

Directors' Report

for the year ended 30 June 2011

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 2011 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
 Peter Cosgrove, AC, MC
 Patricia Cross
 Richard Goodmanson
 Garry Hounsell
 Corinne Namblard (appointed 16 June 2011)
 Paul Rayner
 John Schubert, AO
 James Strong, AO
 Barbara Ward, AM

Details of Directors, their qualifications, experience and any special responsibilities, including Qantas Committee Memberships, are set out on pages 10 and 11.

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 freight services and the operation of a Frequent Flyer loyalty program. There were no significant changes in the nature of the activities of the Qantas Group during the year.

DIRECTORS' MEETINGS

The number of Directors' Meetings held (including Meetings of Committees of Directors) during 2010/2011 are as follows:

Directors	Qantas Board				Audit Committee ¹		Safety, Health, Environment & Security Committee ¹		Remuneration Committee ¹		Nominations Committee ¹	
	Meetings		Sub-Committee Meetings ²		Attended	Held	Attended	Held	Attended	Held	Attended	Held
	Attended	Held ³	Attended	Held ⁴								
Leigh Clifford	8	8	2	2	–	–	–	–	–	–	2	2
Alan Joyce	8	8	2	2	–	–	3	3	–	–	–	–
Peter Cosgrove	8	8	–	–	–	–	3	3	–	–	–	–
Patricia Cross	8	8	–	–	4	4	–	–	4	4	–	–
Richard Goodmanson	7	8	–	–	–	–	2	3	4	4	–	–
Garry Hounsell	7	8	–	–	4	4	–	–	–	–	2	2
Corinne Namblard	1	1	–	–	–	–	–	–	–	–	–	–
Paul Rayner	8	8	–	–	4	4	3	3	–	–	–	–
John Schubert	8	8	–	–	–	–	3	3	–	–	2	2
James Strong	8	8	–	–	–	–	–	–	4	4	2	2
Barbara Ward	8	8	–	–	4	4	3	3	–	–	–	–

1. All directors are invited to, and regularly attend, Committee meetings in an ex-officio capacity. The above table reflects the attendance of a Director only where they are a member of the relevant Committee.

2. Sub-Committee meetings convened for specific Board-related business.

3. Number of meetings held during the period that the Director held office. Ms Namblard was appointed to the Qantas Board on 16 June 2011.

4. Number of meetings held and requiring attendance.

DIVIDENDS

No final dividend will be paid in relation to the year ended 30 June 2011 (2010: nil final dividend). No interim dividend 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 Group's financial position appear on pages 4 to 21. 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

Refer to page 21 for events which occurred subsequent to balance date. Other than the matters disclosed on page 21, since the end of the year and to the date of this report no other matter or circumstance has arisen 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 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' Report continued

for the year ended 30 June 2011

DIRECTORSHIPS OF LISTED COMPANIES HELD BY MEMBERS OF THE BOARD AS AT 30 JUNE 2011 – FOR THE PERIOD 1 JULY 2008 TO 30 JUNE 2011

Leigh Clifford	Qantas Airways Limited	– Current, appointed 9 August 2007
	Barclays Bank plc	– Ceased, appointed 1 October 2004 and ceased 30 September 2010
Alan Joyce	Qantas Airways Limited	– Current, appointed 28 July 2008
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	– Ceased, appointed 11 February 2003 and ceased 24 March 2010
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
	DuluxGroup Limited	– Current, appointed 8 July 2010
	Nufarm Limited	– Current, appointed 1 October 2004
	Orica Limited	– Current, appointed 21 September 2004
	PanAust Limited	– Current, appointed 1 July 2008
	Mitchell Communication Group Limited	– Ceased, appointed 1 September 2006 and ceased 17 October 2010
Corrine Namblard	Qantas Airways Limited	– Current, appointed 16 June 2011
Paul Rayner	Qantas Airways Limited	– Current, appointed 16 July 2008
	Boral Limited	– Current, appointed 5 September 2008
	Centrica plc	– Current, appointed 1 September 2004
	Treasury Wine Estates Limited	– Current, appointed 9 May 2011
John Schubert	Qantas Airways Limited	– Current, appointed 23 October 2000
	BHP Billiton Limited	– Current, appointed 1 June 2000
	BHP Billiton plc	– Current, appointed 29 June 2001
	Commonwealth Bank of Australia	– Ceased, appointed 8 October 1991 and ceased 10 February 2010
James Strong	Qantas Airways Limited	– Current, appointed 1 July 2006
	Kathmandu Holdings Limited	– Current, appointed 16 October 2009
	Woolworths Limited	– Current, appointed 10 March 2000
	IAG Finance (New Zealand) Limited	– Ceased, appointed 9 November 2004 and ceased 26 August 2010
	Insurance Australia Group Limited	– Ceased, appointed 10 August 2001 and ceased 26 August 2010
Barbara Ward	Qantas Airways Limited	– Current, appointed 19 June 2008
	Brookfield Capital Management Limited ¹	– Current, appointed 1 January 2010
	Lion Nathan Limited	– Ceased, appointed 21 February 2003 and ceased 21 October 2009

1. As responsible entity for a) Brookfield Prime Property Fund b) Multiplex European Property Fund and c) Brookfield Australia Opportunities Fund, each a listed Australian registered managed investment scheme.

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
- 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
- Admitted as a solicitor of the Supreme Court of NSW in 2003 and undertaking Chartered Secretaries Australia's Graduate Diploma in Applied Corporate Governance

Directors' Report continued

for the year ended 30 June 2011

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	
	2011 Number	2010 Number
Leigh Clifford	51,622	51,622
Alan Joyce	721,255	138,255
Peter Cosgrove ¹	2,314	2,314
Patricia Cross	10,474	10,474
Richard Goodmanson	20,000	20,000
Garry Hounsell	43,449	43,449
Corinne Namblard	–	–
Paul Rayner	21,622	21,622
John Schubert	41,375	41,375
James Strong	30,670	30,670
Barbara Ward	17,597	17,597

1. Refer below for details of shares held by General Cosgrove under the Non-Executive Director Share Plan.

In addition to the interests shown, indirect interests in Qantas shares held in trust on behalf of General Cosgrove and Mr Joyce are as follows:

Peter Cosgrove

Deferred shares held in trust under:

Non-Executive Director Share Plan ¹	23,318	14,799
--	--------	--------

1. General Cosgrove acquired these shares by salary sacrificing part of his Director's fee.

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	173,363
2010 Short Term Incentive Plan	583,000	1,166,000
	1,753,863⁷	2,336,863

Rights granted under:

2005 Performance Rights Plan	6,350 ¹	6,350
2006 Performance Rights Plan	49,720 ²	55,000
2007 Performance Rights Plan	65,000 ³	65,000
2008 Performance Rights Plan	– ⁴	250,000
2010-2012 Long Term Incentive Plan	250,000 ⁵	250,000
2011-2013 Long Term Incentive Plan	1,084,000 ⁶	–
	1,455,070	626,350

1. Mr Joyce can request to exercise these Rights to be converted to Qantas shares.

2. Mr Joyce can request to exercise these Rights to be converted to Qantas shares. 5,280 Rights lapsed on 8 July 2011 as they did not meet performance hurdles.

3. Mr Joyce is unable to request to exercise these Rights as the Rights as yet have not met the performance hurdles.

4. 250,000 Rights lapsed on 8 July 2011 as they did not meet performance hurdles.

5. Shareholders approved an award on 28 November 2008 for a pool of 750,000 Rights to be awarded. Performance hurdles will be tested as at 30 June 2012 to determine whether any Rights vest to Mr Joyce.

6. Shareholders approved the award of these Rights on 29 October 2010. Performance hurdles will be tested as at 30 June 2013 to determine whether any Rights vest to Mr Joyce.

7. As a result of the outcome of the 2011 Short Term Incentive Plan, Mr Joyce will be allocated an indirect interest in 375,014 Qantas shares held in trust. These shares have not been allocated to Mr Joyce as at the date of this report.

Directors' Report continued

for the year ended 30 June 2011

RIGHTS

Performance Rights are awarded to select Qantas Group Executives under the Qantas Deferred Share Plan (DSP) and the Qantas Employee Share Plan (ESP). Refer to pages 37 to 39 for further details.

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

Performance Rights Reconciliation	2011 Number	2010 Number
Rights outstanding as at 1 July	8,844,886	6,916,092
Rights granted	4,957,000	3,925,000
Rights forfeited	(1,246,681)	(865,690)
Rights lapsed	(108,114)	(242,400)
Rights exercised	(234,022)	(888,116)
Rights outstanding as at 30 June	12,213,069	8,844,886

Rights will be converted to Qantas shares 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 2011:

Name	Testing Period	Grant Date	Value at Grant Date	Number of Rights					
				2011 Net Vested	2011 Unvested	2011 Total	2010 Net Vested	2010 Unvested	2010 Total
2004 Performance Rights Plan	30 Jun 07 – 30 Jun 09 ¹	13 Jan 05	\$2.47	26,271	–	26,271	26,271	–	26,271
2005 Performance Rights Plan	30 Jun 08 – 30 Jun 10 ¹	17 Aug 05	\$1.98	6,350	–	6,350	6,350	13,320	19,670
2005 Performance Rights Plan	30 Jun 08 – 30 Jun 10 ¹	22 Nov 05	\$2.67	83,779	–	83,779	89,690	92,130	181,820
2005 Performance Rights Plan	30 Jun 08 – 30 Jun 10	28 Mar 06	\$2.28	–	–	–	–	2,664	2,664
2006 Performance Rights Plan	30 Jun 09 – 30 Jun 11 ²	22 Aug 06	\$2.39	50,131	8,640	58,771	52,415	8,640	61,055
2006 Performance Rights Plan	30 Jun 09 – 30 Jun 11 ²	4 Oct 06	\$2.95	235,117	64,216	299,333	321,326	74,719	396,045
2006 Performance Rights Plan	30 Jun 09 – 30 Jun 11 ²	19 Oct 06	\$3.17	–	26,400	26,400	14,850	26,400	41,250
2007 Performance Rights Plan	30 Jun 10 – 30 Jun 12 ³	12 Dec 07	\$4.42	–	351,000	351,000	–	390,111	390,111
2007 Performance Rights Plan	30 Jun 10 – 30 Jun 12 ³	31 Mar 08	\$2.75	–	1,021,500	1,021,500	–	1,204,500	1,204,500
2008 Performance Rights Plan	30 Jun 11 ⁴	4 May 09	\$1.64	–	2,382,000	2,382,000	–	2,831,500	2,831,500
2010–2012 Long Term Incentive Plan	30 Jun 12 ⁵	9 Sep 09	\$2.05	–	3,275,665	3,275,665	–	3,690,000	3,690,000
2011–2013 Long Term Incentive Plan	30 Jun 13 ⁶	12 Aug 10	\$1.50	–	3,476,000	3,476,000	–	–	–
2011–2013 Long Term Incentive Plan	30 Jun 13 ⁶	29 Oct 10	\$1.76	–	1,206,000	1,206,000	–	–	–
				401,648	11,811,421	12,213,069	510,902	8,333,984	8,844,886

1. These Rights convert to Qantas shares on the 10th anniversary of the date of award, however Executives may call for the Rights to be converted sooner at their request.
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 2009. As a result of performance hurdle testing conducted subsequent to 30 June 2011, all unvested Rights have lapsed in 2011/2012.
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 2010.
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. Testing was done as at 30 June 2011. As a result of performance hurdle testing conducted subsequent to 30 June 2011, all unvested Rights have lapsed in 2011/2012.
5. These Rights may convert to Qantas shares to the extent performance hurdles have been achieved upon testing. Testing will be done as at 1 July 2012.
6. These Rights may convert to Qantas shares to the extent performance hurdles have been achieved upon testing. Testing will be done as at 30 June 2013.

Directors' Report continued

for the year ended 30 June 2011

Cover Letter to the Remuneration Report

Dear Shareholder

Qantas is pleased to present its Remuneration Report for 2010/2011, which sets out remuneration information for Non-Executive Directors, the Chief Executive Officer (CEO) and Executive Committee.

The format and content of the Remuneration Report are reviewed each year with a view to presenting the information concisely, while still providing the detailed disclosure elements required under the law. Based on shareholder feedback, additional information in some areas has been provided this year. We have specifically addressed the issue of risk management in our remuneration framework – detail is provided of the framework features that protect against unintended and unjustified pay outcomes.

Following the introduction of the new Short Term Incentive Plan (STIP) in 2009/2010 and the review of the Long Term Incentive Plan (LTIP) last year, there were no significant changes made to the Executive Remuneration Framework during 2010/2011.

One of the key remuneration decisions made by the Board each year is determining the outcome under the STIP. This primarily involves the Board assessing the Qantas Group's Underlying Profit Before Tax (PBT)¹ performance. The 2010/2011 Underlying PBT result of \$552 million represented a significant increase of 46 per cent on the 2009/2010 Underlying PBT result. This was achieved in spite of a number of well-known challenges outside the control of Qantas management such as weather events and natural disasters that substantially affected operations during the year.

While this was a good result in those circumstances, it was below the stretch target set by the Board for "at target" awards under the STIP. It did however exceed the Underlying PBT threshold that was set at the start of the year and accordingly a partial STIP award has been made for 2010/2011. For the Chief Executive Officer (CEO) (and other Key Management Personnel (KMP) assessed against the Group Scorecard), this resulted in a STIP scorecard outcome of 65.2% of target levels.

The other key decisions of the Board reflected in this year's Remuneration disclosures are as follows:

- The Fixed Annual Remuneration (FAR) of the CEO and KMP were reviewed with regard to market pay movements and a material increase in the scope of one of the KMP roles

A three per cent increase to FAR was approved for the CEO

- The "at target" pay levels for the CEO and KMP are set with reference to other S&P/ASX50 companies. The total reported pay level for the CEO for 2010/2011 is \$5,008,000, which is up considerably from his reported pay level for the previous year, but below his "at target" pay of \$6,180,000
- Last year the Board made a carefully considered decision not to pay a cash bonus and instead make an award of restricted shares under the STIP

The consequence of this decision, detailed in the 2009/2010 Remuneration Report, is that the value of these deferred STIP awards are accounted for primarily as remuneration in 2010/2011 rather than in 2009/2010. This is the key factor behind the remuneration increases disclosed for the CEO and some of the other KMP in the remuneration tables, and an important element in understanding the context of this year's remuneration disclosures.

Because of potential confusion in interpreting remuneration table values (which can involve multiple accounting periods and valuation dates) Qantas has this year provided an additional "Supplemental Information" disclosure. This disclosure provides information as to the value of earnings, including share-based payments reported in prior periods which have actually vested during the year. For example, while the CEO's total reported pay (under Accounting Standards) can be seen as either 71% up on last year, or 19% below his "at target" pay for the year, it can also be seen as 9% down against last year when viewed on the basis of "Total Vested Remuneration", or the amount of pay realised during the year.

Again this year, the Board has decided to defer all awards to the CEO and KMP under the 2010/2011 STIP. The Board considers that this is appropriate in view of the challenging trading conditions that Qantas continues to face, and in light of the measures currently being taken on a number of important growth and change projects.

- The component of the STIP award that would normally be awarded in cash will be deferred until the end of February 2012. Up until the end of the deferral period, the award will, subject to regulatory approval, be linked to the Qantas share price, and thus its value will continue to be exposed to risk through the period that the "Building a Stronger Qantas" initiatives are being launched
- The component of the STIP award that would normally be awarded in deferred shares, will be awarded as deferred shares, with a two year restriction period

This decision to defer both elements of the STIP Award is also intended as a retention initiative through this period of considerable challenge and change initiatives, as any awards that have not yet vested are forfeited if the executive resigns.

The 2008 Performance Rights Plan, awarded in 2008/2009 for the three year performance period to 30 June 2011 has now been finalised. Nil vesting was achieved under this plan as both the Relative Total Shareholder Return (TSR) performance (in comparison to S&P/ASX100) and Earnings Per Share (EPS) performance were below the performance thresholds set by the Board. All Rights lapsed and no shares were awarded.

This has been a year where company performance has been good relative to the challenges faced, and where a strong performance by management has produced what is, in the circumstances, a satisfactory profit outcome, exceeding the threshold performance level set by the Board for the payment of incentives under the STIP.

The linking of the LTIP to shareholder returns and the flexibility in the operation of the STIP around the deferral of short term incentive awards are key features of the Qantas Executive Reward framework. These features support the Board's aim of appropriate alignment between business outcomes, pay outcomes and returns to shareholders. In taking the decisions I have outlined around the pay of its CEO and Executive Committee, the Board has used this flexibility to achieve what we believe is an appropriate mix of fair reward, retention of key executives and alignment with the interests of the shareholders of Qantas.



James Strong
Chairman, Remuneration Committee

1. Underlying PBT is the primary reporting measure used by the Qantas Group for the purpose of assessing the performance of the Group. Refer Note 2(D) of the Notes to the Financial Statements.

Directors' Report continued

for the year ended 30 June 2011

Remuneration Report (Audited)

The Remuneration Report sets out remuneration information for Non-Executive Directors, the Chief Executive Officer (CEO) and Executive Committee. The Key Management Personnel (KMP) and five highest remunerated Executives for the 2010/2011 financial year are members of the Executive Committee (full membership is listed on page 14).

1) EXECUTIVE REMUNERATION OBJECTIVES AND APPROACH

In determining Executive remuneration the Board aims to do the following:

- 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
- Link remuneration to performance

To achieve this, Executive remuneration is set with regard to the size and nature of the role (with reference to market benchmarks) and the performance of the individual in the role. In addition, remuneration includes "at risk" or performance related elements for which the objectives are to:

- Link Executive reward with Qantas' business objectives and financial performance
- Align the interests of Executives with shareholders
- Support a culture of employee share ownership
- Support the retention of participating Executives

3) CEO AND EXECUTIVE COMMITTEE REMUNERATION FRAMEWORK

The Executive Remuneration Framework as it applies to the CEO and the Executive Committee comprises:

- Fixed Annual Remuneration (FAR)
- The Short Term Incentive Plan (STIP)
- The Long Term Incentive Plan (LTIP)

The "at target" pay for the CEO and KMP is set with reference to external benchmark market data including comparable roles in other listed Australian companies and international airlines. The primary benchmark is comparable roles in other S&P/ASX50 companies. The Board believes this is the appropriate benchmark, as it is the comparator group whose roles best mirror the complexity and challenges in managing Qantas' businesses and is also the peer group with whom Qantas competes for Executive talent.

Fixed Annual Remuneration (FAR)

What is FAR?	<p>FAR is a guaranteed salary level, inclusive of superannuation.</p> <p>FAR is reviewed annually under normal circumstances – and the opportunity for an annual review is included in the employment contracts of Executives at Qantas.</p> <p>Cash FAR, as disclosed in the remuneration tables, excludes superannuation (which is disclosed as Post-employment Benefits) and includes salary sacrifice components such as motor vehicles.</p> <p>Movements in the value of annual leave balances during the year are disclosed as Annual Leave Accrual.</p>
How is FAR set?	<p>FAR is set with reference to external benchmark market data including comparable roles in other listed Australian companies and international airlines.</p> <p>An individual's FAR is not related to Qantas' performance in a specific year.</p>
When is FAR reviewed?	<p>The Board performed a general review of CEO and KMP FAR effective 1 July 2010.</p> <p>This followed a general FAR freeze that had been in place since 1 July 2007.</p> <p>The FAR for the CEO and KMP are outlined on page 39.</p>

2) ROLE OF THE REMUNERATION COMMITTEE

The Remuneration Committee (a committee of the Board, whose members are detailed on pages 10 and 11) has the role of reviewing and making recommendations to the Board on Executive remuneration at Qantas and ensuring remuneration decisions are appropriate from the perspectives of business performance, governance, disclosure, reward levels and market conditions.

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

- Motivate the CEO, Executive Committee and broader Executive team 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
- Differentiate between higher and lower performers through the use of a performance management framework

The Remuneration Committee has appointed PricewaterhouseCoopers as its primary remuneration consultant. It has also appointed Johnson Winter & Slattery to provide remuneration advice where this advice may be linked to specific legal and regulatory requirements. The Remuneration Committee has implemented protocols around the appointment and use of remuneration consultants to ensure compliance with the "Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Bill 2011".

Directors' Report continued

for the year ended 30 June 2011

Remuneration Report (Audited) continued

Short Term Incentive Plan (STIP)

What is the STIP? The STIP is the annual "at risk" incentive plan for senior Executives at Qantas. Each year Executives may receive an award that is a combination of cash and restricted shares if the plan's performance conditions are achieved.

How are the STIP performance conditions chosen and how is performance assessed? At the start of the year the Board sets a "scorecard" of performance conditions for the STIP as follows:

Performance Condition	Scorecard Weighting
Group Underlying Profit Before Tax (PBT)	65%
Other financial and non-financial measures, tailored for each business segment	35%

Underlying PBT is the key budgetary and financial performance measure for the Qantas Group.

Other performance measures are selected to support the strategic agenda of the Qantas Group, either at a Group or business segment level. These measures vary by business segment, however each Scorecard includes a measure related to cost or revenue performance.

A threshold, target and maximum level of performance is set each year for each scorecard measure. At the conclusion of the year, the Board assesses performance against Group and Segment Scorecard targets. The hypothetical maximum scorecard outcome under the STIP is 172 per cent of "at target", which could only be achieved if the maximum overdrive level of performance is achieved on every STIP performance measure. The minimum outcome is 0 per cent, which would occur if the threshold level of performance is missed on every STIP measure.

An example Performance Scorecard and a description of how a STIP award is calculated is included on page 44.

The Board retains absolute discretion over all awards made under incentive reward plans at Qantas, including the STIP.

For example, circumstances may occur where scorecard measures have been achieved or exceeded, but in the view of the Board it is inappropriate to make a cash award under the STIP. The Board may determine that either no award will be made, or that any award will be fully deferred and/or delivered in Qantas shares. On the other hand, there may be circumstances where performance is below an agreed target, however the Board determines that it is appropriate to pay some STIP award.

How are STIP awards delivered? Subject to Board discretion as described above, if the performance conditions are achieved and the Qantas Group achieves the Underlying PBT threshold (determined by the Board), two-thirds of the STIP reward is paid in cash, with the remaining one third deferred into Qantas shares. These shares transfer to the Executive after a period of up to two years, subject to them remaining in employment.

STIP awards are disclosed in the remuneration tables either as a "Cash Incentive", for any component awarded immediately as cash or as a "Share-based Payment" for any deferred component awarded either in deferred shares or deferred cash which is exposed to share price movements during the restriction period.

Where STIP awards involve deferral over multiple reporting periods, they are reported against the appropriate period in accordance with Accounting Standards.

Long Term Incentive Plan (LTIP)

What is the LTIP? The LTIP involves the granting of Rights over Qantas shares. If performance conditions are satisfied the Rights vest and convert to Qantas shares on a one-for-one basis. If performance conditions are not met, the Rights lapse.

For the 2011-2013 LTIP the performance conditions are:

- The relative Total Shareholder Return (TSR) of Qantas compared to the S&P/ASX100 Index
- The relative TSR of Qantas compared to an airline peer group

The Board has approved a change to the LTIP target for the 2012-2014 LTIP – the airline peer group has been expanded with the addition of Air Asia.

For the two previous LTIP grants that are still required to be disclosed in this Report, ie the 2008 Performance Rights Plan and the 2010-2012 LTIP, the performance conditions were:

- An Earnings Per Share (EPS) target
- The relative TSR of Qantas compared to the S&P/ASX100 Index

Directors' Report continued

for the year ended 30 June 2011

Remuneration Report (Audited) continued

What are the LTIP performance conditions and how is performance assessed?

During 2009/2010 the Remuneration Committee reviewed the design of the Qantas LTIP. Based on this review, the Board implemented dual relative TSR hurdles for the LTIP and discontinued the use of an EPS hurdle.

The EPS hurdle was discontinued as the setting of EPS targets each year for multi-year periods for a cyclical industry presented considerable practical difficulties.

LTIP Rights awarded during the year to 30 June 2011 under the 2011-2013 LTIP will only vest in full if:

- Qantas TSR Performance ranks at or above the 75th percentile compared to the S&P/ASX100 Index and
- Qantas TSR Performance ranks at or above the 75th percentile compared to a peer group of listed global airlines

These performance hurdles were chosen to provide a comparison of relative shareholder returns that is relevant to most investors in Qantas:

- The S&P/ASX100 Index was chosen for relevance to investors with a primary interest in the equity market for major Australian listed companies, of which Qantas is one and
- The peer group of listed global airlines was chosen for relevance to investors including investors based outside Australia, whose focus is on the aviation industry sector

The vesting scale for each measure is:

Companies with Ordinary Shares included in the S&P/ASX100 Index

Up to one-half of the total number of Rights granted may vest based on the relative TSR performance of Qantas in comparison to the S&P/ASX100 Index as follows:

Qantas TSR Performance compared to the S&P/ASX100 Index	Vesting Scale
Below 50th percentile	Nil vesting
Between 50th to 74th percentile	Linear scale: 50% to 99% vesting
At or above 75th percentile	100% vesting

Basket of Global Listed Airlines

Up to one-half of the total number of Rights granted may vest based on the relative TSR performance of Qantas in comparison to the basket of Global Listed Airlines selected by the Board as follows:

Qantas TSR Performance compared to the Airline Basket	Vesting Scale
Below 50th percentile	Nil vesting
Between 50th to 74th percentile	Linear scale: 50% to 99% vesting
At or above 75th percentile	100% vesting

The basket of Global Listed Airlines has been selected with regard to financial standing, level of government involvement and its representation of Qantas' key competitor markets. The basket of Global Listed Airlines contains the following full-service and value-based airlines: Air France/KLM, Air New Zealand, American Airlines, British Airways, Cathay Pacific, Delta/Northwest Airlines, Lufthansa, Ryanair, Easyjet, Singapore Airlines, Southwest Airlines, Tiger Airways, Virgin Australia. (As indicated above, Air Asia will also be included in the basket of Global Listed Airlines for awards made in the year ending 30 June 2012 under the 2012-2014 LTIP).

How are Rights treated on termination?

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

What are the performance hurdles for awards made in prior years that have not yet vested?

For the 2008 Performance Rights and the 2010-2012 LTIP awards the performance conditions were:

- The relative Total Shareholder Return (TSR) of Qantas compared to the S&P/ASX100 Index, using the same vesting scale detailed above and
- An Earnings Per Share (EPS) target, using the vesting scales detailed below

Up to one-half of the total number of LTIP Rights awarded under the 2010-2012 LTIP may vest subject to the follow scale:

EPS Performance (for the year ended 30 June 2012)	Vesting Scale
EPS result below threshold of \$0.367	Nil vesting
EPS result between threshold of \$0.367 and stretch target of \$0.404	Linear scale: 50% to 99% vesting
EPS result at or above stretch target of \$0.404	100% vesting

The EPS hurdles do not represent an earnings forecast, nor are they a disclosure of targets under Qantas' long-term budget. The target was set at a level that returns Qantas earnings to the levels achieved from 2005/2006 to 2007/2008.

For the 2008 Performance Rights awards, the EPS threshold and stretch target were expressed as compound annual growth rates. The EPS threshold was a compound annual growth rate of 6.0 per cent growth and the stretch target was a compound annual growth rate of 12.5 per cent.

Directors' Report continued

for the year ended 30 June 2011

Remuneration Report (Audited) continued

How are LTIP Rights treated if a change of control occurs? In the event of a change of control, and to the extent that Rights have not already lapsed, the Board determines whether the LTIP Rights vest or otherwise.

Other benefits such as superannuation, travel and long service leave are detailed on page 45.

Risk Management

The STIP and the LTIP have design elements that protect against the risk of unintended and unjustified pay outcomes, that is:

- Diversity in their performance measures, which as a suite of measures cannot be directly and imprudently influenced by one individual employee
- Clear maximums defined for Scorecard outcomes under the STIP, and challenging scale vesting under the LTIP
- Diversity in the timeframes in which performance is measured, with performance under the STIP being measured over one year and performance under the LTIP being measured over three years
- Deferral of awards under the STIP with a restriction period of up to two years. This creates an alignment with shareholder interests, and also provides a clawback mechanism in that the Board may lapse restricted STIP awards if they were later found to have been awarded as a result of material financial misstatement

While formal management shareholding requirements are not imposed, the CEO has a material holding in Qantas shares, currently valued at greater than two times FAR. The potential equity awards under the STIP and the LTIP will assist Executives in maintaining shareholdings in Qantas.

Summary of Key Contract Terms

Contract Details

	Alan Joyce	Bruce Buchanan	Gareth Evans	Rob Gurney	Simon Hickey	Jayne Hrdlicka ¹	Lyell Strambi
Contract Length	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
Fixed Annual Remuneration	\$2,060,000	\$825,000	\$880,000	\$800,000 ²	\$772,500	\$750,000	\$880,000
Notice by Qantas	12 months	12 months	12 months ³	12 months	12 months	12 months ³	12 months
Notice by Executive	12 months	6 months	6 months	6 months	6 months	6 months	6 months
Travel Entitlements	An annual benefit of trips for these Executives and eligible beneficiaries during employment, at no cost to the individual, as follows: 4 International 2 International 2 International 2 International 2 International 2 International 2 International 12 Domestic 6 Domestic 6 Domestic 6 Domestic 6 Domestic 6 Domestic 6 Domestic Post employment, the benefit is two international and six domestic trips, based on the period of service in a senior Executive role within the Qantas Group.						
STIP "at target" Opportunity	120% of FAR	80% of FAR	80% of FAR	80% of FAR	80% of FAR	80% of FAR	80% of FAR
LTIP "at target" Opportunity	80% of FAR	25% of FAR	25% of FAR	25% of FAR	25% of FAR	25% of FAR	25% of FAR
Target Reward Mix (as a % of total pay)	FAR 33%	←			49%	→	
	STIP 40%	←			39%	→	
	LTIP 27%	←			12%	→	

1. Ms Hrdlicka was appointed to the role of the Group Executive Strategy and Technology effective February 2011.

2. In February 2011 Mr Gurney's role was increased to include responsibility for Qantas Airlines Customer and Marketing. Following this role change, Mr Gurney's FAR was increased to \$800,000 per annum.

3. For Mr Evans and Ms Hrdlicka, notice by Qantas of 12 months is made up of six months' written notice plus six months' severance pay.

4) EXECUTIVE REMUNERATION OUTCOMES FOR THE YEAR ENDED 30 JUNE 2011

Qantas Performance – STIP Outcomes in 2010/2011

Underlying PBT for 2010/2011 increased by 46 per cent to \$552 million.

Management's contribution to this result was by way of a combination of co-ordinated responses to the challenges of the year, plus the successful implementation and achievement of benefits from a number of key strategic initiatives:

- Re-allocation of aircraft capacity within the Qantas network to re-establish services impacted by the grounding of A380 aircraft powered by Rolls-Royce engines
- Customer care initiatives to assist customers affected by the volcanic ash disruptions, and the earthquake, tsunami, cyclone and flood events which resulted in such devastation in the key communities and markets that Qantas serves
- Successful roll out of new product and service initiatives such as the implementation of faster, smarter check-in to streamline the journey of passengers through domestic airport terminals
- New lounge and terminal facilities for customers were launched at Canberra and Perth Airports and at airports in a number of key regional destinations
- Continued advantage in punctuality performance against domestic competitors
- Expanded use by QantasLink of Bombardier Q400 aircraft to improve service to regional Australia, and the acquisition during the year of Network Aviation to increase Qantas' presence in and service in the fly-in, fly-out market
- Successful launch by Jetstar of long-haul services between Singapore and Melbourne, and Singapore and Auckland

Directors' Report continued

for the year ended 30 June 2011

Remuneration Report (Audited) continued

- Further expansion by Jetstar in Asia, including the growth in its presence in China to nine key ports
- Increase in membership of the Qantas Frequent Flyer program to 7.9 million members, plus successful implementation of a key loyalty partnership with Optus
- Successful achievement of the two year savings target of \$1 billion from the QFuture initiatives aimed at long-term and sustainable efficiency improvements
- Prompt negotiation of a commercial settlement for \$95 million with Rolls-Royce in relation to engine failure without needing to engage in costly and time consuming litigation

Also, despite the difficulties faced in the Qantas International business, an extension to the Joint Services Agreement with British Airways on the key Sydney to London route was implemented for a further five years. A plan was also developed and approved to provide Qantas with a breakthrough approach and to provide a platform for profitable growth in its International business.

As discussed above, this Underlying PBT result of \$552 million was achieved in spite of a number of major challenges outside the control of Qantas Management. It exceeded the threshold set by the Board at the commencement of the year for the payment of cash bonuses and the granting of awards under the 2010/2011 STIP.

In August 2011 the Board considered the financial performance together with performance against the other key business measures that make up the STIP Performance Scorecard and approved a STIP scorecard result for 2010/2011 for Mr Joyce, Mr Evans, Ms Hrdlicka and Mr Kella of 65.2 per cent, for Mr Buchanan of 73.9 per cent, for Mr Gurney and Mr Strambi of 63.7 per cent and for Mr Hickey of 79.5 per cent. The differential results reflect the fact that while all KMP were assessed against the Group's financial performance, the other scorecard measures were tailored to their specific segment, or Group measures for those in Corporate roles.

As it did last year, the Board has again taken the decision to defer the payment of bonuses to the CEO and the Senior Executives. In doing this, the Board recognises that this year's result represents a significant improvement in performance versus the prior year, and compares strongly with the results achieved by other companies in the airline industry. However, the Board considers this treatment to be appropriate in view of the challenging trading conditions that Qantas continues to face, and given the measures that are currently being taken on a number of important growth projects.

- The component of the STIP award that would normally be awarded in cash and paid immediately will be deferred until the end of February 2012. As part of the deferral, the awards (calculated in August 2011 based on the approved STIP outcome) will, subject to regulatory approval, be linked to the Qantas share price up until the date of vesting with their value being exposed to share price risk through the period that the "Building a Stronger Qantas" initiatives are being launched
- The component of the STIP award that would normally be awarded in deferred shares will be awarded as deferred shares, with a 2 year restriction period

This decision to defer both elements of the STIP Award is also intended as a retention initiative through this period of considerable challenge and change initiatives, as any awards that have not yet vested are forfeited if the executive resigns.

Awards linked to share price in this way are classified for Accounting purposes as Share-based Payments, and Accounting Standards require that such payments are expensed over the required service period. Accordingly, the value of these 2010/2011 STIP awards do not appear in the remuneration tables for the current year. Their value will be disclosed as a Share-based Payment in future periods. On the other hand, the value of deferred shares issued last year in respect of the 2009/2010 STIP are reported in this year's remuneration tables as a Share-based Payment.

Qantas Performance – LTIP Outcomes in 2010/2011

LTIP awards under the 2008 Performance Rights Plan award were tested as at 30 June 2011. As detailed on page 38, the performance hurdles were:

- Qantas TSR performance relative to the S&P/ASX100 Index for half of the award
- An EPS growth hurdle for the other half of the award

The performance hurdles were not achieved and therefore all Rights lapsed and no shares were awarded.

Qantas Financial Performance History

To provide further context on Qantas' performance, the following graphs outline a five-year history of key financial metrics.

QANTAS TSR PERFORMANCE V PEER GROUPS (%)

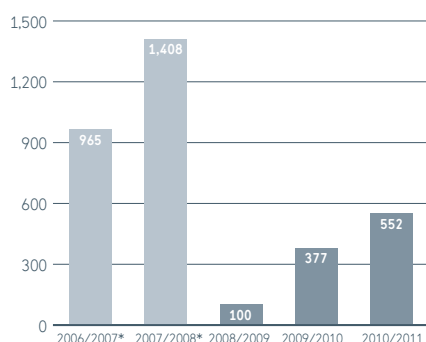


Directors' Report continued

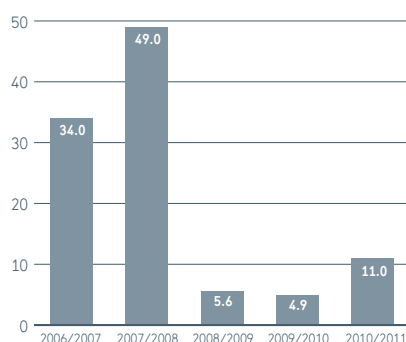
for the year ended 30 June 2011

Remuneration Report (Audited) continued

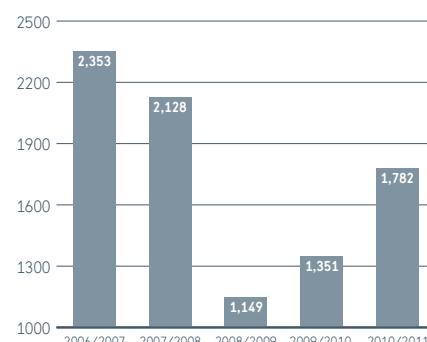
UNDERLYING PROFIT BEFORE TAX (\$M)



EARNINGS PER SHARE (¢)



OPERATING CASH FLOW (\$M)



*Figures for 2006/2007 and 2007/2008 are based on Statutory PBT.

Remuneration for the Year Ended 30 June 2011 – Executives

										Supplemental Information										
										Less: Share-based Payment and Long Service Accrual	Add: Vested Share-based Payment	Add: Vested Long Service Leave ⁶	Total Vested Remuneration ⁷							
										Total ^{4, 5}										
										Cash FAR ¹	Cash Incentives	Non-cash Benefits and Annual Leave Accrual ¹	Total Short-term Employee Benefits	Post-employment Benefits ²	Other Long-term Benefits	Share-based Payment ³				
										\$'000										
Executive Director	Alan Joyce	2011	2,045	–	142	2,187	40	65	2,716	5,008	(2,781)	308	508	3,043						
	Chief Executive Officer	2010	1,956	–	(114)	1,842	69	49	964	2,924	(1,013)	1,441	–	3,352						
Key Management Personnel	Bruce Buchanan	2011	810	–	(31)	779	40	33	561	1,413	(594)	86	–	905						
	CEO Jetstar	2010	786	–	41	827	39	20	225	1,111	(245)	54	–	920						
	Gareth Evans⁸	2011	861	–	27	888	43	24	402	1,357	(426)	67	22	1,020						
	Chief Financial Officer	2010	36	–	8	44	26	32	7	109	(39)	–	32	102						
	Rob Gurney⁹	2011	703	–	53	756	113	36	500	1,405	(536)	74	33	976						
	Group Executive Qantas Commercial	2010	649	–	55	704	111	16	184	1,015	(200)	69	16	900						
	Simon Hickey	2011	723	–	54	777	75	23	531	1,406	(554)	115	–	967						
	CEO Qantas Frequent Flyer	2010	700	–	68	768	75	18	400	1,261	(418)	787	–	1,630						
	Jayne Hrdlicka¹⁰	2011	306	–	24	330	31	–	–	361	–	–	–	361						
	Group Executive Strategy and Technology (1 Feb 11 – 30 Jun 11)	2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a						
Lyell Strambi	2011	865	–	119	984	40	7	664	1,695	(671)	232	–	1,256							
Group Executive Qantas Operations	2010	836	–	106	942	39	21	232	1,234	(253)	–	–	981							
Other Disclosed Executive	Rob Kella¹¹	2011	705	338	108	1,151	40	(75)	675	1,791	(600)	105	–	1,296						
	Qantas Chief Risk Officer	2010	686	–	141	827	39	17	375	1,258	(392)	784	–	1,650						
Total – Executives		2011	7,018	338	496	7,852	422	113	6,049	14,436	(6,162)	987	563	9,824						
		2010	5,649	–	305	5,954	398	173	2,387	8,912	(2,560)	3,135	48	9,535						

1. In 2009/2010 salary sacrifice components other than superannuation, such as motor vehicles were disclosed as Non-cash Benefits. In 2010/2011 these amounts are disclosed as Cash FAR with 2009/2010 restated. In 2009/2010 movements in the value of annual leave balances were disclosed in Cash FAR. In 2010/2011 these amounts are disclosed as Annual Leave Accrual with 2009/2010 restated.

2. Post-employment Benefits include superannuation and an accrual for post-employment travel of \$24,600 (2010: \$24,900).

3. A breakdown of Share-based Payments is provided on page 45.

4. Further details on other transactions with Key Management Personnel are set out in Note 31 to the Financial Statements.

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

6. Mr Joyce achieved 10 years of service with the Qantas Group during 2010/2011. As such, Mr Joyce became entitled to long service leave, the value of which is reported as vested long service leave. The accrual for this long service leave has been reported each year in statutory remuneration as an Other Long-Term Benefit.

7. Total Vested Remuneration is disclosed as supplemental information in order to report the vested remuneration received by the Executives. Total Vested Remuneration reverses the Share-based Payments expense calculated under Accounting Standards and recognises the value of shares which vested to the Executive valued at the seven day volume weighted average price on the date of vesting. In addition, the accounting accrual for long service leave is reversed and the value of vested long service leave is recognised.

8. 2009/2010 remuneration for Mr Evans reflects the period of time in a key management role – 15 June 2010 to 30 June 2010.

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

Directors' Report continued

for the year ended 30 June 2011

Remuneration Report (Audited) continued

10. Ms Hrdlicka was appointed to the role of Group Executive Strategy and Technology effective 1 February 2011 and her key contract terms are outlined on page 39.

11. The remuneration for Mr Kella is disclosed above as Mr Kella is among the five highest paid senior managers of Qantas. Mr Kella departed from the Qantas Group on 1 July 2011 as a mutually agreed termination. Mr Kella did not receive a termination payment, nor did he receive a payment in lieu of notice.

As a "good leaver", Mr Kella was entitled to participate in the 2010/2011 STIP which is disclosed in the remuneration tables as a Cash Incentive.

Mr Kella was entitled to good leaver treatment on restricted equity effective 1 July 2011. This involved the following:

- Releasing the restriction on 227,000 shares awarded under the 2009/2010 STIP
- Lapsing 34,667 Rights under the 2010-2012 LTIP with 69,333 Rights remaining on foot and subject to achievement of performance hurdles at the end of the three year performance period
- Lapsing 64,667 Rights under the 2011-2013 LTIP with 32,333 Rights remaining on foot and subject to achievement of performance hurdles at the end of the three year performance period

Mr Joyce's "at target" remuneration is \$6,180,000, comprising FAR of \$2,060,000, an "at target" STIP opportunity of \$2,472,000 (that is, 120% of FAR), and an "at target" LTIP opportunity of \$1,648,000 (that is, 80% of FAR). This pay level is set by the Board with reference to median "at target" pay for CEOs of companies in the S&P/ASX50.

Mr Joyce's reported pay in 2011 is \$5,008,000, which is 19% below his "at target" remuneration level.

It is \$2,084,000 or 71% higher than his reported pay in 2009/2010 (which itself was \$740,000 lower than his 2008/2009 reported pay).

The sizeable increase observable in his reported pay for 2010/2011 does not represent an increase in actual earnings for Mr Joyce during the year, but is a direct consequence of the Board's decision in 2009/2010 not to pay a cash bonus and to entirely defer Mr Joyce's STIP award into restricted shares.

Had a cash bonus been paid it would have had a smoothing effect on Mr Joyce's remuneration (increasing his reported pay in 2009/2010 and reducing his reported pay in 2010/2011).

Remuneration Mix

The target remuneration mix (refer to page 39) will not match the actual remuneration mix for 2010/2011, as:

- No cash-based incentives were paid in 2009/2010 or 2010/2011 for continuing Executives
- An increased level of share-based awards against the target mix reflecting the decision to award restricted shares instead of cash bonuses in both years
- Actual reward mix is calculated on an accrual basis in accordance with Accounting Standards, so each years' remuneration includes a portion of the value of share-based payments awarded in previous years

Actual Reward Mix		FAR & Other	Performance Related Remuneration		
			Cash-based	Equity-based	
			Cash Incentives	Share-based Awards	Rights Awards
Executive Director	Alan Joyce	46%	0%	43%	11%
	Bruce Buchanan	60%	0%	35%	5%
Key Management Personnel	Gareth Evans	70%	0%	25%	5%
	Rob Gurney	64%	0%	32%	4%
	Simon Hickey	62%	0%	33%	5%
	Jayne Hrdlicka	100%	0%	0%	0%
	Lyell Strambi	61%	0%	35%	4%
Other Disclosed Executive	Rob Kella	43%	19%	34%	4%

Directors' Report continued

for the year ended 30 June 2011

Remuneration Report (Audited) continued

5) NON-EXECUTIVE DIRECTOR FEES

Non-Executive Director fees are determined within an aggregate Non-Executive Directors' fee pool limit. An annual total fee pool of \$2.5 million (excluding industry standard travel entitlements received) was approved by shareholders at the 2004 AGM.

Total Non-Executive Directors' remuneration (excluding industry standard travel entitlements received) for the year ended 30 June 2011 was \$2.25 million (2010: \$2.16 million), which is within the approved annual fee pool.

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

	Board		Committees ¹	
	Chairman ²	Member	Chairman	Member
Board fees	\$560,000	\$140,000	\$56,000	\$28,000

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

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

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

Non-Executive Directors are paid a travel allowance when travelling on international flights of greater than six hours to attend Board and Committee Meetings.

All Non-Executive Directors and eligible beneficiaries receive travel entitlements. The Chairman is entitled to four international trips and 12 domestic trips each 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. The accounting value of the travel benefit is captured in the remuneration table (as a non-cash benefit for travel during the year and as a post-employment benefit).

Remuneration for the Year Ended 30 June 2011 – Non-Executive Directors

\$'000		Short-term Employee Benefits			Post-employment Benefits			Total ¹	
		Cash FAR	Non-cash Benefits	Total	Superannuation	Travel	Total		
	Leigh Clifford	2011	510	50	560	50	25	75	635
	Chairman	2010	494	42	536	50	25	75	611
	Peter Cosgrove^{2,3}	2011	181	41	222	15	12	27	249
	Non-Executive Director	2010	176	50	226	14	12	26	252
	Patricia Cross	2011	181	63	244	15	12	27	271
	Non-Executive Director	2010	176	107	283	14	12	26	309
	Richard Goodmanson	2011	256	42	298	–	12	12	310
	Non-Executive Director	2010	250	18	268	–	12	12	280
	Garry Hounsell	2011	209	73	282	15	12	27	309
	Non-Executive Director	2010	203	74	277	14	12	26	303
	Corrine Namblard⁴	2011	6	–	6	–	12	12	18
	Non-Executive Director	2010	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Paul Rayner	2011	163	45	208	33	12	45	253
	Non-Executive Director	2010	155	75	230	35	12	47	277
	John Schubert	2011	209	28	237	15	12	27	264
	Non-Executive Director	2010	203	25	228	14	12	26	254
	James Strong	2011	209	51	260	15	12	27	287
	Non-Executive Director	2010	193	12	205	14	12	26	231
	Barbara Ward	2011	181	37	218	15	12	27	245
	Non-Executive Director	2010	166	43	209	14	12	26	235
	Total – Non-Executive Directors	2011	2,105	430	2,535	173	133	306	2,841
		2010	2,016	446	2,462	169	121	290	2,752

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

2. 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 and Conditions. General Cosgrove participated in this plan from July 2008 to June 2011. The value of shares is included above as Cash FAR.

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

4. 2010/2011 remuneration reflects the period served by Ms Namblard as a Non-Executive Director (16 June 2011 to 30 June 2011).

Directors' Report continued

for the year ended 30 June 2011

Remuneration Report (Audited) continued

6) ADDITIONAL INFORMATION

This section provides additional information on the remuneration framework, as it applies to members of the Executive Committee and their remuneration in 2010/2011.

STIP – Additional Information

Example Performance Scorecard	Underlying PBT Target	<p>The underlying PBT target is based on the annual financial budget. However for reasons of commercial sensitivity the annual target is not disclosed.</p> <p>Underlying PBT is a non-statutory measure which is now being used by the Board of Directors and Executive Committee to assess and improve the performance of the Group.</p> <p>Underlying PBT makes it easier for the Group – and its shareholders – to identify how well the Group manages those business factors it controls by eliminating the difficulty statutory accounting treatments pose in recording one-off and high-change factors such as hedge volatility in currencies and fuel.</p>
	Unit Cost Reduction	<p>Unit cost remains an area of focus across the business and, as a result, scorecards include a unit cost reduction performance measure. The unit cost target is based on the annual financial budget.</p> <p>For example, 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.</p>
	Operational / Punctuality	<p>Punctuality is measured against on-time departures and arrivals targets.</p> <p>For Qantas Airlines' and Jetstar's Executives, the measure relevant to their business unit is used.</p> <p>For Corporate Executives a combined figure is used.</p>
	Customer Service	<p>Customer Service is measured against Net Promoter Score (NPS) targets.</p> <p>This is a survey based measure of the willingness of customers to promote services of the company (Qantas and Jetstar in this case) in preference to its direct competitors.</p> <p>The target involves a 10-point improvement on Qantas Airlines' and Jetstar's NPS result compared to the 2009/2010 result.</p>
	People / Safety	<p>The objective of the People/Safety target is to reduce Lost Time Injury and Serious Injury rates of our employees.</p> <p>The targets at a Group level involve reducing the Total Recorded Injury Frequency Rate by 18 per cent on the 2009/2010 result and also reducing the Lost Workday Case Frequency Rate by 18 per cent.</p>

Calculating a STIP Award

FAR	x	"At target" opportunity	x	Scorecard Result	x	Individual Performance Factor (IPF)
The individual Executive's FAR.		An individual's target reward under the STIP, expressed as a percentage of FAR.		Performance against the scorecard (expressed as a percentage).		At the end of the year, performance against KPIs is assessed and each Executive is assigned an IPF based on their performance. Across all STIP participants, IPFs average to 1.0.

Directors' Report continued

for the year ended 30 June 2011

Remuneration Report (Audited) continued

Other Benefits

Non-cash Benefits	Non-cash benefits, as disclosed in the remuneration tables, include travel entitlements while employed and other benefits.
Travel	<p>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.</p> <p>In addition to this and consistent with practice in the airline industry, Directors and Key Management Personnel and their specified direct family members or parties are entitled to a number of trips for personal purposes at no cost to the individual.</p> <p>Post-employment travel concessions are also available to all permanent Qantas employees who qualify through retirement or redundancy. The CEO and Key Management Personnel 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 and is disclosed as a post-employment benefit.</p>
Superannuation	Superannuation includes statutory and salary sacrifice superannuation contributions and the expense to the company of defined benefit superannuation entitlements. Superannuation is disclosed as a Post-employment Benefit.
Other Long-term Benefits	The accrual of long service leave is captured as "Other long-term Benefits".
Performance Share Plan – Discontinued	<p>The Performance Share Plan (PSP) was discontinued in 2009. It was a medium-term deferred share incentive plan that operated as follows:</p> <ul style="list-style-type: none"> – At the start of Year 1, the Qantas Board set performance targets for each Balanced Scorecard measure – 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 – Generally, any unvested deferred shares would be forfeited if the relevant Executive ceases employment with the Qantas Group <p>The grant date and number of deferred shares awarded to Key Management Personnel are outlined in Note 31 to the Financial Statements. The accounting expense relating to share grants is disclosed in the remuneration table on page 41.</p>

Share-based Payments

The following table provides a more detailed breakdown of the accounting expense of share-based payments to disclosed Executives.

			STIP	LTIP	PSP	RP ¹	TOTAL
	\$'000						
Executive Director	Alan Joyce	2011	2,049	542	125	–	2,716
		2010	–	275	428	261	964
Key Management Personnel	Bruce Buchanan	2011	455	69	37	–	561
		2010	–	103	122	–	225
	Gareth Evans	2011	313	69	20	–	402
		2010	–	3	4	–	7
	Rob Gurney	2011	418	57	25	–	500
		2010	–	89	95	–	184
	Simon Hickey	2011	427	66	38	–	531
		2010	–	115	149	136	400
	Jayne Hrdlicka	2011	–	–	–	–	–
		2010	n/a	n/a	n/a	n/a	n/a
Lyell Strambi ²	2011	532	74	58	–	664	
	2010	–	98	134	–	232	
Other Disclosed Executive	Rob Kella	2011	580	63	32	–	675
		2010	–	108	131	136	375
	Total	2011	4,774	940	335	–	6,049
		2010	–	791	1,063	533	2,387

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 involved achievement of personal KPIs, was a further requirement under this plan. The number of shares held by KMPs under the Retention Plan are outlined in Note 31 to the Financial Statements. No awards were made under the Retention Plan in 2009/2010 or 2010/2011.

2. A sign-on award of 75,000 shares was made to Mr Strambi on 4 March 2009. 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.

Directors' Report continued

for the year ended 30 June 2011

Remuneration Report (Audited) continued

Performance Related Remuneration

Performance Remuneration Affecting Future Periods

The fair value of share-based payments granted is amortised over the service period 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, assuming all performance conditions are met. The minimum value of these awards is nil, should performance conditions not be satisfied.

Executives	2012 \$'000	2013 \$'000	2014 \$'000
Alan Joyce	3,194	1,073	49
Bruce Buchanan	857	305	166
Gareth Evans	795	322	178
Rob Gurney	737	275	159
Simon Hickey	790	223	85
Jayne Hrdlicka	193	97	73
Lyell Strambi	894	319	176
Rob Kella	-	-	-

STIP Awards – Vesting and Forfeiture

2009/2010 STIP awards to participants are subject to a one-year restriction period for 50 per cent of any award, and a two-year restriction period for the remaining 50 per cent of the award.

No awards under the STIP vested during 2010/2011.

LTIP awards – Vesting and Forfeiture

Awards of Rights under the LTIP may vest and convert to Qantas shares subject to the achievement of long-term performance hurdles. Any Rights that do not achieve the performance hurdles will lapse.

In 2010/2011 there was nil vesting and nil forfeiture under the 2008 Performance Rights Plan (granted on 4 May 2009), the 2010–2012 LTIP (granted on 9 September 2009) and 2011–2013 LTIP (granted on 12 August 2010 and on 29 October 2010).

Number of Rights Awarded, Vested and Exercised in 2010/2011

	2011		
	Awarded ¹	Vested	Exercised ²
Alan Joyce	1,084,000	-	-
Bruce Buchanan	111,000	-	-
Gareth Evans	119,000	-	-
Rob Gurney	97,000	-	-
Simon Hickey	104,000	-	-
Jayne Hrdlicka	-	-	-
Lyell Strambi	119,000	-	-
Rob Kella	97,000	-	-

1. 647,000 Rights were granted on 12 August 2010 and 1,084,000 Rights were granted on 29 October 2010 with a nil exercise price. The weighted average fair value of the Rights award was \$1.56.

2. The number of Rights exercised represents the number of vested Rights called for by the Executive during the year.

Performance Share Plan (Discontinued) – Vesting and Forfeiture

PSP awards to participants are subject to a one-year minimum holding lock period for 50 per cent of any award and a two-year minimum holding lock for the remaining 50 per cent of the award.

Awards to participants under the 2009 Performance Share Plan (granted on 19 August 2009) had 50 per cent vesting during 2010/2011 and nil forfeiture.

Awards to participants under the 2008/2009 Performance Share Plan (granted on 4 March 2009) had 100% vesting and nil forfeiture during 2010/2011.

Qantas Code of Conduct & Ethics – Employee Share Trading Policy

Qantas Code of Conduct & Ethics – Employee Share Trading Policy prohibits all employees from dealing in Qantas securities while in possession of Material Non-Public Information.

The policy further prohibits Nominated Qantas Employees from dealing in securities of Qantas (or any Qantas Group listed entity) during defined blackout periods and requires written approval to deal in Qantas securities at other times.

These Nominated Qantas Employees are also prohibited from hedging or entering into any margin lending arrangement, or entering other encumbrances over the securities of Qantas (or any Qantas Group listed entity).

Directors' Report continued

for the year ended 30 June 2011

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 environmental sustainability with high standards for environmental performance. The Board places particular focus on the environmental aspects of its operations through the Safety, Health, 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 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, Company Secretary and Assistant Company Secretary of Qantas against any liability incurred by that person as an officer of Qantas.

The Directors listed on page 31, the Company Secretary and Assistant Company Secretary listed on page 32 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 Committee listed on page 14 and certain former members of the Executive Committee 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 2010/2011 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 2010/2011 financial year by KPMG as the external auditor were compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.
- b. Any non-audit services provided during the 2010/2011 financial year by KPMG as the external auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:
 - KPMG services have not involved partners or staff acting in a managerial or decision-making capacity within the Qantas Group or being involved in the processing or originating of transactions
 - KPMG non-audit services have only been provided where Qantas is satisfied that the related function or process will not have a material bearing on the audit procedures
 - KPMG partners and staff involved in the provision of non-audit services have not participated in associated approval or authorisation processes
 - A description of all non-audit services undertaken by KPMG and the related fees have been reported to the Board to ensure complete transparency in relation to the services provided
 - The declaration required by section 307C of the Corporations Act 2001 confirming independence has been received from KPMG

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

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.

Directors' Report continued

for the year ended 30 June 2011



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 2011, there have been:

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

KPMG
Sydney
5 September 2011

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. 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
5 September 2011

Alan Joyce
Chief Executive Officer
5 September 2011