

# Directors' Report

for the year ended 30 June 2009

The Directors of Qantas Airways Limited (Qantas) present their Report together with the Financial Statements of the consolidated entity, being Qantas and its controlled entities (Qantas Group), for the year ended 30 June 2009 and the Independent Audit Report thereon.

## DIRECTORS

The Directors of Qantas at any time during or since the end of the year are:

**Leigh Clifford, AO**

**Alan Joyce**

*(appointed 28 July 2008 and as Chief Executive Officer and Managing Director 28 November 2008)*

**Colin Storrie**

*(appointed 30 September 2008)*

**Geoff Dixon**

*(resigned 28 November 2008)*

**Peter Gregg**

*(resigned 30 September 2008)*

**Mike Codd, AC**

*(resigned 15 October 2008)*

**Peter Cosgrove, AC, MC**

**Patricia Cross**

**Richard Goodmanson**

**Garry Hounsell**

**Paul Rayner**

*(appointed 16 July 2008)*

**John Schubert**

**James Strong, AO**

**Barbara Ward**

Details of Directors, their qualifications, experience and any special responsibilities, including Qantas Committee Memberships, are set out on pages 50 to 51.

## PRINCIPAL ACTIVITIES

The principal activities of the Qantas Group during the course of the year were the operation of international and domestic air transportation services, the provision of time definite freight services, the operation of a Frequent Flyer loyalty program, the sale of international and domestic

holiday tours and associated support activities including flight training, catering, passenger and ground handling, and engineering and maintenance. There were no significant changes in the nature of the activities of the Qantas Group during the year.

## DIVIDENDS

No final dividend will be paid in relation to the year ended 30 June 2009 (2008: final dividend 17.0 cents per share). A fully franked interim dividend of \$117 million (6.0 cents per share) was paid during the year.

## REVIEW OF OPERATIONS AND STATE OF AFFAIRS

A review of, and information about, the Qantas Group's operations, including the results of those operations and changes in the state of affairs of the Qantas Group during the year together with information about the financial position of the Qantas Group, appear on pages 14 to 49. In the opinion of the Directors, there were no other significant changes in the state of affairs of the Qantas Group that occurred during the year under review.

## EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen since the end of the year and to the date of this Directors' Report, any other matter or circumstance that has significantly affected or may significantly affect the Qantas Group's operations, results of those operations or state of affairs in future years.

## LIKELY DEVELOPMENTS

Further information about the likely developments in the operations of the Qantas Group in future years and the expected results of those operations has been omitted from this Directors' Report because disclosure of the information is likely to result in unreasonable prejudice to the Qantas Group. Further information about the Qantas Group's business strategies and its prospects for future years has been omitted from this Directors' Report because disclosure of the information is likely to result in unreasonable prejudice to the Qantas Group.

## DIRECTORS' MEETINGS

The number of Directors' Meetings (including Meetings of Committees of Directors<sup>1</sup>) held during the year are as follows:

Directors	Qantas Board				Audit Committee		Safety, Environment & Security Committee		Remuneration Committee	
	Scheduled Meetings	Unscheduled Meetings	Attended	Held <sup>2</sup>	Attended	Held <sup>2</sup>	Attended	Held <sup>3</sup>	Attended	Held <sup>3</sup>
Leigh Clifford	7	7	4	4	5 <sup>4</sup>	5	2 <sup>4</sup>	3	8 <sup>4</sup>	8
Alan Joyce	7	7	2	3	5 <sup>4</sup>	5	2	2	7 <sup>4</sup>	7
Colin Storrie	5	5	3	3	4 <sup>4</sup>	4	–	–	–	–
Geoff Dixon	3	3	1	2	1 <sup>4</sup>	1	1	1	4 <sup>4</sup>	4
Peter Gregg	2	2	–	1	–	1	–	–	–	–
Mike Codd	2	3	1	1	1	1	1	1	–	–
Peter Cosgrove	7	7	4	4	–	–	3	3	–	–
Patricia Cross	7	7	4	4	5	5	–	–	8	8
Richard Goodmanson	6	7	4	4	1 <sup>4</sup>	5	–	–	7	8
Garry Hounsell	7	7	4	4	5	5	1 <sup>4</sup>	3	1 <sup>4</sup>	8
Paul Rayner	7	7	4	4	5	5	2	2	3 <sup>4</sup>	8
John Schubert	7	7	3	4	–	–	3 <sup>5</sup>	3	–	–
James Strong	7	7	4	4	–	–	–	–	8	8
Barbara Ward	7	7	3	4	–	–	3	3	–	–

1. The Nominations Committee was not required to convene separately during 2008/09 as all relevant business was considered during Board Meetings.

2. Number of Meetings held during the time that the Director held office during the year.

3. Number of Meetings held during the year that the Director held office and attended as a Committee Member or in an ex-officio capacity.

4. Attended Meetings in an ex-officio capacity.

5. Dr Schubert was appointed Chairman of the Safety, Environment & Security Committee on 15 October 2008 following the retirement of Mr Codd.

# Directors' Report

for the year ended 30 June 2009

## DIRECTORSHIPS OF LISTED COMPANIES HELD BY MEMBERS OF THE BOARD AS AT 30 JUNE 2009 – FOR THE PERIOD 1 JULY 2006 TO 30 JUNE 2009

### Leigh Clifford

Qantas Airways Limited	– current, appointed 9 August 2007
Barclays Bank plc	– current, appointed 1 October 2004
Rio Tinto Limited <sup>1</sup>	– ceased, appointed 21 December 1995 and ceased 30 April 2007
Rio Tinto plc	– ceased, appointed 18 May 1994 and ceased 30 April 2007

### Alan Joyce

Qantas Airways Limited	– current, appointed 28 July 2008
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### Colin Storrie

Qantas Airways Limited	– current, appointed 30 September 2008
Jetset Travelworld Ltd	– ceased, appointed 16 September 2008 and ceased 27 February 2009

### Peter Cosgrove

Qantas Airways Limited	– current, appointed 6 July 2005
Cardno Limited	– current, appointed 26 March 2007

### Patricia Cross

Qantas Airways Limited	– current, appointed 1 January 2004
National Australia Bank Limited	– current, appointed 1 December 2005
Wesfarmers Limited	– current, appointed 11 February 2003

### Richard Goodmanson

Qantas Airways Limited	– current, appointed 19 June 2008
Rio Tinto Limited	– current, appointed 1 December 2004
Rio Tinto plc	– current, appointed 1 December 2004

### Garry Hounsell

Qantas Airways Limited	– current, appointed 1 January 2005
Mitchell Communication Group Limited	– current, appointed 1 September 2006
Nufarm Limited	– current, appointed 1 October 2004
Orica Limited	– current, appointed 21 September 2004
PanAust Limited	– current, appointed 1 July 2008

### Paul Rayner

Qantas Airways Limited	– current, appointed 16 July 2008
Boral Limited	– current, appointed 5 September 2008
Centrica plc	– current, appointed 1 September 2004
British American Tobacco plc	– ceased, appointed 1 January 2002 and ceased 30 April 2008

### John Schubert

Qantas Airways Limited	– current, appointed 23 October 2000
BHP Billiton Limited	– current, appointed 1 June 2000
BHP Billiton plc <sup>2</sup>	– current, appointed 29 June 2001
Commonwealth Bank of Australia	– current, appointed 8 October 1991

### James Strong

Qantas Airways Limited	– current, appointed 1 July 2006
IAG Finance (New Zealand) Limited	– current, appointed 9 November 2004
Insurance Australia Group Limited	– current, appointed 10 August 2001
Woolworths Limited	– current, appointed 10 March 2000

### Barbara Ward

Qantas Airways Limited	– current, appointed 19 June 2008
Lion Nathan Limited	– current, appointed 21 February 2003
Allco Finance Group Limited	– ceased, appointed 27 April 2005 and ceased 25 January 2008
Commonwealth Bank of Australia	– ceased, appointed 14 September 1994 and ceased 3 November 2006
Brookfield Multiplex Limited	– ceased, appointed 22 October 2003 and ceased 31 October 2007

1. Mr Clifford was appointed to the board of The RTZ Corporation plc in May 1994. As a result of the merger between The RTZ Corporation plc and CRA Limited (Rio Tinto) in 1995, he was appointed to the board of Rio Tinto Limited.

2. Dr Schubert was appointed to the board of BHP Limited in June 2000. As a result of the merger between BHP Limited and Billiton plc in 2001, he was appointed to the board of BHP Billiton plc.

## Directors' Report

for the year ended 30 June 2009

### QUALIFICATIONS AND EXPERIENCE OF EACH PERSON WHO IS A COMPANY SECRETARY OF QANTAS

#### Cassandra Hamlin – Company Secretary, BCom, CA, FCIS

- joined Qantas in January 1996;
- appointed as a Secretary of Qantas in February 2006 and as Company Secretary in May 2007;
- 2001 to 2005 – Head of Qantas Investor Relations;
- 1996 to 2001 – various Qantas financial reporting roles, including Financial Reporting Manager;
- admitted as a Chartered Accountant with The Institute of Chartered Accountants in Australia in 1997;
- completed Chartered Secretaries Australia's Graduate Diploma in Applied Corporate Governance in 2007; and
- admitted as a Fellow of the Institute of Chartered Secretaries and Administrators (Australian Division) in 2007.

#### Taryn Morton – Assistant Company Secretary, BA LLB

- joined Qantas in August 2008 and appointed as Assistant Company Secretary in December 2008;
- 2007 to 2008 – Company Secretary at Babcock and Brown for Group Real Estate companies;
- 2000 to 2007 – various roles at Network Ten with legal and company secretariat responsibilities;
- 1997 to 2000 – various roles at Blake Dawson Waldron including Assistant Manager of Company Administration Services; and
- admitted as a solicitor in 2003 and undertaking Chartered Secretaries Australia's Graduate Diploma in Applied Corporate Governance.

### DIRECTORS' INTERESTS AND BENEFITS

Particulars of Directors' interests in the issued capital of Qantas at the date of this Report are as follows:

Directors	Shares	
	2009 Number	2008 Number
Leigh Clifford	51,622	45,000
Alan Joyce	138,255	131,633
Colin Storrie	1,245	n/a
Peter Cosgrove <sup>1</sup>	2,314	2,124
Patricia Cross	5,474	2,163
Richard Goodmanson	20,000	–
Garry Hounsell	43,449	33,811
Paul Rayner	21,622	15,000
John Schubert	41,375	34,753
James Strong	30,670	28,158
Barbara Ward	17,597	10,975

1. See page 66 for details of shares held by General Cosgrove under the Non-Executive Director Share Plan.

# Directors' Report

for the year ended 30 June 2009

In addition to the interests shown, indirect interests in Qantas shares held on behalf of General Cosgrove, Mr Joyce and Mr Storrie under the Qantas Deferred Share Plan (DSP) are as follows:

	2009 Number	2008 Number
<b>Peter Cosgrove</b>		
<b>Deferred shares held in trust under:</b>		
Non-Executive Director Share Plan <sup>1</sup>	7,692	2,475

1. General Cosgrove acquired these shares as part of salary sacrificing part of his Directors fees.

## Alan Joyce

### Deferred shares held in trust under:

2004 Performance Share Plan	30,000	30,000
Alan Joyce Award (2005)	25,000	25,000
2005 Performance Share Plan	35,000	35,000
2006 Performance Share Plan	34,000	34,000
2006 Retention Plan	350,000	350,000
2007 Performance Share Plan	23,500	23,500
2007 Retention Plan	400,000	400,000
2008 Performance Share Plan	100,000	100,000
2009 Performance Share Plan	173,363 <sup>1</sup>	–
	<b>1,170,863</b>	<b>997,500</b>

### Rights granted under:

2004/05 Performance Rights Plan	– <sup>2</sup>	7,000
2005 Performance Rights Plan	13,750 <sup>3</sup>	13,750
2006 Performance Rights Plan	55,000 <sup>4</sup>	55,000
2007 Performance Rights Plan	65,000	65,000
2008 Performance Rights Plan	250,000 <sup>5</sup>	–
	<b>383,750</b>	<b>140,750</b>

1. The Board approved this award on 18 August 2009 and it was awarded on 19 August 2009.

2. These Rights were forfeited on 5 August 2009.

3. Mr Joyce can call for 6,350 of these Rights to be converted to Qantas shares. To the extent performance hurdles are achieved upon testing over the next year, the remaining balance may be called for.

4. Mr Joyce can call for 45,485 of these Rights to be converted to Qantas shares. To the extent performance hurdles are achieved upon testing over the next two years, the remaining balance may be called for.

5. Shareholders approved this award on 28 November 2008 and the Rights were awarded on 4 May 2009.

## Colin Storrie

### Deferred shares held in trust under:

2006 Performance Share Plan	14,268	n/a
2006 Retention Plan	200,000	n/a
2007 Performance Share Plan	18,500	n/a
2007 Retention Plan	350,000	n/a
2008 Performance Share Plan	52,000	n/a
2009 Performance Share Plan	54,270 <sup>1</sup>	n/a
	<b>689,038</b>	<b>n/a</b>

### Rights granted under:

2005 Performance Rights Plan	17,000 <sup>2</sup>	n/a
2006 Performance Rights Plan	35,000 <sup>3</sup>	n/a
2007 Performance Rights Plan	44,000	n/a
2008 Performance Rights Plan	90,000 <sup>4</sup>	n/a
	<b>186,000</b>	<b>n/a</b>

1. The Board approved this award on 18 August 2009 and it was awarded on 19 August 2009.

2. Mr Storrie can call for 14,484 of these Rights to be converted to Qantas shares. To the extent performance hurdles are achieved upon testing over the next year, the remaining balance may be called for.

3. Mr Storrie can call for 28,945 of these Rights to be converted to Qantas shares. To the extent performance hurdles are achieved upon testing over the next two years, the remaining balance may be called for.

4. Shareholders approved this award on 28 November 2008 and the Rights were awarded on 4 May 2009.

## Directors' Report

for the year ended 30 June 2009

### RIGHTS

Performance Rights are awarded to select Qantas Group Executives under the Qantas DSP. Refer to pages 71 and 72 for further details.

The following table outlines the movements in Rights during the year:

	2009 Number	2008 Number
<b>Performance Rights Reconciliation</b>		
Rights outstanding as at 1 July	<b>6,121,033</b>	5,038,800
Rights granted	<b>3,117,000</b>	2,545,000
Rights lapsed	<b>(1,301,362)</b>	(288,276)
Rights vested	<b>(1,020,579)</b>	(1,174,491)
Rights outstanding as at 30 June	<b>6,916,092</b>	6,121,033

No Rights expired during the year. Rights will be converted to Qantas shares following the 10th anniversary of the date of the award to the extent performance hurdles have been achieved. The Rights do not allow the holder to participate in any share issue of Qantas. No dividends are payable on Rights. The fair value of Rights granted is calculated at the date of grant using a Monte-Carlo model and/or Black Scholes model.

The following Rights were outstanding at 30 June 2009:

Testing Period	Grant Date	Value at Grant Date	Number of Rights					
			2009 Net Vested	2009 Unvested	2009 Total	2008 Net Vested	2008 Unvested	2008 Total
30 Jun 07 – 30 Jun 09 <sup>1</sup>	18 Aug 04	\$2.25	–	31,000	31,000	–	51,000	51,000
30 Jun 07 – 30 Jun 09 <sup>1</sup>	21 Oct 04	\$2.28	–	90,000	90,000	–	108,000	108,000
30 Jun 07 – 30 Jun 09 <sup>1</sup>	13 Jan 05	\$2.47	27,535	120,400	147,935	102,033	147,700	249,733
30 Jun 07 – 30 Jun 09 <sup>1</sup>	20 Jun 05	\$1.88	–	1,000	1,000	–	1,000	1,000
30 Jun 08 – 30 Jun 10 <sup>2</sup>	17 Aug 05	\$1.98	6,350	26,640	32,990	–	395,000	395,000
30 Jun 08 – 30 Jun 10 <sup>2</sup>	22 Nov 05	\$2.67	137,383	105,820	243,203	–	883,000	883,000
30 Jun 08 – 30 Jun 10 <sup>2</sup>	28 Mar 06	\$2.28	–	2,664	2,664	–	18,000	18,000
30 Jun 09 – 30 Jun 11 <sup>3</sup>	22 Aug 06	\$2.39	–	190,000	190,000	–	345,000	345,000
30 Jun 09 – 30 Jun 11 <sup>3</sup>	4 Oct 06	\$2.95	–	914,300	914,300	–	1,125,300	1,125,300
30 Jun 09 – 30 Jun 11 <sup>3</sup>	19 Oct 06	\$3.17	–	275,000	275,000	–	400,000	400,000
30 Jun 10 – 30 Jun 12 <sup>4</sup>	12 Dec 07	\$4.42	–	527,000	527,000	–	905,000	905,000
30 Jun 10 – 30 Jun 12 <sup>4</sup>	31 Mar 08	\$2.75	–	1,344,000	1,344,000	–	1,640,000	1,640,000
30 Jun 11 <sup>5</sup>	4 May 09	\$1.64	–	3,117,000	3,117,000	–	–	–
			<b>171,268</b>	<b>6,744,824</b>	<b>6,916,092</b>	102,033	6,019,000	6,121,033

1. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which commenced 30 June 2007.

2. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which commenced 30 June 2008.

3. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which commenced 30 June 2009.

4. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which is to commence 30 June 2010.

5. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing, which is to commence 30 June 2011.

# Directors' Report

for the year ended 30 June 2009

## Remuneration Report (Audited)

The Remuneration Report sets out the Executive Remuneration Framework at Qantas and discloses the remuneration of Directors and Disclosed Executives (includes Key Management Personnel and Highest Remunerated Executives).

### EXECUTIVE REMUNERATION PHILOSOPHY AND OBJECTIVES

Executive pay is set competitively, based on the size and nature of the role (with reference to market benchmarks) and the performance of the individual in the role. The objectives of the Executive Remuneration Philosophy are to:

- attract, retain and appropriately reward a capable Executive team;
- motivate the Executive team to meet the unique challenges it faces as a major international airline based in Australia; and
- link pay to performance.

Remuneration includes an 'at risk' element for which the objectives are to:

- link Executive reward with Qantas' business objectives and financial performance;
- align the interests of Executives with shareholders; and
- support a culture of employee share ownership and the retention of participating Executives.

### ROLE OF THE REMUNERATION COMMITTEE

The Remuneration Committee (a committee of the Board) has the role of reviewing and making recommendations on all elements of Executive Remuneration at Qantas to ensure they are appropriate from the perspectives of governance, disclosure, reward levels and market conditions.

The Remuneration Framework comprises:

#### Fixed Annual Remuneration (FAR)

Set based on the scope of the role and performance of the individual.

#### Short Term Incentive Plan (STIP)

Performance assessed against a scorecard of measures:

- Profit before tax (PBT);
- Unit cost;
- Non-financial measures.

#### Long Term Incentive Plan (LTIP)

Performance Rights are awarded, with vesting determined by performance against three year financial targets:

- Total Shareholder Return (TSR) vs S&P/ASX100 index;
- Earnings Per Share (EPS) performance.

### TARGET MIX OF REWARD COMPONENTS

The proportion of remuneration attributable to 'fixed' pay and 'at risk' pay (STIP and LTIP) is dependent on the level of responsibility of the Executive. The target reward mix is:

	% of Total Reward Opportunity ('at target')		
	FAR	STIP	LTIP
Chief Executive Officer	35%	45%	20%
Chief Financial Officer	45%	40%	15%
Group Executives	50%	35%	15%
Other Executives	60 – 85%	15 – 30%	0 – 10%

In fulfilling its role, the Remuneration Committee is specifically concerned with ensuring that its approach will:

- motivate the CEO, CFO and Executive Management to pursue the long-term growth and success of Qantas;
- demonstrate a clear relationship between performance and remuneration;
- ensure an appropriate balance between 'fixed' and 'at risk' remuneration, reflecting the short and long-term performance objectives of Qantas; and
- differentiate between higher and lower performers through the use of a performance management framework.

The Remuneration Committee considers advice from a range of independent external advisors in performing its role. The principal advisors referred to are PricewaterhouseCoopers, Ernst & Young and the Hay Group.

### THE REMUNERATION FRAMEWORK

During 2009, the Remuneration Committee performed an extensive review of the Remuneration Framework. In June 2009, the Remuneration Committee recommended and the Board approved a change to the framework. A new annual incentive, the Short Term Incentive Plan (STIP), is being introduced for the 2009/10 performance year. The STIP replaces the Performance Cash Plan (PCP) and the Performance Share Plan (PSP) which operated in 2008/09 and have been discontinued from 30 June 2009. The operation of the PCP and PSP are detailed on pages 72 and 73.

The Long Term Incentive Plan (LTIP) was previously referred to as the Performance Rights Plan.

## Directors' Report

for the year ended 30 June 2009

### Remuneration Report (Audited) continued

#### FIXED ANNUAL REMUNERATION

##### Executives

FAR is a guaranteed salary level. Cash FAR, as disclosed in the remuneration tables, excludes salary sacrifice components such as motor vehicles and superannuation.

FAR is set with reference to market data, reflecting the scope 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.

With the exception of increases linked to promotions and changes in roles, there has been a general freeze in Executive FAR since May 2008.

##### 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 Director's fees, Committee fees and superannuation. In addition to FAR, Non-Executive Directors are paid a travel allowance when travelling on international flights of greater than six hours to attend Board and Committee Meetings.

Non-Executive Directors' remuneration reflects the responsibilities of Non-Executive Directors and is determined based on the advice of independent remuneration consultants.

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

The Non-Executive Director fee structure (including superannuation) is disclosed in the table below and has not been revised since 2007:

	Board		Committees <sup>1</sup>	
	Chairman <sup>2</sup>	Member	Chairman	Member
Annual fees	\$544,000	\$136,000	\$54,400	\$27,200

1. Committees include the Audit Committee, Remuneration Committee, Nominations Committee and Safety, Environment & Security Committee.

2. The Chairman does not receive any additional fees for serving on, or chairing, any Board Committee.

#### SHORT TERM INCENTIVE PLAN

The STIP was introduced on 1 July 2009 for the 2009/10 performance year and replaces both the PCP and PSP. It was approved by the Board at its June 2009 Meeting following an extensive review of the Remuneration Framework, which takes into consideration the views of key stakeholders on the structure and operation of the incentive plans at Qantas.

A key principle of the STIP is that performance is assessed against an appropriate balance of Group and business segment measures and both financial and non-financial measures. Accordingly, the performance scorecard for corporate roles is based on Qantas Group financial and non-financial measures. The performance scorecard for business segment roles is based on a mix of both Qantas Group measures and tailored business segment measures. This is a key change from prior years where the performance hurdles under the PCP and PSP focussed on Group measures. The change was introduced to promote greater accountability for business segment results.

A minimum of one third of any award under this plan will be deferred into Qantas shares with a two year vesting period.

The following table outlines the operation of the STIP:

Year 0	Year 1	Year 2	Year 3
<ul style="list-style-type: none"><li>Group and Segment Scorecard targets set by the Board.</li><li>Set for each Executive:<ul style="list-style-type: none"><li>'at target' reward; and</li><li>individual Performance Plans (including KPIs).</li></ul></li></ul>	<ul style="list-style-type: none"><li>At the conclusion of the year, the Board assesses performance against Group and Segment Scorecard targets.</li><li>Individual performance reviews completed.</li><li>STIP reward determined, with:<ul style="list-style-type: none"><li>between one third and 100 per cent of any reward deferred into Qantas shares; and</li><li>the remaining reward payable immediately in cash.</li></ul></li></ul>	<ul style="list-style-type: none"><li>Shares are subject to a two year vesting period.</li><li>If an Executive terminates employment in years 2 or 3 and is a Good Leaver (e.g. retirement, redundancy, death or total and permanent disablement), then shares are released, otherwise shares are forfeited on termination.</li></ul>	<ul style="list-style-type: none"><li>Any Shares awarded at the end of year 1 vest at the end of year 3.</li><li>Shares may then be sold, subject to compliance with the employee Share Trading Policy.</li></ul>

# Directors' Report

for the year ended 30 June 2009

## Remuneration Report (Audited) continued

The make-up of the scorecard performance measures is summarised below:

Scorecard Measure	CEO	Group Executives	Other Corporate Executives	Other Segment Executives
Group Profit Before Tax (PBT)	65%	65%	65%	0% to 35%
Segment Profit Measure	0%	0%	0%	30% to 65%
Other Group Measures (financial and non-financial)	35%	0% to 35%	35%	0%
Other Segment Measures (financial and non-financial)	0%	0% to 35%	0%	35%
Total	100%	100%	100%	100%

PBT is the key budgetary and financial performance measure used both at Qantas Group and business segment level and PBT performance will determine 65 per cent of the scorecard result. To support the overall Group strategic agenda, Group PBT has been selected as the primary performance measure in the scorecard for the CEO, all Group Executives (senior reports to the CEO) and all corporate Executives. Executives in business segments (below Group Executive) have exposure to their segment's financial performance, with the performance assessed against either a combination of Group and business segment PBT, or entirely business segment PBT for more junior roles. For 2009/10, the PBT target is adjusted for restructuring charges, the impact of approved accounting policy changes and adjustments for volatility from the mark-to-market of open hedge instruments under Accounting Standard AASB 139 Financial Instruments: Recognition and Measurement.

Other performance measures are selected to support the strategic agenda of Qantas, either at a Group or business segment level, and these comprise 35 per cent of the overall scorecard.

In addition to the PBT measure, each Executive's scorecard also includes a measure related to cost or revenue performance.

Other scorecard measures vary by business segment. A threshold, target and maximum level of performance is set each year for each scorecard measure.

Examples of scorecard measures include:

<b>Customer Service</b>	Qantas performance in Skytrax World Airline Awards. Skytrax is a global, independent passenger survey of airline standards. In the 2009 survey, Qantas ranked sixth overall out of the 203 airlines rated by Skytrax.
<b>Operational/Punctuality</b>	Punctuality is measured against on-time departures and arrivals targets. For Qantas Airlines and Jetstar Executives, the measure relevant to their business unit is used. For corporate Executives a combined figure is used.
<b>People/Safety</b>	The objective of the People/Safety target is to reduce Lost Time Injury and Serious Injury rates of our employees. The targets at a Group level involve improving the Lost Time Injury Frequency Rate by 24 per cent on the 2008/09 result and improving the Serious Injury Frequency Rate by 19 per cent.
<b>Unit Cost Improvement</b>	Unit cost remains an area of focus across the business and, as a result, scorecards include a unit cost improvement performance measure. The target is set based on the annual financial budget. For Qantas Airlines, unit cost performance is calculated as Net Expenditure divided by Group Available Seat Kilometres (ASKs). To ensure the measure focuses on the underlying operating activities and efficiencies, the measure excludes the impact of fuel price changes and restructuring charges.

## Remuneration Report (Audited) continued

The targets for all scorecard measures are set annually. Specific annual PBT and unit cost targets are not disclosed publicly for reasons of commercial sensitivity, however these targets are based on the financial budget set each year by the Board.

At the conclusion of the year, the Board assesses performance against target for each scorecard measure. For each Executive, reward under the STIP is calculated as follows:

<b>FAR</b> multiplied by	The individual Executive's FAR.
<b>'at target' Opportunity</b> multiplied by	An individual's target reward under the STIP, expressed as a percentage of FAR. 'At target' reward is set according to the Executive's level of responsibility and with reference to market data (S&P/ASX50 and S&P/ASX200 Indices).
<b>Scorecard Result</b> multiplied by	Performance against the scorecard of financial and non-financial measures (expressed as a percentage) that applies to that Executive.
<b>Individual Performance Factor (IPF)</b>	Differentiation of incentive payments among Executives based on individual performance is an important part of the approach to performance management at Qantas. At the beginning of each year, KPIs for individual Executives are set in the areas of customer service, operational performance, people achievements and financial performance. At the end of the year, performance against KPIs is assessed and each Executive is assigned an IPF based on their performance. Across all participants, IPFs average to 1.0.

Subject to the Qantas Group achieving a profit threshold determined by the Board, two thirds of the STIP reward is paid in cash, with the remaining one third deferred into Qantas shares with a two year vesting period. If the Qantas Group does not achieve the Group profit threshold then no cash bonus will be paid, however some deferred award may still be possible based on other scorecard measures.

### LONG TERM INCENTIVE PLAN

The LTIP (previously referred to as the Performance Rights Plan (PRP)) involves annual grants of Performance Rights to participants, which may, subject to achievement against the three year performance hurdles, be converted to Qantas shares. Any Performance Rights for which the performance hurdles have not been met will lapse. The LTIP seeks to align the interests of participating Executives with the longer term interests of shareholders.

Each year, the Board sets the performance hurdles for the LTIP awards. The performance hurdles for the past five years' awards are outlined in the table below:

Performance Hurdle	Proportion of LTIP Awards subject to each Performance Hurdle				
	2004/05	2005/06	2006/07	2007/08	2008/09
EPS growth				50%	50%
Relative TSR vs S&P/ASX100	50%	50%	50%	50%	50%
Relative TSR vs Airlines	50%	50%	50%		

By implementing a dual TSR/EPS performance hurdle, as Qantas has done since 2007/08, the LTIP links reward to:

- achieving superior shareholder returns relative to other major Australian companies; and
- achieving long-term earnings per share targets.

### Earnings Per Share (EPS) Performance Hurdle

The performance hurdle for one half of the 2007/08 and one half of the 2008/09 LTIP award is an EPS target, expressed as a compound annual growth rate (CAGR). The vesting scale is outlined below:

EPS Performance vs Target	EPS CAGR		Satisfaction of the Performance Hurdle
	2007/08 Award	2008/09 Award	
EPS threshold	Below 9.5%	Below 6.0%	Nil
EPS result between threshold and target	9.5% to 12.4%	6.0% to 12.4%	Linear scale: 50% to 99%
EPS result at or above stretch target	12.5% or above	12.5% or above	100%

The EPS performance hurdle for the 2009/10 Rights award will be disclosed in the 2010 Qantas Annual Report.

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.

# Directors' Report

for the year ended 30 June 2009

## Remuneration Report (Audited) continued

### Relative Total Shareholder Return (TSR) Performance Hurdle

The TSR performance of Qantas is compared to the TSR performance of the comparator group, using the following vesting scale:

Qantas TSR Performance Compared to the Relevant Peer Group	Satisfaction of the Performance Hurdle
0 to 49th percentile	Nil
50th to 74th percentile	Linear scale: 50% to 99%
75th to 100th percentile	100%

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

The S&P/ASX100 peer group represents companies with ordinary shares included in the S&P/ASX100 Index on the date the performance period commences for each grant. The Airlines peer group comprised a basket of global listed airlines: Air France-KLM, Air New Zealand, AMR Corporation (American Airlines), British Airways, Cathay Pacific, Delta Airlines (for the 2004/05 and 2005/06 awards), Japan Airlines, Lufthansa, Ryanair, Singapore Airlines, Southwest Airlines and Virgin Blue.

The 2008/09 award is subject to a single test (with no retesting) at the conclusion of the third year.

For the 2004/05, 2005/06, 2006/07 and 2007/08 Rights awards, a quarterly or six-monthly test occurs during the period between three and five years from the date of the award.

### Treatment of Rights on Termination

Any Rights which have not vested will lapse if the relevant Executive ceases employment with the Qantas Group, except in limited special circumstances provided under the DSP Terms & Conditions (such as retirement, death or total and permanent disablement). Rights will also lapse if the Executive is guilty of gross misconduct.

The grant date and number of Rights awarded to Key Management Personnel is outlined on page 80 and pages 134 and 135.

### OTHER BENEFITS

#### 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 and travel entitlements.

#### Superannuation

Superannuation includes statutory, salary sacrifice or defined benefit superannuation contributions made on behalf of Executives.

#### Travel

Travel concessions are provided to 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, Directors and a small number of Senior Executives and their specified direct family members or parties are entitled to a number of trips for personal purposes at no cost to the individual. Eligibility for new participants is generally restricted to members of the Qantas Executive Committee.

### Post-employment Travel

Post-employment travel concessions are also available to all permanent Qantas employees who qualify through retirement or redundancy.

Post employment, 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. An estimated present value of these entitlements is accrued over the service period of the individual.

### 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. Any termination payment will be subject to the relevant law concerning caps on termination payments to Executives.

### Statutory Annual Leave

Executives are assumed to take the annual leave benefit as it accrues. Any leave not taken will be paid out on termination and disclosed as statutory annual leave.

### Other Long-term Benefits

Other long-term benefits include the accrual of long service leave for Executives and other benefits which are long-term in nature.

### DISCONTINUED PLANS

#### PERFORMANCE CASH PLAN – DISCONTINUED AT 30 JUNE 2009

The PCP was the annual cash incentive paid to Executives when the Qantas Group's earnings exceeded the target set by the Board. The PCP has been discontinued with the introduction of the STIP for 2009/10.

For 2008/09, the financial target was profit before tax (PBT) adjusted for restructuring charges, the impact of approved accounting policy changes and adjustments for volatility from the mark-to-market of open hedge instruments under Accounting Standard AASB 139 Financial Instruments: Recognition and Measurement.

A single group PBT target applied to all Executives. This was selected as PBT is a key budgetary and financial performance measure used both at Qantas Group and business segment level. The target has been set annually as part of the budgeting process and approved by the Board. At the conclusion of each year, the PBT result was provided to the Board, with the Board approving the size of the payment pool based on these results.

The PBT target was not achieved in 2008/09 and no Executive in the Qantas Group received a cash bonus under the PCP.

**Remuneration Report (Audited) continued**

In years where a cash bonus was paid, payments for each Executive were calculated as follows:

<b>FAR</b> multiplied by	The individual Executive's FAR.
<b>'at target' Opportunity</b> multiplied by	An individual's target reward under the PCP, expressed as a percentage of FAR and varies according to the Executive's level of responsibility.
<b>Company Factor</b>  multiplied by	The Board assessed the audited Qantas Group PBT result against the target and determines the company factor (expressed as a percentage). A company factor of 100 per cent results when the target PBT is achieved. A company factor of 50 per cent result when a threshold PBT result (being 75 per cent of target) is achieved.
<b>Individual Performance Factor (IPF)</b>	At the end of the year, each Executives performance against KPIs is assessed and each Executive is assigned an IPF. Across all participants, IPF's average to 1.0.

**PERFORMANCE SHARE PLAN – DISCONTINUED AT 30 JUNE 2009**

The PSP was the medium-term deferred share incentive plan, which operated as follows:

- at the start of Year 1, the Qantas Board set performance targets for each Balanced Scorecard measure (refer below);
- at the conclusion of Year 1, the Board assessed performance against each target and awarded deferred shares to Executives if targets were achieved;
- any deferred shares awarded are subject to a vesting period which expires at the end of Year 2 in relation to one half of the shares and the end of Year 3 in relation to the other half of the shares;
- any dividends paid on the deferred shares during the vesting period are distributed to the relevant Executive; and
- generally, any unvested deferred shares would be forfeited if the relevant Executive ceases employment with the Qantas Group.

The grant date and number of deferred shares awarded to Key Management Personnel are outlined on pages 132 and 133.

**PSP Balanced Scorecard**

Category	Performance Measure	Weighting	2008/09 Performance
<b>Customer Service</b>	Qantas performance in Skytrax World Airline Awards. Skytrax is a global, independent passenger survey of airline standards. In the 2009 survey, Qantas ranked sixth overall out of the 203 airlines rated by Skytrax.	25%	Achieved
<b>Operational Punctuality</b>	Punctuality is measured against a Qantas Group on-time arrivals target (incorporating Qantas International, Qantas Domestic, QantasLink and Jetstar punctuality performance).	25%	Partial achievement
<b>People/Safety</b>	The objective of the People/Safety target is to reduce Lost Time Injury and Serious Injury rates of our employees. The 2008/09 targets were a Lost Time Injury Frequency Rate of 4.0 (a 22% improvement on 2007/08) and a Serious Injury Frequency Rate of 10.6 (a 17% improvement on 2007/08).	25%	Partial achievement
<b>Financial</b>	Financial performance is a unit cost reduction target. Unit cost performance is calculated as Net Expenditure divided by Group Available Seat Kilometres (ASKs) – the measure focuses on improving underlying operating activities and efficiencies.	25%	Missed
Balanced Scorecard Company Factor			60%

Awards under the PSP have been calculated using the same methods outlined for the PCP. The value of an individual Executive's award under the PSP is calculated as follows:

- FAR multiplied by 'at target' PSP opportunity multiplied by Balanced Scorecard Company Factor multiplied by IPF.

**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. No Director or Disclosed Executive has an entitlement to an end of service payment.

Until 2004, senior Executives were appointed on fixed-term contracts of up to five years. 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.

# Directors' Report

for the year ended 30 June 2009

## Remuneration Report (Audited) continued

### REMUNERATION OF DIRECTORS AND DISCLOSED EXECUTIVES FOR THE YEAR ENDED 30 JUNE 2009

Set out in the following tables are the remuneration for the Key Management Personnel and Highest Remunerated Executives during the year ended 30 June 2009. Further details on other transactions with Key Management Personnel are set out in Note 31 to the Financial Statements.

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

DIRECTORS \$	Year	Short-Term Employee Benefits			Post-Employment Benefits								
		Cash FAR	Incentives Cash	Non-Cash Benefits	Superannuation	Travel	Long-Term Benefits	Share-based Payment <sup>1</sup>	Statutory Annual Leave	Termination Benefits	Total		
<b>DIRECTORS – CONTINUING</b>													
<b>Leigh Clifford<sup>2</sup></b>	<b>2009</b>	<b>444,000</b>	–	<b>47,507</b>	<b>491,507</b>	<b>100,000</b>	<b>21,000</b>	<b>121,000</b>	–	–	–	<b>612,507</b>	
Chairman	2008	288,256	–	6,191	294,447	100,000	17,500	117,500	–	–	–	411,947	
<b>Peter Cosgrove<sup>3,4</sup></b>	<b>2009</b>	<b>167,135</b>	–	<b>37,042</b>	<b>204,177</b>	<b>13,745</b>	<b>9,975</b>	<b>23,720</b>	–	–	–	<b>227,897</b>	
Non-Executive Director	2008	172,991	–	57,272	230,263	13,129	8,245	21,374	–	–	–	251,637	
<b>Patricia Cross</b>	<b>2009</b>	<b>160,091</b>	–	<b>65,955</b>	<b>226,046</b>	<b>30,309</b>	<b>9,975</b>	<b>40,284</b>	–	–	–	<b>266,330</b>	
Non-Executive Director	2008	176,072	–	61,042	237,114	13,129	8,245	21,374	–	–	–	258,488	
<b>Richard Goodmanson</b>	<b>2009</b>	<b>213,101</b>	–	<b>800</b>	<b>213,901</b>	–	<b>9,975</b>	<b>9,975</b>	–	–	–	<b>223,876</b>	
Non-Executive Director	2008	4,317	–	–	4,317	–	8,245	8,245	–	–	–	12,562	
<b>Garry Hounsell<sup>5</sup></b>	<b>2009</b>	<b>258,255</b>	–	<b>34,854</b>	<b>293,109</b>	<b>13,745</b>	<b>9,975</b>	<b>23,720</b>	–	–	–	<b>316,829</b>	
Non-Executive Director	2008	214,471	–	60,213	274,684	13,129	8,245	21,374	–	–	–	296,058	
<b>Paul Rayner</b>	<b>2009</b>	<b>159,869</b>	–	<b>46,515</b>	<b>206,384</b>	<b>13,172</b>	<b>9,975</b>	<b>23,147</b>	–	–	–	<b>229,531</b>	
Non-Executive Director (16 Jul 08 to 30 Jun 09)	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
<b>John Schubert</b>	<b>2009</b>	<b>196,069</b>	–	<b>15,133</b>	<b>211,202</b>	<b>13,745</b>	<b>9,975</b>	<b>23,720</b>	–	–	–	<b>234,922</b>	
Non-Executive Director	2008	187,271	–	6,412	193,683	13,129	8,245	21,374	–	–	–	215,057	
<b>James Strong</b>	<b>2009</b>	<b>176,655</b>	–	<b>17,156</b>	<b>193,811</b>	<b>13,745</b>	<b>9,975</b>	<b>23,720</b>	–	–	–	<b>217,531</b>	
Non-Executive Director	2008	187,271	–	33,580	220,851	13,129	8,245	21,374	–	–	–	242,225	
<b>Barbara Ward<sup>6</sup></b>	<b>2009</b>	<b>182,481</b>	–	<b>16,059</b>	<b>198,540</b>	<b>13,745</b>	<b>9,975</b>	<b>23,720</b>	–	–	–	<b>222,260</b>	
Non-Executive Director	2008	15,905	–	–	15,905	881	8,245	9,126	–	–	–	25,031	
<b>Alan Joyce<sup>7</sup></b>	<b>2009</b>	<b>1,715,049</b>	–	<b>110,404</b>	<b>1,825,453</b>	<b>36,250</b>	<b>21,000</b>	<b>57,250</b>	<b>528,767</b>	<b>1,252,893</b>	–	<b>3,664,363</b>	
Chief Executive Officer	2008	1,092,614	1,207,000	95,800	2,395,414	13,129	17,500	30,629	352,247	2,320,911	–	5,099,201	
<b>Colin Storie</b>	<b>2009</b>	<b>742,398</b>	–	<b>110,175</b>	<b>852,573</b>	<b>34,877</b>	<b>21,000</b>	<b>55,877</b>	<b>125,242</b>	<b>575,494</b>	–	<b>1,609,186</b>	
Chief Financial Officer (30 Sep 08 to 30 Jun 09)	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
<b>Total – Directors continuing at 30 June</b>	<b>2009</b>	<b>4,415,103</b>	–	<b>501,600</b>	<b>4,916,703</b>	<b>283,333</b>	<b>142,800</b>	<b>426,133</b>	<b>654,009</b>	<b>1,828,387</b>	–	<b>7,825,232</b>	
	2008	2,339,168	1,207,000	320,510	3,866,678	179,655	92,715	272,370	352,247	2,320,911	–	6,812,206	
<b>DIRECTORS – NOT CONTINUING</b>													
<b>Geoff Dixon<sup>8</sup></b>	<b>2009</b>	<b>1,864,304</b>	–	<b>196,816</b>	<b>2,061,120</b>	<b>6,872</b>	<b>43,000</b>	<b>49,872</b>	<b>3,037,280</b>	<b>3,172,182</b>	<b>1,726,372</b>	<b>657,500</b>	<b>10,704,326</b>
Chief Executive Officer (1 Jul 08 to 31 Mar 09)	2008	2,308,955	3,010,286	218,412	5,537,653	77,775	36,000	113,775	132,915	6,387,263	–	–	12,171,606
<b>Peter Gregg</b>	<b>2009</b>	<b>696,219</b>	–	<b>69,832</b>	<b>766,051</b>	<b>18,000</b>	<b>43,000</b>	<b>61,000</b>	<b>19,158</b>	<b>1,668,625</b>	<b>604,582</b>	<b>1,763,499</b>	<b>4,882,915</b>
Chief Financial Officer & EGM Strategy (1 Jul 08 to 31 Dec 08)	2008	1,329,534	1,485,714	242,180	3,057,428	36,000	36,000	72,000	71,188	2,979,758	–	–	6,180,374
<b>Mike Codd</b>	<b>2009</b>	–	–	<b>24,468</b>	<b>24,468</b>	<b>63,072</b>	<b>9,975</b>	<b>73,047</b>	–	–	–	–	<b>97,515</b>
Non-Executive Director (1 Jul 08 to 15 Oct 08)	2008	173,200	–	3,328	176,528	54,400	8,245	62,645	–	–	–	–	239,173
<b>Total – Directors not continuing at 30 June</b>	<b>2009</b>	<b>2,560,523</b>	–	<b>291,116</b>	<b>2,851,639</b>	<b>87,944</b>	<b>95,975</b>	<b>183,919</b>	<b>3,056,438</b>	<b>4,840,807</b>	<b>2,330,954</b>	<b>2,420,999</b>	<b>15,684,756</b>
	2008	3,811,689	4,496,000	463,920	8,771,609	168,175	80,245	248,420	204,103	9,367,021	–	–	18,591,153
<b>Total – Directors at 30 June</b>	<b>2009</b>	<b>6,975,626</b>	–	<b>792,716</b>	<b>7,768,342</b>	<b>371,277</b>	<b>238,775</b>	<b>610,052</b>	<b>3,710,447</b>	<b>6,669,194</b>	<b>2,330,954</b>	<b>2,420,999</b>	<b>23,509,988</b>
	2008	6,150,857	5,703,000	784,430	12,638,287	347,830	172,960	520,790	556,350	11,687,932	–	–	25,403,359

1. A breakdown of Share-based Payment is provided on page 76.

2. Mr Clifford's 2008 remuneration reflects his appointment as a Non-Executive Director on 9 August 2007 and as Chairman on 14 November 2007.

3. The Employee Share Ownership Plan allows Non-Executive Directors to purchase shares at no discount to market price on a salary sacrifice basis, and operates under the DSP Terms & Conditions. General Cosgrove participated in this plan from July 2007 to June 2009. The value of shares are included above as a non-cash benefit.

4. General Cosgrove received payments for services rendered as a Director of Qantas Superannuation Limited.

5. Mr Hounsell received a payment for services rendered as Chairman of the Qantas Frequent Flyer Due Diligence Committee.

6. Ms Ward received payments for services as a Director on a number of Qantas subsidiary leasing companies, for the period 1 July 2007 to 26 February 2009.

7. Mr Joyce commenced as a Qantas Director on 28 July 2008. Remuneration prior to 28 July 2008 were earned as Key Management Personnel.

8. A superannuation contribution was made on Mr Dixon's behalf in August 2006 under his employment agreement. As a result of retrospective changes to superannuation law, effective in February 2007, Mr Dixon was significantly disadvantaged, and the net benefit of this contribution was materially reduced. A payment of \$3 million (from which tax has been deducted) was made to Mr Dixon in 2008/09 in partial compensation for the effect of this.

**Directors' Report**  
for the year ended 30 June 2009

**Remuneration Report (Audited) continued**

KEY MANAGEMENT AND HIGHEST REMUNERATED EXECUTIVES \$	Year	Short-Term Employee Benefits				Post-Employment Benefits										
		Cash FAR	Incentives Cash	Cash Benefits	Non-Cash Benefits	Total	Superannuation	Travel	Total	Long-Term Benefits	Other	Share-based Payment <sup>1</sup>	Annual leave	Statutory	Termination Benefits	Total
<b>EXECUTIVES – CONTINUING</b>																
<b>Bruce Buchanan</b>	<b>2009</b>	<b>589,691</b>	–	<b>16,017</b>	<b>605,708</b>	<b>10,309</b>	<b>21,000</b>	<b>31,309</b>	<b>65,835</b>	<b>70,529</b>	–	–	<b>773,381</b>			
CEO Jetstar <i>(1 Oct 08 to 30 Jun 09)</i>	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
<b>Rob Gurney<sup>2</sup></b>	<b>2009</b>	<b>74,596</b>	–	<b>21,356</b>	<b>95,952</b>	<b>9,492</b>	<b>21,000</b>	<b>30,492</b>	<b>2,085</b>	<b>21,511</b>	–	–	<b>150,040</b>			
Group Executive Qantas Airlines Commercial <i>(5 May 09 to 30 Jun 09)</i>	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
<b>Simon Hickey</b>	<b>2009</b>	<b>506,209</b>	–	<b>75,746</b>	<b>581,955</b>	<b>37,500</b>	<b>21,000</b>	<b>58,500</b>	<b>30,000</b>	<b>448,544</b>	–	–	<b>1,118,999</b>			
CEO Qantas Loyalty <i>(1 Oct 08 to 30 Jun 09)</i>	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
<b>Lyell Strambi</b>	<b>2009</b>	<b>469,712</b>	–	<b>96,486</b>	<b>566,198</b>	<b>8,018</b>	<b>21,000</b>	<b>29,018</b>	<b>12,226</b>	<b>24,481</b>	–	–	<b>631,923</b>			
Group Executive, Qantas Airlines Operations <i>(1 Dec 08 to 30 Jun 09)</i>	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
<b>Total – Executives continuing at 30 June</b>	<b>2009</b>	<b>1,640,208</b>	–	<b>209,605</b>	<b>1,849,813</b>	<b>65,319</b>	<b>84,000</b>	<b>149,319</b>	<b>110,146</b>	<b>565,065</b>	–	–	<b>2,674,343</b>			
	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
<b>EXECUTIVES – NOT CONTINUING</b>																
<b>John Borghetti<sup>2</sup></b>	<b>2009</b>	<b>946,836</b>	–	<b>218,404</b>	<b>1,165,240</b>	<b>198,812</b>	<b>21,000</b>	<b>219,812</b>	<b>151,362</b>	<b>1,416,985</b>	<b>346,061</b>	<b>1,635,747</b>	<b>4,935,207</b>			
Group Executive Qantas Airlines <i>(1 Jul 08 to 5 May 09)</i>	2008	1,146,085	1,336,000	206,793	2,688,878	182,599	17,500	200,099	83,841	2,803,852	–	–	5,776,670			
<b>Kevin Brown</b>	<b>2009</b>	<b>482,716</b>	–	<b>185,821</b>	<b>668,537</b>	<b>24,000</b>	<b>21,000</b>	<b>45,000</b>	<b>9,361</b>	<b>1,175,222</b>	<b>55,692</b>	<b>1,424,122</b>	<b>3,377,934</b>			
Group Executive People <i>(1 Jul 08 to 28 Feb 09)</i>	2008	722,821	674,000	213,566	1,610,387	41,200	17,500	58,700	95,945	2,093,239	–	–	3,858,271			
<b>David Cox<sup>3</sup></b>	<b>2009</b>	<b>642,173</b>	–	<b>77,853</b>	<b>720,026</b>	<b>42,135</b>	<b>21,000</b>	<b>63,135</b>	<b>17,875</b>	<b>1,229,828</b>	<b>129,635</b>	<b>715,000</b>	<b>2,875,499</b>			
Executive Manager Qantas Engineering	2008	641,716	451,000	139,599	1,232,315	42,520	17,500	60,020	36,588	2,047,199	–	–	3,376,122			
<b>Curtis Davies<sup>2,3</sup></b>	<b>2009</b>	<b>522,779</b>	–	<b>91,244</b>	<b>614,023</b>	<b>62,958</b>	<b>21,000</b>	<b>83,958</b>	<b>13,912</b>	<b>834,400</b>	<b>40,667</b>	<b>600,000</b>	<b>2,186,960</b>			
Executive Manager Services	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
<b>Grant Fenn<sup>4</sup></b>	<b>2009</b>	<b>745,505</b>	–	<b>174,830</b>	<b>920,335</b>	<b>40,008</b>	<b>21,000</b>	<b>61,008</b>	<b>21,625</b>	<b>490,480</b>	<b>63,611</b>	<b>108,125</b>	<b>1,665,184</b>			
Group Executive Strategy & Investments	2008	740,690	642,000	210,615	1,593,305	40,008	17,500	57,508	108,360	2,093,239	–	–	3,852,412			
<b>Total – Executives not continuing at 30 June</b>	<b>2009</b>	<b>3,340,009</b>	–	<b>748,152</b>	<b>4,088,161</b>	<b>367,913</b>	<b>105,000</b>	<b>472,913</b>	<b>214,135</b>	<b>5,146,915</b>	<b>635,666</b>	<b>4,482,994</b>	<b>15,040,784</b>			
	2008	3,251,312	3,103,000	770,573	7,124,885	306,327	70,000	376,327	324,734	9,037,529	–	–	16,863,475			
<b>Total – Key Management and Highest Remunerated Executives at 30 June</b>	<b>2009</b>	<b>4,980,217</b>	–	<b>957,757</b>	<b>5,937,974</b>	<b>433,232</b>	<b>189,000</b>	<b>622,232</b>	<b>324,281</b>	<b>5,711,980</b>	<b>635,666</b>	<b>4,482,994</b>	<b>17,715,127</b>			
	2008	3,251,312	3,103,000	770,573	7,124,885	306,327	70,000	376,327	324,734	9,037,529	–	–	16,863,475			

1. A breakdown of Share-based Payment is provided on page 76.

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

3. Mr Cox and Mr Davies terminated employment on 3 July 2009.

4. Mr Fenn will terminate employment on 1 October 2009.

# Directors' Report

for the year ended 30 June 2009

## Remuneration Report (Audited) continued

### EQUITY SETTLED SHARE-BASED PAYMENT

DIRECTORS \$		Performance Share Plan	Long Term Incentive Plan	Retention Plan	Total	Supplemental Market Value at 30 June
<b>DIRECTORS – CONTINUING</b>						
Alan Joyce	2009	284,372	71,779	896,742	1,252,893	657,767
	2008	138,572	146,209	2,036,130	2,320,911	1,632,195
Colin Storrle	2009	137,176	33,078	405,240	575,494	299,691
	2008	n/a	n/a	n/a	n/a	n/a
<b>Total – Directors continuing at 30 June</b>	<b>2009</b>	<b>421,548</b>	<b>104,857</b>	<b>1,301,982</b>	<b>1,828,387</b>	<b>957,458</b>
	2008	138,572	146,209	2,036,130	2,320,911	1,632,195
<b>DIRECTORS – NOT CONTINUING</b>						
Geoff Dixon <sup>3</sup>	2009	1,357,121	319,544	1,495,517	3,172,182	1,548,553
	2008	1,275,836	656,044	4,455,383	6,387,263	3,855,843
Peter Gregg <sup>3</sup>	2009	453,524	(297,931)	1,513,032	1,668,625	554,552
	2008	465,704	281,576	2,232,478	2,979,758	1,990,902
<b>Total – Directors not continuing at 30 June</b>	<b>2009</b>	<b>1,810,645</b>	<b>21,613</b>	<b>3,008,549</b>	<b>4,840,807</b>	<b>2,103,105</b>
	2008	1,741,540	937,620	6,687,861	9,367,021	5,846,745
<b>Total – Directors at 30 June</b>	<b>2009</b>	<b>2,232,193</b>	<b>126,470</b>	<b>4,310,531</b>	<b>6,669,194</b>	<b>3,060,563</b>
	2008	1,880,112	1,083,829	8,723,991	11,687,932	7,478,940

### KEY MANAGEMENT AND HIGHEST REMUNERATED EXECUTIVES

EXECUTIVES \$						
<b>EXECUTIVES – CONTINUING</b>						
Bruce Buchanan	2009	63,504	7,025	–	70,529	66,258
	2008	n/a	n/a	n/a	n/a	n/a
Rob Gurney	2009	18,060	3,451	–	21,511	13,497
	2008	n/a	n/a	n/a	n/a	n/a
Simon Hickey	2009	122,936	32,018	293,590	448,544	250,746
	2008	n/a	n/a	n/a	n/a	n/a
Lyell Strambi <sup>4</sup>	2009	20,731	3,750	–	24,481	31,159
	2008	n/a	n/a	n/a	n/a	n/a
<b>Total – Executives continuing at 30 June</b>	<b>2009</b>	<b>225,231</b>	<b>46,244</b>	<b>293,590</b>	<b>565,065</b>	<b>361,660</b>
	2008	n/a	n/a	n/a	n/a	n/a
<b>EXECUTIVES – NOT CONTINUING</b>						
John Borghetti <sup>3</sup>	2009	453,524	(254,454)	1,217,915	1,416,985	569,542
	2008	465,704	236,571	2,101,577	2,803,852	1,999,512
Kevin Brown <sup>3</sup>	2009	244,408	(137,953)	1,068,767	1,175,222	512,479
	2008	123,218	134,233	1,835,788	2,093,239	1,493,533
David Cox <sup>3</sup>	2009	166,967	(5,906)	1,068,767	1,229,828	600,480
	2008	101,584	109,827	1,835,788	2,047,199	1,454,143
Curtis Davies <sup>3</sup>	2009	147,179	(13,438)	700,659	834,400	328,194
	2008	n/a	n/a	n/a	n/a	n/a
Grant Fenn <sup>3</sup>	2009	130,492	(6,503)	366,491	490,480	267,723
	2008	123,218	134,233	1,835,788	2,093,239	1,493,533
<b>Total – Executives not continuing at 30 June</b>	<b>2009</b>	<b>1,142,570</b>	<b>(418,254)</b>	<b>4,422,599</b>	<b>5,146,915</b>	<b>2,278,418</b>
	2008	813,724	614,864	7,608,941	9,037,529	6,440,721
<b>Total – Key Management and Highest Remunerated Executives at 30 June</b>	<b>2009</b>	<b>1,367,801</b>	<b>(372,010)</b>	<b>4,716,189</b>	<b>5,711,980</b>	<b>2,640,078</b>
	2008	813,724	614,864	7,608,941	9,037,529	6,440,721

1. The Retention Plan involved awards of deferred shares to individuals whose roles and contribution were identified as critical to the continued success of the Qantas Group. Awards under the Retention Plan involved awards of deferred shares with a service period of up to three years. Satisfactory performance, which involves achievement of personal KPIs was a further requirement under this plan. The grant dates and number of shares awarded to KMPs are outlined on pages 133 and 134. No awards were made under the Retention Plan in 2008/09.

2. 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. For example, the volume weighted share price used to determine the accounting value of grants issued under the Retention Plan 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 2009 of \$2.01 (2008: \$3.04) as a substitute for the volume weighted share price determined at grant date.

3. For Mr Dixon, Mr Gregg, Mr Borghetti, Mr Brown, Mr Cox, Mr Davies and Mr Fenn, share-based payment remuneration includes the value of accelerated vesting of awards under the Performance Share Plan and Retention Plan and the forfeiture of Rights.

4. A sign-on award of 75,000 shares was made to Mr Strambi. The award operates in a similar manner to the PSP awards. Awards are subject to a ten-year holding lock, however Mr Strambi can call for the shares from 1 January 2011.

**Remuneration Report (Audited) continued**

**CHANGES TO QANTAS MANAGEMENT TEAM**

2008/09 was a year of generational change in the Qantas management team, with the new leadership team comprising a mix of internal promotions and external hires. Mr Dixon stepped down as Chief Executive Officer on 28 November 2008 and retired from Qantas on 31 March 2009.

Mr Dixon worked nine months of the 12 months notice provided for under his employment agreement. On termination the remaining three months of FAR was paid in lieu of notice.

Unvested Performance Rights awards (under the 2006 and 2007 Performance Rights Plans) were treated in accordance with his employment agreement. This involved the lapsing of 150,000 Rights on termination and 450,000 Rights remaining on foot, with performance hurdles tested at the conclusion of the relevant three year performance periods. The holding locks on all deferred shares were lifted on termination, in accordance with the retirement provisions of the DSP.

Mr Gregg, Mr Borghetti and Mr Brown all terminated employment with Qantas during 2008/09 and Mr Cox terminated on 3 July 2009. Termination payments made to each Executive are disclosed in the remuneration tables on pages 74 and 75. The treatment of these items is as follows:

- each Executive was paid in accordance with the termination provisions of their employment agreement (and as detailed under the Key Contract Terms disclosures in the 2008 Qantas Annual Report);
- holding locks on all deferred shares were lifted on termination, in accordance with the Special Circumstances provisions of the DSP; and
- unvested Performance Rights were lapsed on termination.

Mr Fenn has resigned from Qantas and will terminate on 1 October 2009. On termination, all unvested awards under the Performance Rights Plan, Performance Share Plan and Retention Plan will lapse, other than 77,500 shares under the Retention Plan which are scheduled to vest during the notice period.

**2008/09 REMUNERATION COMPONENTS AS A PROPORTION OF REPORTED TOTAL REMUNERATION**

	Performance Related Remuneration				FAR & Other	Total
	Cash-based		Equity-based			
	PCP	PSP	LTIP	RP		
Alan Joyce	0%	8%	2%	24%	66%	100%
Colin Storrie	0%	9%	2%	25%	64%	100%
Geoff Dixon	0%	13%	3%	14%	70%	100%
Peter Gregg	0%	9%	(6%)	31%	66%	100%
Bruce Buchanan	0%	8%	1%	n/a	91%	100%
Rob Gurney	0%	12%	2%	n/a	86%	100%
Simon Hickey	0%	11%	3%	26%	60%	100%
Lyell Strambi	0%	3%	1%	n/a	96%	100%
John Borghetti	0%	9%	(5%)	25%	71%	100%
Kevin Brown	0%	7%	(4%)	32%	65%	100%
David Cox	0%	6%	0%	37%	57%	100%
Curtis Davies	0%	7%	(1%)	32%	62%	100%
Grant Fenn	0%	8%	0%	22%	70%	100%

The total percentages are derived from the remuneration tables on pages 74 to 76. 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 2008/09 reward mix does not equal the target annual reward mix of each of the Executives.

# Directors' Report

for the year ended 30 June 2009

## Remuneration Report (Audited) continued

### PERFORMANCE REMUNERATION AFFECTING FUTURE PERIODS

The fair value of share-based payments granted is amortised over the vesting period (in accordance with AASB 2 Share-based Payment) and therefore remuneration in respect of these awards may be reported in future years.

The following table summarises the maximum value of these awards in future years. The minimum value of these awards is nil, should performance conditions not be satisfied.

Executives	2010	2011
Alan Joyce	989,310	314,572
Colin Storrie	502,041	107,360
Bruce Buchanan	199,682	90,236
Rob Gurney	163,380	62,428
Simon Hickey	397,591	91,682
Lyell Strambi	190,341	114,638

Information on vesting and forfeiture of performance related remuneration during the year is provided on pages 80 and 81.

### SUMMARY OF PERFORMANCE CONDITIONS

#### Link between Remuneration Policy and Qantas' Performance

##### Relationship between Fixed Annual Remuneration and Qantas' Performance

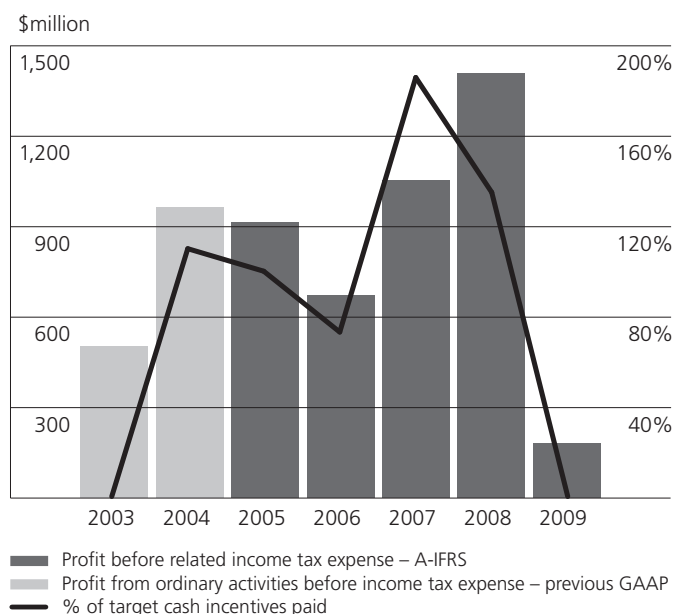
An individual's FAR is not related to Qantas' performance in a specific year. FAR is set with reference to the scope of the role and the performance of the individual in the role.

##### Relationship between Cash Incentives and Qantas' Performance

In line with Qantas' achievement against its financial targets in the past seven 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;
- paid at 186 per cent of target for 2006/07;
- paid at 135 per cent of target for 2007/08; and
- not paid for 2008/09.

The graph 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 seven financial years.



#### Relationship between Employee Equity and Qantas' Performance

From 2004/05 to 2006/07, the link between reward under the LTIP and Qantas' performance has been established in terms of TSR performance against the S&P/ASX100 Index and a basket of international airlines. For 2007/08 and 2008/09 vesting under the long-term equity program will depend on Qantas' performance on TSR against the S&P/ASX100 Index and extent of achievement of an EPS growth target.

To achieve full vesting under the LTIP, Qantas must achieve a three year TSR performance that exceeds 75 per cent of companies in the S&P/ASX100 Index as well as achieving a challenging three year EPS target.

Allocations under the 2008/09 PSP have been dependent on the corporate performance of Qantas against a Balanced Scorecard.

One hundred per cent of the target level of deferred shares were awarded to Executives in 2003/04 and 2004/05, 95 per cent in 2005/06, 80 per cent in 2006/07 and 91 per cent in 2007/08. On 18 August 2009 the Board approved an award of 60 per cent of the target level of deferred shares, based on performance against the Balanced Scorecard.

The TSR performance of Qantas for the three years ended 30 June 2009, calculated in accordance with the 2006 Performance Rights Plan rules, was (17) per cent, which ranked at the 60th percentile among companies that comprise the S&P/ASX100 Index for this period.

## Directors' Report

for the year ended 30 June 2009

### 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 the following 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 for each year of service and all other Non-Executive Directors are entitled to one international trip and three domestic trips for each year of service.

##### Executive Directors

The key contract and other terms of the Executive Directors, including 2009/10 STIP and LTIP participation, are set out below:

Contract Details	Alan Joyce	Colin Storr
Contract Length	Ongoing	Ongoing
Fixed Annual Remuneration	\$2,000,000	\$1,100,000
	FAR can be taken as cash or non-cash components such as motor vehicles and superannuation contributions.	
Termination of Employment	Termination without notice: employment can be terminated immediately without notice (or payment in lieu of notice) if 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.	
Notice by Qantas	12 months written notice.	
Notice by Executive	12 months written notice.	
Travel Entitlements	An annual benefit of four international and 12 domestic trips for Alan Joyce; two international and six domestic trips for Colin Storr is available to the Executive and eligible beneficiaries during employment, at no cost to the individual. Post employment, the benefit is two international and six domestic trips, based on the period of service in a senior Executive role.	
STIP <sup>1</sup>	Target reward for 2009/10 is 120 per cent of FAR.	Target reward for 2009/10 is 95 per cent of FAR.
LTIP	A pool of 750,000 Performance Rights, at an average of 250,000 per annum, approved by shareholders at the 2008 AGM.	A pool of 270,000 Performance Rights, at an average of 90,000 per annum, approved by shareholders at the 2008 AGM.

##### Key Management Personnel

Contract Details	Bruce Buchanan	Rob Gurney	Simon Hickey	Lyell Strambi
Contract Length	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration	\$800,000	\$700,000	\$750,000	\$850,000
	FAR can be taken as cash or non-cash components such as motor vehicles and superannuation contributions.			
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.			
Notice by Qantas	6 months	12 months	6 months	12 months
Notice by Executive	3 months	6 months	3 months	6 months
Travel Entitlements	An annual benefit of two international and six domestic trips is available to the Executive and eligible beneficiaries during employment, at no cost to the individual. Post employment, the benefit is two international and six domestic trips, based on the period of service in a senior Executive role.			
STIP <sup>1</sup>	Target reward for 2009/10 is 80 per cent of FAR.			
LTIP	Target reward for 2009/10 is 25 per cent of FAR.			

1. The STIP is being introduced for the 2009/10 year and replaces both the PCP and PSP for 2009/10.

Target reward under the PCP (discontinued at 30 June 2009) was 75 per cent of FAR for Mr Joyce, 65 per cent of FAR for Mr Storr and 55 per cent of FAR for other KMPs.

Target reward under the PSP (discontinued at 30 June 2009) was:

- for Mr Joyce, a pool of 750,000 Shares, at an average of 250,000 per annum
- for Mr Storr, a pool of 270,000 Shares, at an average of 90,000 per annum
- for other KMPs, 25 per cent of FAR.

# Directors' Report

for the year ended 30 June 2009

## Remuneration Report (Audited) continued

Equity awards 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. There have been no modifications to the DSP Terms & Conditions during the year.

### RIGHTS PROVIDED AS REMUNERATION

Details of Rights awarded, vested and exercised during the year for each KMP are set out below. The number of Rights vested represents the number of Rights which have met the performance hurdle during the year. The number of Rights exercised represents the number of vested Rights called for by the KMP during the year. The Rights were awarded on 4 May 2009 with a nil exercise price. All Rights are redeemable on a one-for-one basis for Qantas shares, subject to the achievement of the performance hurdle. The weighted average fair value of Rights granted during the year was \$1.64.

2009	Awarded	Vested	Exercised
<b>Number of Rights</b>			
Alan Joyce	250,000	42,600	36,250
Colin Storrie	90,000	14,484	–
Bruce Buchanan	70,500	–	–
Rob Gurney	50,000	11,076	9,425
Simon Hickey	70,500	12,780	10,875
Lyell Strambi	75,000	–	–
Geoff Dixon	–	–	–
Peter Gregg	–	76,680	76,680
John Borghetti	–	63,900	63,900
Kevin Brown	–	42,600	42,600
David Cox	–	34,080	34,080
Grant Fenn	85,500	42,600	42,600

The above table does not include Rights under the 2006/07 award which may vest subject to testing which commenced from 30 June 2009.

### VESTING AND FORFEITURE OF PERFORMANCE RELATED REMUNERATION

Details of performance related remuneration, including share-based payments, for KMPs which have vested or forfeited during the year are set out below.

#### Performance Cash Plan

No KMP received a cash bonus under the PCP in relation to the 2008/09 year.

#### Share-based payments (equity settled)

The following tables outline the percentage of equity which vested or forfeited during the year. The year scheduled to vest is the earliest time that the KMP may call for the equity to vest. However, in some circumstances Qantas may approve for the vesting of equity to be accelerated. For further details refer to pages 69 to 73.

#### Performance Share Plan

Grant Date	4 Mar 09		20 Aug 08				15 Aug 07 <sup>1</sup>			
	2011	2011	2010	2010	2011	2011	2009	2009	2010	2010
Year Scheduled to Vest	Vested	Forfeited	Vested	Forfeited	Vested	Forfeited	Vested	Forfeited	Vested	Forfeited
Alan Joyce	n/a	n/a	–	–	–	–	100%	0%	–	–
Colin Storrie	n/a	n/a	–	–	–	–	100%	0%	–	–
Bruce Buchanan	n/a	n/a	–	–	–	–	100%	0%	–	–
Rob Gurney	n/a	n/a	–	–	–	–	100%	0%	–	–
Simon Hickey	n/a	n/a	–	–	–	–	100%	0%	–	–
Lyell Strambi	–	–	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Geoff Dixon	n/a	n/a	100%	0%	100%	0%	100%	0%	n/a	n/a
Peter Gregg	n/a	n/a	100%	0%	100%	0%	100%	0%	n/a	n/a
John Borghetti	n/a	n/a	100%	0%	100%	0%	100%	0%	100%	0%
Kevin Brown	n/a	n/a	100%	0%	100%	0%	100%	0%	100%	0%
David Cox	n/a	n/a	100%	0%	100%	0%	100%	0%	100%	0%
Grant Fenn	n/a	n/a	100%	0%	0%	100%	100%	0%	100%	0%

1. The grant date for the award to Mr Buchanan and Mr Gurney was 20 August 2007.

**Directors' Report**  
for the year ended 30 June 2009

**Remuneration Report (Audited) continued**

**Retention Plan**

Grant Date	15 Aug 07 <sup>1</sup>				16 Aug 06 <sup>2</sup>	
	2009 Vested	2009 Forfeited	2010 Vested	2010 Forfeited	2010 Vested	2010 Forfeited
Year Scheduled to Vest						
Alan Joyce	100%	0%	–	–	–	–
Colin Storrie	100%	0%	–	–	–	–
Bruce Buchanan	n/a	n/a	n/a	n/a	n/a	n/a
Rob Gurney	n/a	n/a	n/a	n/a	n/a	n/a
Simon Hickey	100%	0%	–	–	–	–
Lyell Strambi	n/a	n/a	n/a	n/a	n/a	n/a
Geoff Dixon	100%	0%	100%	0%	n/a	n/a
Peter Gregg	100%	0%	100%	0%	100%	0%
John Borghetti	100%	0%	100%	0%	100%	0%
Kevin Brown	100%	0%	100%	0%	100%	0%
David Cox	100%	0%	100%	0%	100%	0%
Grant Fenn	100%	0%	17%	83%	83%	17%

1. The grant date for the award to Mr Dixon and Mr Gregg was 14 November 2007.

2. The grant date for the award to Mr Gregg was 19 October 2006 (scheduled to vest 2009).

**Long Term Incentive Plan**

Grant Date	4 May 09		12 Dec 07 <sup>1</sup>		22 Aug 06 <sup>2</sup>	
	2011 Vested	2011 Forfeited	2010 Vested	2010 Forfeited	2009 Vested <sup>3</sup>	2009 Forfeited
Year Scheduled to Vest						
Alan Joyce	–	–	–	–	–	–
Colin Storrie	–	–	–	–	–	–
Bruce Buchanan	–	–	–	–	–	–
Rob Gurney	–	–	–	–	–	–
Simon Hickey	–	–	–	–	–	–
Lyell Strambi	–	–	n/a	n/a	n/a	n/a
Geoff Dixon	n/a	n/a	0%	42%	0%	8%
Peter Gregg	n/a	n/a	0%	100%	0%	100%
John Borghetti	n/a	n/a	0%	100%	0%	100%
Kevin Brown	n/a	n/a	0%	100%	0%	100%
David Cox	0%	100%	0%	100%	–	–
Grant Fenn	0%	100%	0%	100%	–	–

1. The grant date for the award to Mr Buchanan and Mr Gurney was 31 March 2008.

2. The grant date for the award to Mr Dixon and Mr Gregg was 19 October 2006. The grant date for the award to Mr Storrie, Mr Gurney and Mr Hickey was 4 October 2006.

3. While these Rights may convert to Qantas shares on the 10th anniversary of the date of award, Executives may call for the Rights to be converted to the extent performance hurdles have been achieved upon testing. Based on the performance hurdle tested as at 30 June 2009, 82.7% of the Rights will vest in August 2009.

**QANTAS CODE OF CONDUCT & ETHICS – EMPLOYEE SHARE TRADING POLICY, MARGIN LOANS AND HEDGING**

The DSP Terms & Conditions (which govern awards under the PSP, LTIP 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.

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# Directors' Report

for the year ended 30 June 2009

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## 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 being environmentally responsible with high standards of environmental performance and the Board places particular focus on the environmental aspects of its operations through the Safety, Environment & Security Committee, 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 Company Secretary of Qantas against any liability incurred by that person as an officer of Qantas.

The Directors listed on pages 50 and 51, the Company Secretary and Assistant Company Secretary listed on page 65 and certain individuals who formerly held any one of these positions, have the benefit of the indemnity in the Qantas Constitution. Members of the Qantas Executive Team listed on page 5 and certain former members of the Executive Team have the benefit of an indemnity to the fullest extent permitted by law and as approved by the Board. In respect to 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 2008/09 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.

## NON-AUDIT SERVICES

During the year, KPMG, Qantas' auditor, has performed certain other services in addition to its statutory duties.

The Directors are satisfied that:

- a. the non-audit services provided during the 2008/09 financial year by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act 2001; and
- b. any non-audit services provided during the 2008/09 financial year by KPMG as the external auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:
  - i. 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;
  - ii. 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;
  - iii. KPMG partners and staff involved in the provision of non-audit services have not participated in associated approval or authorisation processes;
  - iv. 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; and
  - v. the declaration required by section 307C of the Corporations Act 2001 confirming independence has been received from KPMG.

A copy of the lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included below.

Details of the amounts paid to the auditor of Qantas, KPMG, for audit and non-audit services provided during the year are set out in Note 7 to the Financial Statements.

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## Directors' Report

for the year ended 30 June 2009

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### LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: the Directors of Qantas Airways Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

**KPMG**

Sydney, 31 August 2009

**Martin Sheppard**  
Partner

### ROUNDING

Qantas is a company of a kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in this Directors' Report and the Financial Report have been rounded to the nearest million dollars unless otherwise stated.

Signed pursuant to a Resolution of the Directors:

**Leigh Clifford**

Chairman

31 August 2009

**Alan Joyce**

Chief Executive Officer