

Corporate Governance Statement

for the year ended 30 June 2011

OVERVIEW

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 Executive Director, have an appropriate balance of skills, experience and expertise. The Board endorses the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments, 2nd Edition (ASX Principles).

THE BOARD LAYS SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board has adopted a formal Charter which is available in the Corporate Governance section on the Qantas website.

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

- Promoting ethical and responsible decision-making
- Monitoring compliance with all relevant laws, tax obligations, regulations, applicable accounting standards and significant corporate policies (including the Qantas Code of Conduct & Ethics)
- Overseeing 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 Chief Executive Officer (CEO)
- Monitoring the performance of the CEO and Executive Management, including the Chief Financial Officer (CFO)
- Developing Board and Executive Management and succession planning
- Ensuring a clear relationship between performance and executive remuneration
- Monitoring the Group's system of risk management and internal compliance and control
- Ensuring that the market and shareholders are fully informed of material developments

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 is listed on page 14.

Board Meetings

The Board holds seven formal 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 Directors, their qualifications, skills and experience are set out on pages 10 and 11. Attendance at 2010/2011 Board and Committee Meetings is detailed on page 31.

Australian Provisions

The Qantas Constitution contains the following provisions required by the Qantas Sale Act 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
- Maximum 49 per cent aggregate foreign ownership
- Maximum 35 per cent aggregate foreign airline ownership
- Maximum 25 per cent ownership by one foreign person

THE BOARD IS STRUCTURED TO ADD VALUE

Qantas currently has eleven Directors (see details on pages 10 and 11).

Ten Directors are Independent Non-Executive Directors elected by shareholders. The Independent Non-Executive Directors are:

Director	Year of Appointment
Leigh Clifford (Chairman)	2007
Peter Cosgrove	2005
Patricia Cross	2004
Richard Goodmanson	2008
Garry Hounsell	2005
Corinne Namblard	2011
Paul Rayner	2008
John Schubert	2000
James Strong	2006
Barbara Ward	2008

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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 believe it is possible to draft a list of criteria which are 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 adviser 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)
- Is free from any interest and any business 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

The Board Charter requires each Director to immediately disclose to the Board if they have any concerns about their independence.

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

Qantas believes that the following materiality thresholds are relevant when considering the independence of Non-Executive Directors:

For Directors:

- A relationship which accounts for more than 10 per cent of their 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:

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

Qantas, as the principal Australian airline, has commercial relationships with most, if not all, major entities in Australia. As such, in determining whether a Non-Executive Director is independent, simply being a non-executive director on the board of another entity is not, in itself, sufficient to affect independence. Nevertheless, any Director on the board of another entity is expected to excuse themselves during any meeting where that entity's commercial relationship with Qantas is to be directly or indirectly discussed.

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

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

At the 2000 Annual General Meeting, 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
- Has a written Charter which is available in the Corporate Governance section on the Qantas website
- Meets as required to assist the Board in fulfilling its corporate governance responsibilities in regard to:
 - Board appointments, re-elections and performance
 - Diversity obligations
 - Directors' induction and continuing development
 - Committee Membership
 - Endorsement of Executive Management appointments

The experience and qualifications of Members of the Nominations Committee are detailed on pages 10 and 11. Membership of and attendance at 2010/2011 Nominations Committee Meetings are detailed on page 31.

Appointment and Re-Election of Directors

When appointing new Directors, the Board and its Nominations Committee looks to ensure that an appropriate balance of skills, experience, expertise and diversity is maintained. External consultants are engaged to assist with the selection process as necessary and 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.

Directors to be re-elected are reviewed by the Nominations Committee. Directors are re-elected in accordance with the Qantas Constitution and the ASX Listing Rules.

Diversity

Qantas has reported on diversity in its Sustainability Report since 2007.

The ASX Principles have been revised to require companies to establish diversity-related measurable objectives, undertake an annual assessment against the objectives and make related disclosures in the 2012 Annual Report. In the interim Qantas has continued to report diversity statistics, including the following gender statistics, in the Sustainability Statistics and Notes on pages 112 and 113:

- The proportion of women employees in the organisation
- The proportion of women in senior executive positions
- The proportion of women on the Board of Directors

Qantas is currently developing and formalising targets for diversity in line with the requirements under the ASX Principles, which will be disclosed in the 2012 Annual Report.

The Diversity Statement is available in the Corporate Governance section on the Qantas website.

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 culture and values) and the aviation industry. The Directors have open access to all relevant information, including discussions with Management and subject matter experts, and visits to operations. Directors may meet independently with Management at any time to discuss areas of interest or concern.

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Review of Board Performance

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

During 2010/2011 the Board undertook an external performance review, which included a series of interviews with Directors and Executive Management and Board discussion. The Board will undertake an internal review in 2011/2012.

In addition, the Board continually assesses its performance and the Chairman discusses performance with each Director during the year.

THE BOARD PROMOTES ETHICAL AND RESPONSIBLE DECISION-MAKING

The Board has a formal Code of Conduct & Ethics which deals with:

- Compliance with laws, regulations and ethical standards
- Political donations and prohibited payments
- Giving or receiving gifts and conflicts of interest
- Retention of records
- Accounting records
- Dealing with auditors
- Making public statements about the Qantas Group and use of confidential information
- Continuous disclosure and share trading
- Whistleblower policy
- Privacy policy

The core elements of the Qantas Code of Conduct & Ethics are summarised in the Qantas Group Business Practices Document which is available in the Corporate Governance section on the Qantas website.

Qantas' Share Trading Policy

The Qantas Code of Conduct & Ethics contains Qantas' Share Trading Policy. The Policy sets guidelines designed to protect the Qantas Group and Qantas Group employees from intentionally or unintentionally breaching the law. Qantas Group employees must not purchase or sell securities of any Qantas Group listed entity while in possession of material non-public information. In addition, nominated Qantas Employees (including Key Management Personnel) are required to follow "Request to Deal" procedures and are prohibited from dealing in Qantas shares between:

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

Further, Nominated Qantas Employees are 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.

Whistleblower Policy

The Qantas Whistleblower Policy encourages employees to report concerns in relation to illegal, unethical or improper conduct in circumstances where they may be apprehensive about raising their concern because of fear of possible adverse repercussions. A Qantas Whistleblower Committee has been established to manage investigations and report to the Board and Audit Committee. The Policy is available to all Qantas Group employees and is summarised in the Qantas Group Business Practices Document which is available in the Corporate Governance section on the Qantas website.

Other Policies and Statements

Qantas also has formal policies and statements relating to its legal and other obligations to all legitimate stakeholders. These include areas such as safety, health, environment, security, employment practices and fair trading. Each policy is supported by procedures for compliance and monitoring effectiveness. A summary of Qantas' core values and business practices can be found in the Qantas Group Business Practices Document which is available in the Corporate Governance section on the Qantas website.

THE BOARD SAFEGUARDS THE INTEGRITY OF FINANCIAL REPORTING

Audit Committee

The Board has an Audit Committee which:

- Has four Members who are Independent Non-Executive Directors
- Is chaired by Garry Hounsell, an Independent Non-Executive Director who is a Fellow of The Institute of Chartered Accountants in Australia and a Certified Practising Accountant
- Has a written Charter which is available in the Corporate Governance section on the Qantas website
- Includes Members who are all financially literate
- Is responsible for assisting the Board in fulfilling its corporate governance responsibilities in relation to:
 - 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
 - Oversight of the independence of the external and internal auditors

The experience and qualifications of Members of the Audit Committee are detailed on pages 10 and 11. Membership of and attendance at 2010/2011 Audit Committee Meetings are detailed on page 31.

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 2011 Directors' Report under the heading "Non-audit Services":

"The Directors are satisfied that:

- a. The non-audit services provided during the 2010/2011 financial year by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act 2001

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- b. Any non-audit services provided during the 2010/2011 financial year by KPMG as the external auditor did not compromise the independence requirements of the Corporations Act 2001 for the following reasons:
- 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
 - 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
 - KPMG partners and staff involved in the provision of non-audit services have not participated in associated approval or authorisation processes
 - 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
 - The declaration required by section 307C of the Corporations Act 2001 confirming independence has been received from KPMG.”

Qantas rotates the lead audit partner every five years and imposes restrictions on the employment of ex-employees of the external auditor.

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

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 BOARD MAKES TIMELY AND BALANCED DISCLOSURE

Qantas has an established process to ensure that it is in compliance with its ASX Listing Rule disclosure requirements. This includes a quarterly confirmation by all Executive Management that their areas have complied with the Continuous Disclosure Policy, together with an ongoing obligation to advise the Company Secretary of any material non-public information arising in between confirmations.

The Continuous Disclosure Policy is summarised in the Qantas Group Business Practices Document which is available in the Corporate Governance section on the Qantas website.

THE BOARD RESPECTS THE RIGHTS OF SHAREHOLDERS

Qantas has a Shareholder Communications Policy which promotes effective communication with shareholders and encourages participation at general meetings. The Qantas Shareholder Communications Policy is summarised in the Qantas Group Business Practices Document which is available in the Corporate Governance section on the Qantas website.

Qantas makes all ASX announcements available on its website. In addition, shareholders who are registered receive email notification of announcements.

The 2011 Notice of Annual General Meeting will be provided to all shareholders and posted on the Qantas website, and the 2011 AGM proceedings will be available for viewing by live and archived webcast. For shareholders unable to attend, an AGM Question Form will accompany the Notice of Meeting, giving shareholders the opportunity to forward questions and comments to Qantas or the external auditor prior to the AGM.

Auditor at AGM

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

- The conduct of the audit
- The preparation and content of the Auditor's Report
- The accounting policies adopted by Qantas in relation to the preparation of the Financial Report
- The independence of the auditor in relation to the conduct of the audit

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 Group and for ensuring the 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 faces a range of strategic, financial and operational risks inherent in operating in the aviation industry. To manage these and other risks, the Board is responsible for reviewing and approving the Qantas Group Risk Management Framework (Framework). The Framework is underpinned by three interrelated elements: governance, risk management and assurance.

The Board also reviews and approves the Qantas Group Risk Management Policy (Policy), which sets out the minimum requirements and roles and responsibilities for managing risk across the Qantas Group. All employees have a responsibility to identify, report and/or manage risk as it arises within the work environment. Summaries of the Policy and other significant risk policies are included in the Qantas Group Business Practices Document available in the Corporate Governance section on the Qantas website.

The Qantas risk management and internal control system aligns to the principles included in the Australian/New Zealand Standard on Risk Management (AS/NZS ISO 31000:2009) and the Committee of Sponsoring Organisations of the Treadway Commission (COSO) framework for evaluating internal controls.

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

Material risks and the effectiveness of risk management plans are escalated to Executive Management, relevant Board Committees and/or the Board as appropriate and are reported on as part of the quarterly risk reporting process. During the quarterly risk reporting process, each Qantas Group business unit prepares and submits a detailed risk register outlining the key risks to achieving their objectives and mitigating actions. Beyond reporting, the identification, assessment and management of risks is also integrated into key business decision-making and activities, such as strategy development, projects and change initiatives.

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Management self-assessments, including self-assessments against the different QMS elements, audits and risk management reviews, are undertaken to confirm that risks are being mitigated where possible. On a quarterly basis, Executive Management is required to certify that there is an effective risk management process in place within their area of responsibility.

Group Audit validates and reports to the Board and relevant Board Committees that there is an effective risk management process in place for the financial period and up to the date of signing the Financial Report.

Further details of the Framework and corporate governance structure are captured in the Qantas Investor Data Book available in the Investors section on the Qantas website.

Safety, Health, Environment & Security Committee (CHESS)

The Safety, Health, Environment & Security Committee (known as CHESS):

- Has six Members – the CEO and five others who are Independent Non-Executive Directors
- Is chaired by John Schubert, an Independent Non-Executive Director
- Has a written Charter which is available in the Corporate Governance section on the Qantas website
- Is responsible for assisting the Board in fulfilling its strategy, policy, monitoring and corporate governance responsibilities in regard to safety, health, environment and security matters including:
 - Compliance with related legal and regulatory obligations
 - Enterprise-wide risk management

The experience and qualifications of Members of CHESS are detailed on pages 10 and 11. Membership of and attendance at 2010/2011 CHESS Meetings are detailed on page 31.

Group Audit and Risk

Group Audit and Risk provides independent, objective assurance and consulting services on Qantas' system of risk management, internal compliance, control and governance through:

- Maintaining and improving the risk management framework as approved by the Board
- Quarterly risk reporting to the Board
- Performing audits and other advisory services to assure risk management throughout the 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 reviewed every six months to align audit activity to changes to the Qantas Group risk profile. The audit plan is approved by the Audit Committee bi-annually and submitted to the CHESS for information and approval where appropriate.

Audit projects performed by Group Audit and Risk assist the Audit Committee and the CHESS to promote sound risk management and good corporate governance. Group Audit and Risk assesses the design and operating effectiveness of controls for key business processes to mitigate risks identified in the Qantas risk profile. Management is responsible for ensuring that appropriate corrective actions are taken on reported areas for improvement arising from audit projects within specified time periods. The status of audit management actions are submitted monthly to Executive Management and quarterly to the Audit Committee.

The Group Audit and Risk function is independent of the external auditor, has full access to Management and the right to seek information and explanation. The Audit Committee oversees the scope of the Group Audit and Risk function and has access to the auditors without the presence of Management.

In addition to Group Audit and Risk, operationally focused business units within the Qantas Group have their own internal audit functions to provide assurance around key operational and regulatory compliance risks. The findings from these audit activities, along with the status of audit Management actions, are reported through operational safety governance structures and to CHESS.

As there are multiple audit functions within Qantas, an Integrated Audit Community was established in May 2011 to support the delivery of quality audit services throughout the Qantas Group through information sharing, co-ordination and focusing on continuous improvement in audit management and delivery.

CEO/CFO Declaration

As required by section 295A of the Corporations Act, the CEO and CFO have declared that:

"In our opinion:

- a. the financial records of Qantas and its controlled entities (Qantas Group) for the financial year ended 30 June 2011 (Financial Period) have been properly maintained in accordance with section 286 of the Corporations Act;
- b. the financial statements and the notes referred to in section 295(3) (b) of the Corporations Act for the Financial Period comply with the accounting standards and other mandatory professional reporting requirements; and
- c. the financial statements and notes for the Financial Period give a true and fair view of the financial position and performance of the Qantas Group in accordance with section 297 of the Corporations Act."

In addition, in accordance with Recommendation 7.3 of the ASX Principles, the CEO and CFO also state to the Board that, in respect of the Qantas Group for the Financial Period:

- a. "The declaration given in accordance with section 295A is founded on a sound system of risk management and internal compliance and control and the system is operating effectively in all material respects in relation to financial reporting risks; and
- b. The statement given in accordance with Recommendation 7.3 (above) regarding the risk management and internal compliance and control system provide a reasonable, but not absolute level of assurance and does not imply a guarantee against adverse events or more volatile outcomes arising in the future."

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THE BOARD REMUNERATES FAIRLY AND RESPONSIBLY

The Qantas Executive Remuneration Objectives and Approach is set out in full in the Directors' Report (from page 36).

Remuneration Committee

The Board has a Remuneration Committee which:

- Has three members who are Independent Non-Executive Directors
- Is chaired by James Strong, an Independent Non-Executive Director
- Has a written Charter which is available in the Corporate Governance section on the Qantas website
- Is responsible for assisting the Board in fulfilling its corporate governance responsibilities in regard to remuneration matters including:
 - The remuneration framework for Non-Executive Directors
 - The remuneration and incentive framework, including any proposed equity incentive awards for the CEO, any other Executive Directors, Executive Committee Members and Senior Executives
 - Recommendations and decisions (as relevant) on remuneration and all incentive awards for the CEO, any other Executive Directors and Executive Committee Members
 - Strategic human resources policies

The experience and qualifications of Members of the Remuneration Committee are detailed on pages 10 and 11. Membership of and attendance at 2010/2011 Remuneration Committee Meetings are detailed on page 31.

The remuneration of Executive Management is disclosed to the extent required in the Remuneration Report from page 36.

Qantas Directors are entitled to statutory superannuation and certain travel entitlements (accrued during service) which are reasonable and standard practice in the aviation industry (see page 43).

Review of Executive Management Performance

At least annually, the Remuneration Committee undertakes a review of the performance of Executive Management against their Key Performance Indicators (KPIs). The process for evaluating the performance of Executive Management is detailed from page 36. Executive Management's performance for the 2010/2011 year was assessed against individual KPIs in August 2011. The structure of Non-Executive Directors' remuneration is detailed on page 43.