plan and the individual;
- there is no entitlement to the performance-based incentive;
- the magnitude of the target of the performance-based incentive for each executive is established upon employment and is reviewed annually. This is expressed as a percentage of FAR;

- the total performance based incentive paid annually in full is calculated as:
  - o **(Target) x (a factor reflecting the Plan's performance) x (a factor reflecting individual performance);**
- the performance-based incentive is paid in the form of cash.
- The key performance indicators for Qantas Super include measurement of performance against targets in areas such as:
  - financial;
  - net returns to members in accordance with their investment strategy;
  - member retention;
  - enhancements to the value of the business operations of the Plan year to year;
  - compliance with risk and compliance frameworks;
  - management of staff;
  - behaviour that demonstrates the Qantas values; and
  - corporate citizenship.

**Note:** Long term incentives are not paid or awarded.

Travel concessions are provided to Qantas Super executives under the Qantas Airways staff travel policy. Travel at concessionary prices is on a sub-load basis, that is, subject to considerable restrictions and limits on availability.

## Qantas Super Executive Officers - Payment and benefits

Qantas Super executives do not receive fees or other short-term employee benefits, and are not compensated for short-term absences. They do not participate in short term cash profit sharing or receive other short-term employee benefits.

Executive name & title	Period of employment	Year	Base pay – FAR (includes super) <sup>1</sup>	Annual performance based incentive (cash) <sup>2,3</sup>	Minimum & maximum possible value of bonus for future financial years <sup>4</sup>
<b>M Clancy</b> Chief Executive Officer	07/12/15 – current	2017 – 2018	\$410,000	\$236,775	\$0-\$346,450
		2016 – 2017	\$400,000	\$220,000	\$0-\$338,000
<b>A Spence<sup>5</sup></b> Chief Investment Officer	28/07/08 – current	2017 – 2018	\$425,000	\$267,750	\$0-\$359,125
		2016 – 2017	\$399,000	\$189,525	\$0-\$337,155
<b>H Loughrey</b> Head of Legal, Risk & Compliance	28/11/11 – current	2017 – 2018	\$301,000	\$126,420	\$0-\$203,476
		2016 – 2017	\$295,000	\$123,900	\$0-\$199,420

### Notes

1. FAR means Fixed Annual Remuneration. FAR includes compulsory superannuation contributions (post employment benefits). For executives who commenced prior to 1 July 2013, Qantas Super pays the individual's superannuation administration and standard insurance fees.
2. The Qantas Super Remuneration Committee makes the decision to allocate bonuses at its first meeting following the end of the financial year. This meeting usually takes place in August. Accordingly, the bonus grant date is August of the relevant year.
3. This figure represents the percentage of the annual performance based incentive paid to the person based upon whether they, and Qantas Super, have met performance criteria. Bonuses are paid in relation to the year in which they are earned and in full (in other words, they are not deferred).
4. These are estimates of the minimum and maximum possible total value of the bonus for future financial years after the most recently completed financial year. They are based on FAR. Any change in FAR will change these amounts.
5. In addition to base and annual performance based incentive pay, Andrew Spence received a retention payment of \$50,000 which was subject to him remaining employed by Qantas Super through to 1 August 2017.