

Directors' Report

for the year ended 30 June 2008

Remuneration Report (Audited)

2007/08 Executive Remuneration Philosophy and Objectives

In 2003, the Board approved the establishment of the Qantas Executive Performance Plan (Performance Plan). Each year, the Board reviews whether the Performance Plan continues to be aligned to Qantas' business objectives and whether any changes are warranted. The overriding objective is to attract, retain and appropriately reward a capable Executive team to meet the unique challenges it faces as a major international airline based in Australia.

In early 2008, the Board undertook a detailed review of the Performance Plan and reconfirmed that it provides an appropriate reward framework for Qantas. Some changes have been implemented. These include:

- the adoption of an earnings per share (EPS) performance hurdle, in addition to a total shareholder return (TSR) performance hurdle for the long-term equity program; and
- the adoption of aspirational shareholding guidelines for members of the Executive Committee.

Details of the reward programs that make up the Performance Plan, are provided below.

Qantas' philosophy for the remuneration of its Executives continues to align the earnings of its Executives with their duties and responsibilities and to pay for performance.

These objectives are achieved via a reward program that involves a combination of:

- Fixed Annual Remuneration (FAR);
- the Performance Plan, comprising:
 - i. the Performance Cash Plan (PCP) – a short-term cash incentive;
 - ii. the Performance Equity Plan – a medium-term incentive, comprising the Performance Share Plan (PSP) and a long-term incentive, the Performance Rights Plan (PRP); and

- iii. the Retention Plan (RP) – awards of deferred shares or cash to a small number of selected Executives whose retention is considered vital to the Qantas Group to provide a stable and talented executive team; and

- concessionary travel entitlements, targeted key milestone bonus arrangements and other discretionary benefits considered appropriate from time to time.

The Remuneration Committee (a committee of the Board) has the role of reviewing and making recommendations on the Qantas Executive Remuneration Policy.

In doing so, the Remuneration Committee seeks advice from a range of independent external advisors. The guiding principles applied by the Remuneration Committee in managing remuneration for Executives are that:

- appropriate market benchmarks are reviewed in setting all elements of reward;
- differentiation to recognise performance is involved in all pay increases, both fixed and 'at risk';
- 'at risk' pay decisions are based on a formal performance management system; and
- longer-term rewards align the interests of Executives with shareholders and support a culture of employee share ownership.

Overall, the mix of the remuneration program reflects market practice but is tailored to the specific circumstances of Qantas.

Reward Framework

Fixed Annual Remuneration				Set with reference to role, market and experience				
Performance Plan	Performance Cash Plan		Short-term		Group Financial Target			
	Performance Equity Plan	Performance Share Plan	Medium-term		Balanced Scorecard Target			
		Performance Rights Plan	Long-term		Customer	Operational	People	Financial
					Total Shareholder Return and Earnings Per Share hurdles			
	Retention Plan				Targeted incentives and retention arrangements for a small number of Executives, based on the Board's assessment of market conditions and the commercial needs of Qantas			
Other benefits, such as concessionary travel and salary sacrifice arrangements (e.g. for motor vehicles and superannuation)				Reflect industry and market practice				

Directors' Report

for the year ended 30 June 2008

Remuneration Report (Audited) continued

Total Reward Mix

Consistent with market practice, the proportion of remuneration attributable to each component of the Performance Plan is dependent on the level of responsibility of the Executive. The Board obtains independent advice on market practice and relevant benchmarking data from its external advisors in setting target reward amounts and mix.

The total reward mix on average is as follows:

	% of Total Reward Opportunity ('at Target')		
	FAR %	Performance Cash Plan %	Performance Equity Plan (PSP and PRP) %
Chief Executive Officer	40	30	30
Chief Financial Officer/Executive General Manager Qantas/Chief Executive Officer Jetstar	45	30	25
Other Executive General Managers	50	30	20
Other Executives depending on level of responsibility	55 – 85	7.5 – 20	7.5 – 25

The above table is used to determine the allocation of performance-based remuneration and is based on the Executive's FAR at the date of the allocation. This target reward mix is based on the value of equity grants, assuming vesting conditions are met and does not necessarily reflect the actual remuneration received by the Executive in the current year.

For those Executives selected to participate in the PRP, the 'at target' component of the Performance Equity Plan is presumed to be delivered in equal proportions via the PSP and the PRP.

The reward mix excludes any awards under the RP, which are made on an individual basis, and separately from the fixed versus variable considerations for each of the Executive levels.

Operation of Incentive Plans

Under all the Executive Incentive Plans operating within Qantas, the CEO may recommend changes to the Plans to the Board. The Board has discretion to amend the operation of the plans as appropriate, given changes in business circumstances or to recognise a particular degree of difficulty or the effects of events external to management, in any year. It is the Board's intention that any such change and its outcome for reward would be disclosed in the relevant Qantas Annual Report.

The Board has instituted a cap on the PCP pool of 200 per cent and a cap on the PSP pool of 120 per cent.

Qantas Code of Conduct & Ethics – Employee Share Trading Policy, Margin Loans and Hedging

The Terms & Conditions of the Qantas Deferred Share Plan (DSP) (which govern awards under the PSP, PRP and RP) specifically prevent the granting of any security interest over, disposing of, or otherwise dealing with any unvested, unconverted or deferred equity entitlements. Once equity entitlements vest and convert to unrestricted shareholdings in the name of each participant under the relevant equity plan, participants are free to deal with their shareholdings subject to the Qantas Code of Conduct & Ethics and Employee Share Trading Policy.

In April 2008, the Board amended the Qantas Code of Conduct & Ethics to prohibit certain Nominated Qantas Employees 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.

Continuous Improvement

As mentioned above, Qantas regularly reviews all elements of its Executive remuneration philosophy and objectives to ensure they are appropriate from the perspective of governance, disclosure, reward and market conditions.

Summary of Eligibility

Set out below is a summary of each of the elements of remuneration provided to Key Management Personnel:

Elements of Remuneration	Key Management Personnel			
	Non-Executive Directors	Executive Directors	Executives	
Fixed remuneration	Fixed Annual Remuneration	✓	✓	✓
	Superannuation contributions	✓	✓	✓
	Travel entitlements	✓	✓	✓
	Other benefits	✓	✓	✓
Short-term incentives	Performance Cash Plan	–	✓	✓
Medium-term incentives	Performance Share Plan	–	✓	✓
Long-term incentives	Performance Rights Plan	–	✓	✓
	Retention Plan	–	✓	✓
Legacy plans	Executive Director/Senior Manager Long-Term Incentive Plan	–	✓	✓
Post employment/Other	End of service payments (discontinued)	–	–	✓
Long-term Benefits	Travel entitlements	✓	✓	✓

Directors' Report

for the year ended 30 June 2008

Remuneration Report (Audited) continued

Short-term Employee Benefits

Fixed Annual Remuneration

Salary decisions are based on FAR, which involves a guaranteed salary level from which superannuation and certain other benefits, such as a maintained motor vehicle, can be deducted at the election of the Executive on a salary sacrifice basis.

FAR is set with reference to market data, reflecting the scope of the role, the unique value of the role and the performance of the person in the role. FAR is reviewed annually and overall reflects a middle-of-the-market approach, as compared to similar comparative roles within Australia, with particular reference to large public companies for the most senior roles.

Cash FAR, as disclosed in the remuneration tables, is the FAR remaining after salary sacrifice components such as motor vehicles and superannuation have been deducted.

Executives are assumed to use their annual leave benefit in any year and any leave not taken at termination will be reflected in their termination benefit.

Non-Executive Directors

Non-Executive Director FAR is determined within an aggregate Directors' fee pool limit. An annual total pool of \$2.5 million was approved by shareholders at the 2004 AGM. FAR comprises Directors' fees, Committee fees and superannuation. In addition to FAR, Non-Executive Directors are paid a travel allowance when attending overseas Board Meetings.

FAR and payments to Non-Executive Directors reflect the demands and responsibilities which are made of Non-Executive Directors and reflect the advice of independent remuneration consultants to ensure Non-Executive Director FAR and salary sacrifice payments are appropriate. The level of Non-Executive Director FAR is reviewed annually.

Non-Executive Directors do not receive any performance related remuneration.

Cash Incentives – Performance Cash Plan

Purpose

The PCP is a cash incentive paid to Executives when the Qantas Group's key financial target is achieved over the year.

Approach

A cash pool for PCP awards to Executives is triggered if a threshold level of performance against the Qantas Group financial target is met. This means the Qantas Group financial result for the year is the first hurdle required to be satisfied.

For each participating Executive, the target reward under the PCP is set as a percentage of FAR. This percentage varies according to the Executive's level of responsibility. There is also differentiated distribution of the bonus payment pool to Executives based on individual performance.

Performance Measures and Rationale

Determining Payment Pool

For 2007/08, the financial target was profit before related income tax expense (PBT) adjusted for restructuring charges, the impact of approved accounting policy changes, adjustments for volatility from the mark-to-market of open hedge instruments under Accounting Standard AASB 139 Financial Instruments: Recognition and Measurement and any expense or provision required due to freight cartel litigation. The selection of PBT reflects the use of this measure as a key budget and financial measure both at Group and segment level within the Qantas Group.

This single measure applies to all Executives and results in no payment when profitability hurdles are not achieved.

The target is set annually as part of the budgeting process and approved by the Board. At the conclusion of the year, the PBT result is provided to the Board. The Board approves the size of the pool based on these results.

The 'at target' pool, i.e. the amount that would deliver the full PCP award to all participating Executives, is available when the target approved by the Board is met.

The threshold for payment is 75 per cent of target PBT. At the threshold, half of the PCP pool is available for distribution.

In the seven years that the PCP has been in place, the full 'at target' payment has been achieved twice and exceeded three times, with partial payment on one occasion and one year of nil payment.

Determining Individual Payments

Differentiation of payments among Executives based on individual performance is an important part of the approach to performance management at Qantas. The performance of each individual is assessed against their Key Performance Indicators (KPIs) for the year, and an Individual Performance Factor (IPF) assigned at year end. At the beginning of each year, performance objectives are set in the areas of customer service, operational performance, people achievements and financial performance. At the end of the year, each Executive's contribution is assessed against these criteria. Their contribution is also considered relative to other Executives in determining their IPF.

An Executive's actual reward is calculated by multiplying their 'at target' payment by their IPF. IPFs are generally in the range of 0.8 to 1.2 but can be down to 0 or up to 2.0. Across the group, IPFs are targeted to an average of 1, ensuring that differentiation occurs, but without increasing the cost of the bonus pool.

For example, if the Qantas Group PBT target is achieved and the Board awards 100 per cent of the PCP pool, the reward under this Plan for a Manager on a FAR of \$120,000 with an 'at target' PCP opportunity of 10 per cent and an IPF 0.9 would be:

\$120,000 (FAR)
x 10 per cent ('at target' opportunity)
x 100 per cent (PCP pool if Group target is met)
x 0.9 (IPF based on differentiated assessment)
= \$10,800.

Non-cash Benefits

Non-cash benefits, as disclosed in the remuneration tables, include salary sacrifice components such as motor vehicles, memberships of appropriate professional associations, taxation and financial advice and travel entitlements.

Directors' and Officers' liability insurance has not been included in the remuneration since it is not possible to determine an appropriate allocation basis.

Concessionary Travel Entitlements

Travel concessions are provided to all permanent Qantas employees, consistent with practice in the airline industry. Travel at concessionary prices is on a sub-load basis, i.e. subject to considerable restrictions and limits on availability. It includes specified direct family members or parties.

In addition to this and consistent with practice in the airline industry, a small number of Directors and Senior Executives and their specified direct family members or parties are entitled to a number of free trips for personal purposes. Eligibility for new participants is generally restricted to members of the Qantas Executive Team.

Directors' Report

for the year ended 30 June 2008

Remuneration Report (Audited) continued

Short-term Employee Benefits of Key Management Personnel and Highest Remunerated Executives for the Year Ended 30 June 2008

Set out in the following tables are the Short-term Employee Benefits provided as remuneration for the Key Management Personnel (KMP) and Highest Remunerated Executives during the year:

Directors	Year	Short-term Employee Benefits			Total \$
		Cash FAR \$	Cash Incentives \$	Non-cash Benefits \$	
Leigh Clifford, Chairman (Non-Executive Director from 9 Aug 07 – 30 Jun 08)	2008	288,256 ¹	–	6,191	294,447
	2007	n/a	n/a	n/a	n/a
Mike Codd, Non-Executive Director	2008	173,200 ¹	–	3,328	176,528
	2007	101,287	–	34,201	135,488
Peter Cosgrove ² , Non-Executive Director	2008	172,991 ¹	–	57,272	230,263
	2007	83,957	–	51,485	135,442
Patricia Cross, Non-Executive Director	2008	176,072 ¹	–	61,042	237,114
	2007	80,343	–	155,251	235,594
Richard Goodmanson, Non-Executive Director (from 19 Jun 08 – 30 Jun 08)	2008	4,317	–	–	4,317
	2007	n/a	n/a	n/a	n/a
Garry Hounsell, Non-Executive Director	2008	214,471	–	60,213	274,684
	2007	217,914	–	78,965	296,879
John Schubert, Non-Executive Director	2008	187,271	–	6,412	193,683
	2007	167,914	–	6,589	174,503
James Strong, Non-Executive Director	2008	187,271	–	33,580	220,851
	2007	167,914	–	31,138	199,052
Barbara Ward ³ , Non-Executive Director (from 19 Jun 08 – 30 Jun 08)	2008	15,905	–	–	15,905
	2007	n/a	n/a	n/a	n/a
Geoff Dixon, Chief Executive Officer	2008	2,308,955 ⁴	3,010,286 ⁵	218,412	5,537,653
	2007	2,180,168	2,915,000	259,217	5,354,385
Peter Gregg, Chief Financial Officer and EGM Strategy	2008	1,329,534 ⁴	1,485,714 ⁵	242,180	3,057,428
	2007	1,251,010	1,494,000	213,587	2,958,597
Total – current Directors at 30 June	2008	5,058,243	4,496,000	688,630	10,242,873
	2007	4,250,507	4,409,000	830,433	9,489,940
Margaret Jackson, Chairman (1 Jul 07 – 14 Nov 07)	2008	174,197 ¹	–	44,741	218,938
	2007	453,388	–	110,911	564,299
Paul Anderson, Non-Executive Director (1 Jul 07 – 16 Apr 08)	2008	139,818	–	–	139,818
	2007	154,800	–	1,688	156,488
James Packer, Non-Executive Director (1 Jul 07 – 31 Aug 07)	2008	20,795	–	–	20,795
	2007	118,349	–	–	118,349
Total – Directors during the year ended 30 June	2008	5,393,053⁶	4,496,000	733,371	10,622,424
	2007	4,977,044	4,409,000	943,032	10,329,076

¹ Cash FAR for the Non-Executive Directors is stated after deducting statutory superannuation contributions and the following additional salary sacrificed amounts: \$90,153 for Mr Clifford, \$41,271 (2007: \$92,427) for Mr Codd, \$14,280 (2007: \$83,957) for General Cosgrove, \$11,199 (2007: \$86,342) for Mrs Cross and \$21,177 (2007: \$49,926) for Ms Jackson.

² General Cosgrove receives payments for services rendered as a Director of Qantas Superannuation Limited.

³ Ms Ward also receives payments for services rendered as a Director of a number of Qantas subsidiary leasing companies. Remuneration reflects payments received for the period 19 June 2008 to 30 June 2008.

⁴ Mr Dixon's FAR for the year was based on \$2,430,000 from 1 July 2007 to 31 December 2007 and \$2,630,000 from 1 January 2008 to 30 June 2008 (2007: \$2,370,000) less salary sacrificed components of \$221,045 (2007: \$189,832). Mr Gregg's FAR for the year was based on \$1,450,000 from 1 July 2007 to 31 December 2007 and \$1,520,000 from 1 January 2008 to 30 June 2008 (2007: \$1,412,500) less salary sacrificed components of \$155,465 (2007: \$161,490).

⁵ Mr Dixon was paid an additional cash incentive of \$214,286 (2007: nil) and Mr Gregg was paid an additional cash incentive of \$85,714 (2007: \$44,000) during the year.

⁶ Total Non-Executive Director Cash FAR paid inclusive of additional salary sacrificed elements and travel allowances was \$1,932,644 (2007: \$1,858,518). Effective 1 July 2007, each Non-Executive Director was paid an annual base fee inclusive of superannuation of \$136,000 (2007: \$129,000) and the Chairman \$544,000 (2007: \$516,000) which includes Committee fees. Committee fees for other Non-Executive Directors were \$27,200 (2007: \$25,800) per Committee Membership and \$54,400 (2007: \$51,600) per Committee Chairmanship.

Directors' Report

for the year ended 30 June 2008

Remuneration Report (Audited) continued

Short-term Employee Benefits of Key Management Personnel and Highest Remunerated Executives for the Year Ended 30 June 2008 continued

Other KMP and Highest Remunerated Executives	Year	Short-term Employee Benefits			Total \$
		Cash FAR \$	Cash Incentives \$	Non-cash Benefits \$	
John Borghetti, EGM Qantas	2008	1,146,085	1,336,000	206,793	2,688,878
	2007	1,119,474	1,380,000	183,720	2,683,194
Kevin Brown, EGM People	2008	722,821	674,000	213,566	1,610,387
	2007	673,573	625,000	186,114	1,484,687
David Cox, EGM Engineering	2008	641,716	451,000	139,599	1,232,315
	2007	607,076	505,000	102,211	1,214,287
Grant Fenn, EGM Freight Enterprises	2008	740,690	642,000	210,615	1,593,305
	2007	680,113	625,000	210,506	1,515,619
Alan Joyce, CEO Jetstar	2008	1,092,614	1,207,000	95,800	2,395,414
	2007	778,646	775,000	105,592	1,659,238
Total remuneration for Key Management Executives	2008	4,343,926	4,310,000	866,373	9,520,299
	2007	3,858,882	3,910,000	788,143	8,557,025

Share-based Payments

Performance Equity Plan

The Performance Equity Plan comprises the PSP (a medium-term incentive) and the PRP (a long-term incentive). Both elements are designed to strengthen the alignment of the interests of Executives with those of shareholders.

The equity benefits under the Performance Equity Plan are delivered under the Terms & Conditions and various rules of the DSP. The DSP Terms & Conditions were initially approved by shareholders at the 2002 AGM. At the 2006 AGM, shareholders again approved the DSP as the vehicle for the provision of equity benefits by Qantas.

Performance Share Plan

Purpose

The PSP is a medium-term deferred share incentive designed to reward Executives when a Balanced Scorecard of key Qantas Group measures (detailed below) is achieved over the year and to encourage retention through a two year deferral period.

Approach

For each participating Executive, the target reward under the plan is set as a percentage of FAR. This percentage varies according to the Executive's level of responsibility.

On an annual basis, the Qantas Board approves awards under the PSP based on the achievement by the Qantas Group against the Balanced Scorecard of Customer, Operational, People and Financial measures. Each measure is assessed separately for performance against target and threshold. There is also differentiated distribution of the pool to Executives based on the IPF.

Shares are purchased on-market or issued and are held subject to a holding lock for 10 years. However, Executives can call for the deferred shares prior to the expiration of the holding lock, but not before the end of one year from the completion of the performance period for up to half of the deferred shares and the end of two years in relation to the remaining deferred shares. The mandatory minimum holding lock periods provide this Plan with its medium-term focus on share price.

Any dividends paid on the deferred shares during the holding lock period will be distributed to the relevant Executive.

Generally, any deferred shares which remain subject to the holding lock will be forfeited if the relevant Executive ceases employment with the Qantas Group.

Performance Measures and Rationale

For 2007/08, the PSP target was a Balanced Scorecard of Customer, Operational, People and Financial measures. Customer satisfaction is measured by reference to an external Skytrax survey. The operational performance (punctuality) is measured against an on-time arrivals target. People performance is measured against a Lost Time Injury Frequency Rate target. Financial performance uses an internal unit cost reduction measure.

The Balanced Scorecard performance criteria aim to align Executive remuneration with the key value drivers for the Qantas Group and complement the short-term financial targets which are the focus of the PCP. The targets are set by the Qantas Board annually at the start of the year.

At the conclusion of the year, the Balanced Scorecard results are provided to the Qantas Board so it can make an assessment as to whether the targets have been met and whether the deferred shares are subsequently granted.

Determining Payment Pool

The 'at target' pool, i.e. the amount that would deliver the full PSP award to all participating Executives, is available when the Balanced Scorecard targets approved by the Qantas Board are met.

Determining Individual Payments

Each individual's 'at target' payment is determined by Qantas Group performance and the pool awarded as described above. An Executive's actual reward is calculated by multiplying their 'at target' PSP award by their IPF.

The grant date and number of deferred shares awarded to KMP are outlined on page 126 and 127.

Performance Rights Plan

Purpose

The PRP is the long-term element of the Performance Equity Plan. It has been implemented as a reward program that aligns the interests of participating Executives with the longer-term interests of shareholders. It also helps to retain participating Executives.

Directors' Report

for the year ended 30 June 2008

Remuneration Report (Audited) continued

Performance Rights Plan continued

Approach

Annual grants of Rights are awarded to selected individuals. Subject to achievement against the three year performance hurdle relating to each grant, the Rights may be converted (on a one-for-one basis) to Qantas shares. Shares are purchased on-market or issued.

Performance Measures and Rationale

2004/05, 2005/06 and 2006/07 Awards

The performance hurdle set by the Qantas Board for these awards is the TSR of Qantas over the performance period in comparison to:

- companies with ordinary shares included in the S&P/ASX 100 Index at the date of each respective grant (excluding Qantas) in relation to one half of the Rights; and
- a basket of global listed airlines comprising Air France-KLM, Air New Zealand, AMR Corporation (American Airlines), British Airways, Cathay Pacific, Delta Airlines¹, Japan Airlines, Lufthansa, Ryanair, Singapore Airlines, Southwest Airlines and Virgin Blue in relation to the other half of the Rights.

The S&P/ASX 100 Index represents the broader Australian market, while the basket of global airlines represents a mix of Qantas' competitors.

TSR testing for the 2004/05 award is being performed quarterly over the two years from 30 June 2007 until 30 June 2009, or until the tests indicate that full vesting has been achieved. This reflects the Plan conditions outlined to shareholders when approval was obtained for awards to Executive Directors in October 2004. TSR testing for the 2005/06 award commenced on 30 June 2008. As at 30 June 2008, 80 per cent of the performance hurdle set by the Qantas Board under the 2004/05 award has been achieved with 72.5 per cent achieved under the 2005/06 award.

Similarly, TSR testing for the 2006/07 awards occurs during the period between three and five years from award, in accordance with the conditions of the awards approved by shareholders.

Testing over these timeframes recognises that Qantas is exposed to a high degree of business and share price volatility compared to many other major Australian companies. As the award date remains the base point for comparison, it ensures that there is no reduction in the rigour of the performance requirement.

The performance hurdle will be considered satisfied in accordance with the following table:

Qantas TSR Performance Compared to the Relevant Peer Group	Satisfaction of the Performance Hurdle Relating to Each Half of the Rights
0 to 49 th percentile	Nil
50 th to 74 th percentile	50% – 99%
75 th to 100 th percentile	100%

The Qantas Board resolved at its October 2005 Meeting that it will not exercise its discretion in relation to the performance hurdle for the 25th to 49th percentile.

A progressive vesting scale prevents payment for below median performance and does not deliver full reward until 75th percentile performance is achieved.

2007/08 Awards

Following a review of the performance hurdles applicable to awards of Performance Rights, the Qantas Board at its December 2007 Meeting finalised the hurdles for the 2007/08 awards.

The relative TSR measure in comparison to companies with ordinary shares included in the S&P/ASX 100 Index (as outlined above) was retained in relation to one half of the award of 2007/08 Rights. Testing of the hurdle occurs on a bi-annual basis during the period between three and five years from award. There is no relaxation of the rigour of the performance requirement.

In relation to the other half of the Rights, the Qantas Board set an EPS hurdle expressed as a compound annual growth rate (CAGR) target which is assessed at the end of three years.

By adopting these dual hurdles, Qantas has a framework that relates reward to shareholder returns relative to other major Australian companies as well as the earnings achieved by management against a challenging long-term target.

The vesting scale for Rights based on Qantas EPS growth is outlined in the below table:

EPS Performance vs Target	EPS CAGR	Satisfaction of the Performance Hurdle
EPS result below threshold	Below 9.5%	Nil
EPS result between threshold and stretch target	9.5% to 12.4%	Linear scale: 50% to 99% satisfied
EPS result at or above stretch target	12.5% or above	100% satisfied

The setting by the Qantas Board of the above EPS targets does not represent an earnings forecast nor is it a disclosure of targets under Qantas' long-term budget.

Any Rights which have not vested will lapse if the relevant Executive ceases employment with the Qantas Group, except in special circumstances where Remuneration Committee approval would be sought. Rights will also lapse if the Executive is guilty of gross misconduct.

The grant dates and number of Rights awarded to KMP is outlined on page 128.

Retention Plan

The Qantas Board regularly reviews Qantas' talent needs for achieving its long-term business objectives. It has implemented a Retention Plan with a required service period. The Retention Plan is focused on less than 1 per cent of Executives whose roles and contribution are identified as critical to the continued success of the Qantas Group. The award to any individual under the Retention Plan can be delivered either in deferred shares or by way of a deferred cash payment. Satisfactory performance, which involves achievement of personal KPIs set during the period, is a further requirement under this Plan. The most recent of these were the awards approved by Shareholders at the 2007 AGM to the Executive Directors.

The vesting schedule for the awards made under the Retention Plan means that 2007/08 is the year in which the majority of grant value of the award is recognised under accounting rules. This is the primary reason for the increase in disclosed value of Share-based Payments for 2007/08. The 2007/08 accounting accrual of the 2006/07 Retention Plan award is substantially higher than the accrual that will be incurred in 2008/09, as reflected in the table set out on page 69.

The grant dates and number of shares awarded to KMP is outlined on page 127.

¹ Delta Airlines is excluded from the airline basket for the 2006/07 award as in September 2005 Delta Airlines filed voluntary petitions for reorganisation under Chapter 11 of the US Bankruptcy Code.

Directors' Report

for the year ended 30 June 2008

Remuneration Report (Audited) continued

Employee Share Ownership Plan

The Employee Share Ownership Plan allows Directors and employees to purchase shares at no discount to market price on a salary sacrifice basis, and operates under the Terms & Conditions of the DSP. After an initial offering in 2006/07, this Plan was suspended in December 2006 and was re-instated in August 2007 for Non-Executive Directors.

Share-based Payments of Key Management Personnel and Highest Remunerated Executives for the Year Ended 30 June 2008

Set out in the following tables are the Share-based Payment remuneration for the KMP and Highest Remunerated Executives during the year:

Executive Directors	Year	Equity Settled				Total \$	Supplemental Market Value at Year End \$
		PSP \$	PRP \$	Exec Director LTI \$	RP \$		
Geoff Dixon, Chief Executive Officer	2008	1,275,836	656,044	–	4,455,383	6,387,263	3,855,843
	2007	532,843	622,500	–	–	1,155,343	1,488,505
Peter Gregg, Chief Financial Officer and EGM Strategy	2008	465,704	281,576	–	2,232,478	2,979,758	1,990,902
	2007	319,706	219,094	27,174	465,050	1,031,024	1,385,871
Total	2008	1,741,540	937,620	–	6,687,861	9,367,021	5,846,745
	2007	852,549	841,594	27,174	465,050	2,186,367	2,874,376

Other KMP and Highest Remunerated Executives	Year	Equity Settled				Total \$	Supplemental Market Value at Year End \$
		PSP \$	PRP \$	Sen Mgr LTI \$	RP \$		
John Borghetti, EGM Qantas	2008	465,704	236,571	–	2,101,577	2,803,852	1,999,512
	2007	288,858	170,353	46,800	430,317	936,328	1,382,979
Kevin Brown, EGM People	2008	123,218	134,233	–	1,835,788	2,093,239	1,493,533
	2007	136,950	105,368	35,100	376,527	653,945	972,062
David Cox, EGM Engineering	2008	101,584	109,827	–	1,835,788	2,047,199	1,454,143
	2007	115,868	95,321	17,786	376,527	605,502	910,418
Grant Fenn, EGM Freight Enterprises	2008	123,218	134,233	–	1,835,788	2,093,239	1,493,533
	2007	136,950	109,338	35,100	376,527	657,915	976,033
Alan Joyce, CEO Jetstar	2008	138,572	146,209	–	2,036,130	2,320,911	1,632,195
	2007	142,861	101,397	17,786	376,527	638,571	949,986
Total	2008	952,296	761,073	–	9,645,071	11,358,440	8,072,916
	2007	821,487	581,777	152,572	1,936,425	3,492,261	5,191,478

Under Accounting Standards, the value of a Share-based Payment is determined at grant date and recognised over the vesting period. No allowance is made when recognising the value of these awards for any movement in the share price after grant date before vesting conditions are met and the Executive becomes entitled to the shares. The volume weighted share price used to determine the accounting value of grants issued under the RP to Executive Directors in 2008 was \$5.82 (and to other Executives in 2008 was \$5.45). The supplemental market value at year end of Share-based Payments is based on the closing share price at 30 June 2008 of \$3.04 and for 2006/07 the closing share price at 29 June 2007 of \$5.60 as a substitute for the volume weighted share price determined at grant date.

At the 2007 AGM, shareholders approved grants under the RP to the CEO and CFO. Details of these awards, including vesting periods, were detailed in the 2007 AGM Notice of Meeting. The reported equity values for the Executive Directors are significantly higher than prior years as a result of these awards.

Post-Employment and Other Long-term Benefits

Superannuation

Statutory, salary sacrifice or defined benefit superannuation payments are made on behalf of Executives.

Travel

Directors and a small number of Senior Executives and their specified direct family members or parties are entitled to a number of free trips for personal purposes after retirement. The present value of these entitlements is accrued over the service period of the individual.

Travel concessions are also available post-employment for staff who qualify through retirement or redundancy.

Directors' Report

for the year ended 30 June 2008

Remuneration Report (Audited) continued

Post-Employment and Other Long-term Benefits continued

End of Service Payments

The approach adopted since 2006 has been to have ongoing contracts of employment for all Executives with no end of contract payments.

For Executives appointed to senior roles, fixed-term contracts of up to five years were, until 2004, agreed on appointment. In some cases, the contracts of these Executives provided for a service payment, after completion of the fixed-term contract.

Where the service period has been completed and a new ongoing contract signed, the Executive may request settlement of the service payment.

Termination Payments

Qantas will honour the contractual and statutory entitlements of its Executives on termination. Additional payments to terminating Executives may be made to a reasonable level where legal or other considerations make it appropriate to do so. In all cases, an appropriate release agreement must be signed.

Other Long-term Benefits

Other long-term benefits include the accrual of long service leave for Executives.

Post-Employment and Other Long-term Benefits of Key Management Personnel and Highest Remunerated Executives for the Year Ended 30 June 2008

Set out in the following tables are the Post-Employment and Other Long-term Benefits provided as remuneration for the KMP and Highest Remunerated Executives during the year:

Directors	Year	Post-Employment Benefits			Other Long-term Benefits		
		Super-annuation \$	Travel \$	Total \$	End of Service \$	Other \$	Total \$
Leigh Clifford, Chairman (Non-Executive Director from 9 Aug 07 – 30 Jun 08)	2008	100,000	17,500	117,500	–	–	–
	2007	n/a	n/a	n/a	n/a	n/a	n/a
Mike Codd, Non-Executive Director	2008	54,400	8,245	62,645	–	–	–
	2007	105,113	7,350	112,463	–	–	–
Peter Cosgrove, Non-Executive Director	2008	13,129	8,245	21,374	–	–	–
	2007	96,643	7,350	103,993	–	–	–
Patricia Cross, Non-Executive Director	2008	13,129	8,245	21,374	–	–	–
	2007	42,385	7,350	49,735	–	–	–
Richard Goodmanson Non-Executive Director (from 19 Jun 08 – 30 Jun 08)	2008	–	8,245	8,245	–	–	–
	2007	n/a	n/a	n/a	n/a	n/a	n/a
Garry Hounsell, Non-Executive Director	2008	13,129	8,245	21,374	–	–	–
	2007	12,686	7,350	20,036	–	–	–
John Schubert, Non-Executive Director	2008	13,129	8,245	21,374	–	–	–
	2007	12,686	7,350	20,036	–	–	–
James Strong, Non-Executive Director	2008	13,129	8,245	21,374	–	–	–
	2007	12,686	7,350	20,036	–	–	–
Barbara Ward, Non-Executive Director (from 19 Jun 08 – 30 Jun 08)	2008	881	8,245	9,126	–	–	–
	2007	n/a	n/a	n/a	n/a	n/a	n/a
Geoff Dixon, Chief Executive Officer	2008	77,775	36,000	113,775	–	132,915	132,915
	2007	67,058	32,400	99,458	–	98,065	98,065
Peter Gregg, Chief Financial Officer and EGM Strategy	2008	36,000	36,000	72,000	–	71,188	71,188
	2007	36,000	32,400	68,400	–	99,039	99,039
Total – current Directors at 30 June	2008	334,701	155,460	490,161	–	204,103	204,103
	2007	385,257	108,900	494,157	–	197,104	197,104
Margaret Jackson, Chairman (1 Jul 07 – 14 Nov 07)	2008	6,565	17,500	24,065	–	–	–
	2007	12,686	15,700	28,386	–	–	–
Paul Anderson, Non-Executive Director (1 Jul 07 – 16 Apr 08)	2008	–	8,245	8,245	–	–	–
	2007	–	7,350	7,350	–	–	–
James Packer, Non-Executive Director (1 Jul 07 – 31 Aug 07)	2008	1,872	8,245	10,117	–	–	–
	2007	10,651	7,350	18,001	–	–	–
Total – Directors during the year ended 30 June	2008	343,138	189,450	532,588	–	204,103	204,103
	2007	408,594	139,300	547,894	–	197,104	197,104

Directors' Report

for the year ended 30 June 2008

Remuneration Report (Audited) continued

Post-Employment and Other Long-term Benefits of Key Management Personnel and Highest Remunerated Executives for the Year Ended 30 June 2008 continued

Other KMP and Highest Remunerated Executives	Year	Post-Employment Benefits			Other Long-term Benefits		
		Super-annuation \$	Travel \$	Total \$	End of Service \$	Other \$	Total \$
John Borghetti, EGM Qantas	2008	182,599 ¹	17,500	200,099	–	83,841	83,841
	2007	159,389	15,700	175,089	196,500	90,812	287,312
Kevin Brown, EGM People	2008	41,200	17,500	58,700	65,000	30,945	95,945
	2007	42,385	15,700	58,085	53,333	20,000	73,333
David Cox, EGM Engineering	2008	42,520	17,500	60,020	–	36,588	36,588
	2007	42,385	15,700	58,085	–	17,000	17,000
Grant Fenn, EGM Freight Enterprises	2008	40,008	17,500	57,508	65,000	43,360	108,360
	2007	42,385	15,700	58,085	–	20,000	20,000
Alan Joyce, CEO Jetstar	2008	13,129	17,500	30,629	280,000	72,247	352,247
	2007	42,385	15,700	58,085	250,000	58,068	308,068
Total	2008	319,456	87,500	406,956	410,000	266,981	676,981
	2007	328,929	78,500	407,429	499,833	205,880	705,713

¹ Superannuation benefits for Mr Borghetti are provided through a defined benefit superannuation plan. The amount disclosed has been measured in accordance with AASB 119 Employee Benefits.

Directors' Report

for the year ended 30 June 2008

Remuneration Report (Audited) continued

Remuneration of Key Management Personnel for the Year Ended 30 June 2008

Remuneration Components as a Proportion of Total Remuneration	Performance Related Remuneration				FAR and Other ¹	Total
	Cash-based		Equity-based			
	PCP	PSP & RP	PRP	Total		
Geoff Dixon	25%	47%	5%	77%	23%	100%
Peter Gregg	24%	44%	5%	73%	27%	100%
John Borghetti	23%	44%	4%	71%	29%	100%
Kevin Brown	18%	51%	4%	73%	27%	100%
David Cox	13%	57%	3%	73%	27%	100%
Grant Fenn	17%	51%	4%	72%	28%	100%
Alan Joyce	24%	43%	3%	70%	30%	100%

¹ Other remuneration consists of travel entitlements, the annual accrual of end of service payments and other benefits.

The total percentages are derived from the remuneration tables on pages 63 to 68. As the remuneration table is prepared on an accrual basis and the equity benefit is valued at grant date in accordance with Accounting Standards, the percentages disclosed do not reflect the annual allocation of performance related remuneration. To understand the target annual reward mixes of each of the Executives, refer to page 61.

The following information is provided in respect of the vesting and forfeiture of performance related remuneration during the year:

Performance Cash Plan vesting

Performance Cash Plan payments to KMP (granted on 20 August 2008) were fully vested in 2007/08.

Performance Share Plan vesting

50 per cent of PSP awards to KMP, unless forfeited, will vest in the year of grant and 50 per cent will vest the following year.

Awards under the 2008 Performance Share Plan (granted on 20 August 2008) had nil vesting and nil forfeiture in 2007/08.

Awards made under the following plans had 50 per cent vesting in 2007/08, with nil forfeiture: 2006 Performance Share Plan (granted 22 August 2006), the 2006 Executive Director Performance Share & Performance Rights Plan (granted 22 August 2006), 2007 Performance Share Plan (granted 15 August 2007) and the 2007 Executive Director Performance Share & Performance Rights Plan (granted 15 August 2007).

Performance Rights Plan vesting

Subject to achievement against the performance hurdles relating to each grant, the Rights may be converted (on a one-for-one basis) to Qantas shares. Testing of the performance hurdle occurs between three and five years from the award date. At the conclusion of the test period, any Rights that have not achieved the performance hurdle will be forfeited.

Awards under the following plans had nil vesting and nil forfeiture in 2007/08: 2005 Performance Rights Plan (granted 17 August 2005), 2005 Executive Director Performance Share & Performance Rights Plan (granted 17 August 2005), 2006 Performance Rights Plan (granted 22 August 2006), 2006 Executive Director Performance Share & Performance Rights Plan (granted 19 October 2006), 2007 Performance Rights Plan (granted 12 December 2007) and the 2007 Executive Director Performance Share & Performance Rights Plan (granted 12 December 2007).

Retention Plan vesting

Awards under the following plans had nil vesting and nil forfeiture in 2007/08: 2006 Retention Plan (granted 16 August 2006), 2006 Retention Plan – Peter Gregg Award (granted 19 October 2006), 2007 Retention Plan (granted 15 August 2007) and 2007 Retention Plan – Peter Gregg Award (granted 14 November 2007). Awards under these plans are scheduled to vest during 2008/09 and 2009/10.

Awards made to Geoff Dixon under the 2007 Retention Plan – Geoff Dixon Award (granted 14 November 2007) had 25% vesting and nil forfeiture in 2007/08.

Performance Remuneration Affecting Future Periods

	2009 \$	2010 \$	2011 \$
Geoff Dixon	3,608,170	783,394	–
Peter Gregg	2,098,672	473,283	–
John Borghetti	1,708,645	533,670	–
Kevin Brown	1,269,046	389,895	–
David Cox	1,183,666	354,733	–
Grant Fenn	1,261,007	387,072	–
Alan Joyce	1,469,919	465,959	–

Performance remuneration granted under the Performance Equity Plan for the 2007/08 year provides remuneration in future years. The maximum value has been determined at grant date based on anticipated performance hurdles and amortised in accordance with AASB 2 Share-based Payment. The minimum value of the grant is nil should performance conditions not be satisfied. Performance remuneration granted in prior years has been included in the above disclosure. This disclosure includes the 2008 final dividend payable on 1 October 2008 (and any related distributions payable by the Qantas DSP Trustee) but does not include future dividends yet to be declared.

Directors' Report

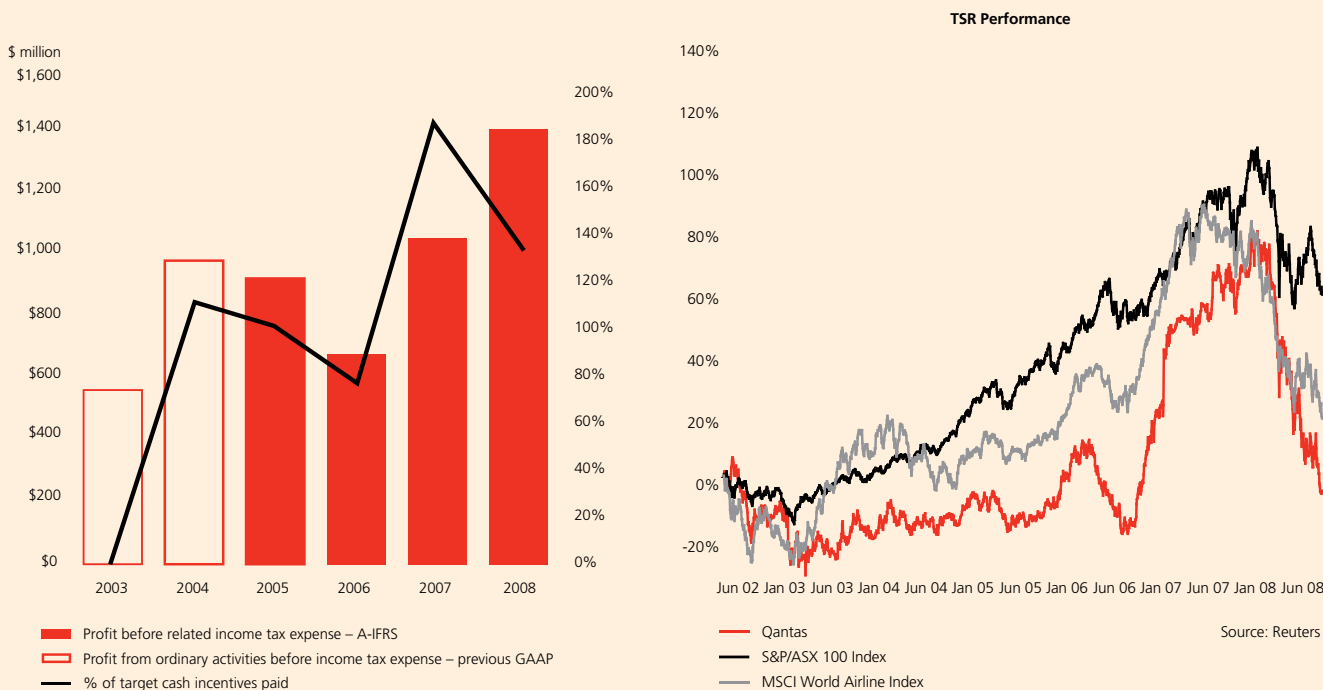
for the year ended 30 June 2008

Remuneration Report (Audited) continued

Summary of Performance Conditions

Link between Remuneration Policy and Qantas' performance

The graph on the left below shows Qantas' full-year profit before related income tax expense and the percentage of target cash incentives that were paid to Executives over the past six financial years. The graph on the right below shows Qantas' TSR performance compared to the S&P/ASX 100 Index and the MSCI World Airline Index over the past six years.



Relationship between Fixed Annual Remuneration and Qantas' Performance

An individual's FAR is not related to Qantas' performance in a specific year.

Relationship between Cash Incentives and Qantas' Performance

In line with Qantas' achievement against its financial targets in the past six years, cash incentives were:

- not paid for 2002/03;
- paid at 110 per cent of target for 2003/04;
- paid at 100 per cent of target for 2004/05;
- paid at 73 per cent of target for 2005/06; and
- paid at 186 per cent of target for 2006/07.

The 2007/08 cash incentives were paid, having been approved for payment on 20 August 2008, at 135 per cent of 'at target' opportunity.

Relationship between Employee Equity and Qantas' Performance

Allocations under the 2007/08 PSP are dependent on the corporate performance of Qantas against a Balanced Scorecard. One hundred per cent of the target level of performance shares were awarded to Executives in 2003/04 and 2004/05, 95 per cent of the target level of performance shares were awarded to Executives in 2005/06 and 80 per cent of the target level for 2006/07. For 2007/08, the Qantas Board assessed 91 per cent achievement on the Balanced Scorecard and awarded 91 per cent of the target level of performance shares to Executives.

Since 2004, the link between reward under the PRP and Qantas' performance has been established in terms of TSR performance against the S&P/ASX 100 Index and a basket of international airlines. For 2007/08, the Qantas Board has introduced a long-term EPS target as outlined on page 65. Vesting under the long-term equity program will depend on Qantas' performance on TSR against the S&P/ASX 100 Index and extent of achievement of the EPS target.

Directors' Report

for the year ended 30 June 2008

Remuneration Report (Audited) continued

Summary of Key Contract Terms

Non-Executive Directors

In addition to FAR and the associated superannuation contributions, all Non-Executive Directors and eligible beneficiaries receive travel entitlements. The Chairman is entitled to four international trips and 12 domestic trips per calendar year and all other Non-Executive Directors are entitled to two international trips and six domestic trips each calendar year. These flights are not cumulative and will lapse if they are not used during the calendar year in which the entitlement relates. Post employment, the Chairman is entitled to two international trips and six domestic trips per year of service and all other Non-Executive Directors are entitled to one international trip and three domestic trips per year of service.

Executive Directors

The key contract and other terms of the Executive Directors are set out below:

Contract Details	Geoff Dixon	Peter Gregg
Length of existing contract	Ongoing	Ongoing
Fixed Annual Remuneration	\$2,430,000 (1 Jul 07 – 31 Dec 07) \$2,630,000 (from 1 Jan 08) FAR can be taken as cash or non-cash components such as motor vehicles and superannuation contributions.	\$1,450,000 (1 Jul 07 – 31 Dec 07) \$1,520,000 (from 1 Jan 08)
Termination of employment	<p>Termination without notice: employment can be terminated immediately without notice (or payment in lieu of notice) if, in the opinion of the CEO (or the Qantas Board in the case of the CEO), the Executive is or has been engaged in serious misconduct, becomes bankrupt or makes an arrangement or composition with creditors or wilfully and persistently breaches their employment contract.</p> <p>Termination with notice: employment can be terminated during the contract period with 12 months written notice.</p> <p>Voluntary termination: voluntary termination requires written notice of six months.</p>	
Equity awards	<p>Equity awards are issued on the same basis as awards to other Qantas Executives, and are governed by the Terms & Conditions of the DSP and the Rules approved for each grant. Generally, any Rights which have not vested lapse on cessation of employment.</p> <p>Mr Dixon's employment agreement provides that, at termination, unvested Rights awarded under the PRP will remain in force (as if the CEO was remaining in employment), subject to both of the following conditions:</p> <ul style="list-style-type: none"> • if termination is initiated by Qantas, there will be a pro rata continuation of awards at termination for the parts of the performance period served under each award; and • any awards where less than 18 months of the performance period relating to that award has been served will lapse. <p>This approach reflects practice for Chief Executive Officers in certain S&P/ASX 50 Index companies. No vesting is allowed on long-term equity awards where less than 18 months of the performance period has been served.</p>	
Travel entitlements	<p>Available to the Executive and eligible beneficiaries: Each calendar year whilst employed and post employment:</p> <ul style="list-style-type: none"> • four international trips • 12 domestic trips 	
Performance Cash Plan	Target of 75% of FAR	Target of 65% of FAR
	Actual PCP may be greater than or less than the target amount as determined by the Qantas Board to reflect achievement of personal KPIs.	

Directors' Report

for the year ended 30 June 2008

Remuneration Report (Audited) continued

Summary of Key Contract Terms continued

Key Management Personnel

Contract Details	John Borghetti	Kevin Brown	David Cox	Grant Fenn	Alan Joyce
Existing contract end date	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration	\$1,380,000 (from 1 Jul 07 – 31 Dec 07) \$1,450,000 (from 1 Jan 08) FAR can be taken as cash or non-cash components such as motor vehicles and superannuation contributions.	\$865,000	\$715,000	\$865,000	\$1,050,000 (from 1 Jul 07 – 31 Dec 07) \$1,250,000 (from 1 Jan 08)
End of service payments	Expressed as number of months FAR if completed at least five years service under a fixed contract. Paid at conclusion of employment with Qantas or at the request of the Executive.				
	n/a	n/a	n/a	12 months	12 months
Termination of employment	Termination without notice: employment can be terminated immediately without notice (or payment in lieu of notice) if, in the opinion of the CEO, the Executive is or has been engaged in serious misconduct, becomes bankrupt or makes an arrangement or composition with creditors or wilfully and persistently breaches their employment contract.				
	Termination with notice: employment can be terminated during the contract period with 12 months written notice or payment in lieu.				
	Mr Brown is entitled to six months FAR if his employment is not required by an incoming CEO or he is offered a position which is significantly diminished in terms of responsibility.				
Travel entitlements	Available to the Executive and eligible beneficiaries between two and four international and six and 12 domestic trips per annum, at no cost to the individual. Post employment, the entitlements are two international and six domestic trips.				
Performance Cash Plan	Target of 65% of FAR	Target of 55% of FAR	Target of 55% of FAR	Target of 55% of FAR	Target of 65% of FAR
	Actual PCP may be greater than or less than the target amount, as determined by the Remuneration Committee, to reflect achievement of personal KPIs.				

Environmental Obligations

The Qantas Group's operations are subject to a range of Commonwealth, State, Territory and international environmental legislation. The Qantas Group is committed to a high standard of environmental performance and the Board places particular focus on the environmental aspects of its operations through the Safety, Environment & Security Committee (SESC), which is responsible for monitoring compliance with these regulations and reporting to the Board.

The Directors are satisfied that adequate systems are in place for the management of the Qantas Group's environmental exposures and environmental performance. The Directors are also satisfied that all relevant licences and permits are held and that appropriate monitoring procedures are in place to ensure compliance with those licences and permits. Any significant environmental incidents are reported to the Board.

The Directors are not aware of any breaches of any environmental legislation or of any significant environmental incidents during the year which are material in nature.

Indemnities and Insurance

Under the Qantas Constitution, Qantas indemnifies, to the extent permitted by law, each Director and Secretary of Qantas against any liability incurred by that person as an officer of Qantas.

The Directors listed on pages 42 to 45 and the Secretary of Qantas, being Cassandra Hamlin, have the benefit of the indemnity in the Qantas Constitution. Members of the Qantas Executive Team listed on page 45 have the benefit of an indemnity to the fullest extent permitted by law and as approved by the Board of Directors. In respect of non-audit services, KPMG, Qantas' auditor, has the benefit of an indemnity to the extent KPMG reasonably relies on information provided by Qantas which is false, misleading or incomplete. No amount has been paid under any of these indemnities during 2007/08 or to the date of this Report.

Qantas has insured against amounts which it may be liable to pay on behalf of Directors and Officers or which it otherwise agrees to pay by way of indemnity.

During the year, Qantas paid a premium for Directors' and Officers' liability insurance policies, which cover all Directors and Officers of the Qantas Group. Details of the nature of the liabilities covered, and the amount of the premium paid in respect of, the Directors' and Officers' insurance policies are not disclosed, as such disclosure is prohibited under the terms of the contracts.