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QANTAS GROUP 2023 ANNUAL GENERAL MEETING

REMARKS FROM CHAIRMAN RICHARD GOYDER

3 November 2023

Good morning.

Our AGM is in a different capital city every year and we're pleased to be back in Melbourne.

We have a full agenda and I know many of you will have questions for the Board, but I want to start by speaking plainly about the recent past, before I hand over to Vanessa to talk about the future.

LOSS OF TRUST

Looking back at my comments at last year's AGM, I acknowledged that our post-COVID return to flying was a lot more challenging than expected, and that we had let customers down.

At that time, our team was working hard to fix the fundamentals – like punctuality and cancellations – which have now materially improved.

And our safety performance – which comes above all else – remains strong.

But it's clear there has been a substantial loss of trust in the national carrier.

And we understand why.

There are things we got wrong.

Things we should have handled better.

Things we should have fixed, faster.

And for all of those, we apologise.

We also acknowledge the impact of the ACCC's allegations and a High Court decision on the ground handling matter, which landed within two weeks of each other.

They are serious issues in their own right and I'll address both later in the meeting.

As part of learning from everything that has happened, the Board has commenced a process of independently reviewing key governance matters over the past 12 months and will share outcomes by the middle of next year.

While there is important context for each issue, we know that leadership renewal is an important part of restoring confidence.

RENEWAL

That renewal started in September, with Vanessa Hudson taking over as Group CEO.

It's fair to say Vanessa hit the ground running, and with her new leadership team is working hard on delivering material improvements for our customers and our people – which she'll talk about shortly.

At the Board level, Michael L'Estrange announced his retirement at this AGM, last May.

Maxine Brenner and Jacquie Hey have announced their intention to step down at our half year results in February next year to facilitate more renewal.

On behalf of the Board, I'd like to sincerely thank Michael for his years of service to the Board, and given this is their last AGM, extend that to Maxine and Jacquie for their years as directors. Their professionalism and diligence throughout that time – including through the existential crisis Qantas faced during COVID – was invaluable.

I also want to acknowledge the contribution made by Alan Joyce. Alan was the founding CEO of Jetstar for five years before becoming CEO of the Group for 15 years. He guided this company through some of its biggest challenges, which meant making some tough decisions.

He also championed more direct flights including Project Sunrise and was instrumental in striking the deal with Emirates. These things are all key to the company's long-term success.

Indeed, it is easy to forget the challenges Qantas faced in surviving through the pandemic, effectively closing down and re-starting an airline, safely, and ensuring we had a future.

Tough and difficult decisions were made through that period, and as we have said many times, we didn't get them all right. The Board and Executive at all times were focussed on doing all we could to remain afloat, recover quickly when borders opened, while never compromising on safety.

Last month, I announced my plans to retire as Chairman before the next AGM. Between now and then, my focus will be supporting Vanessa and her team any way I can, working with my fellow directors on the board renewal process, and doing all we can to strengthen Qantas.

That process is already underway. Today, we have two new directors, plus Vanessa as Managing Director, offered for election. Doug Parker and Dr Heather Smith bring a wealth of experience in aviation and public policy that will be invaluable in tackling the challenges and opportunities ahead.

Two directors – Todd Sampson and Belinda Hutchinson – are standing for re-election. As well as their individual abilities, retaining these directors together with Tony Tyler is an important part of balancing renewal with continuity.

SHAREHOLDER FEEDBACK

In the leadup to this AGM, I've spoken directly with many of our shareholders.

We've also seen the votes cast in advance of today's meeting, as well as recommendations from proxy advisers. It's clear that there will be an overwhelming vote against our remuneration report, which is almost a complete reversal of the 90-plus per cent support in recent years.

Jacquie will take you through the remuneration report in some detail to explain the steps we've taken and why.

But please know this: we hear the message this strong vote sends, particularly in response to broader frustration with past events, and it galvanises our efforts to restore your confidence.

LOOKING AHEAD

While Board and Management will continue to reflect, I'm also struck by something the head of one pilot union said recently: aircraft don't have rear-view mirrors, just two big windows facing straight ahead.

We have some big challenges in front us, but we're in a strong position to meet them.

And to make the most of opportunities on the horizon.

Travel demand continues to be strong.

Our balance sheet is in excellent condition – arguably the best since privatisation.

Our fleet renewal is underway, with new aircraft that will help us meet our sustainability targets and open up more network options.

And we are investing in people – with more training, more jobs and more promotions.

On behalf of the Board, I'd like to thank all 25,000 of our people for their incredible passion and commitment to the Group. We see that behind the scenes – whether it's engineering or our operations centre – and our customers see it at airports and on board every day.

Thank you.

QUESTIONS RECEIVED IN ADVANCE

We've had a number of questions about remuneration – about the decisions we've made relating to our executive team, as well as how we're rewarding our frontline employees who have been the face of the airline through this challenging period.

Jacquie will speak to the specific components of executive pay when she presents the remuneration report later in the meeting, but I think it's appropriate for me to address some aspects upfront.

As you have seen in the FY23 remuneration report, the Board made a number of decisions on executive pay to drive accountability for the customer and reputational issues that have arisen.

Customer metrics account for 20 per cent of our annual incentive program – known as the Short-Term Incentive Program or STIP. For FY23, on-time performance was the only customer metric that was achieved.

In light of the cumulative customer issues, the Board made three decisions in relation to executives' annual incentive:

- First, the Board exercised its discretion to zero out the customer component of the scorecard for executive management.
- We then cut a further 20 per cent of the STIP bonus for executive management.
- And we delayed payment of any of the remaining STIP until there is more certainty around the ACCC proceedings and Ground Handling compensation matter.

As I said at last year's AGM, we wanted to recognise the incredible job of our non-executive staff to bring us through COVID. The people who serve you on board, who fly the aircraft, who help at the airport and work behind the scenes in hangars and operational centres.

While it's clear that our recovery fell short in terms of meeting our customer outcomes, I'm pleased to say that the achievement of our three-year recovery plan meant we were able to reward our people for their incredible contribution.

In fact, many of our employees are now shareholders in Qantas for the first time as a result of our Reward and Recognition Program, which provided up to 1,000 Qantas shares to over 20,000 employees.

Combined with the $5,000 Recovery Boost, which nearly 15,000 agreement-covered employees have already received, that meant we delivered our largest non-executive bonus scheme in FY23.

Returning to profit meant we were able to return to improve the annual pay increases we offer our people, delivering $120 million in wage increases in FY23 as part of our $4 billion annual payroll.

Qantas continues to have a very strong employee value proposition, and that's reflected in the demand for our roles. Last financial year, we received over 170,000 applications for nearly 7,200 roles across the Group, with cabin crew a major driver of that.

The investment we're making to renew our fleet, to improve our customer products and services, and in areas like sustainability now that we're growing again is creating thousands of new jobs as well as exciting opportunities for promotion for our people.

The second issue that I'd like to address up front relates to the recent High Court outcome on our decision to outsource the last 10 ports of our network where we still did our own ground handling.

This decision was made in November 2020, when borders were closed, lockdowns were in place and no COVID vaccine existed. The likelihood of a years' long crisis led Qantas to restructure its business to improve its ability to survive and ultimately recover.

Both the Federal and High Courts found that Qantas had legitimate and legal reasons to make this decision. But they were not satisfied there weren't other motives that would constitute adverse action against the industrial rights of employees.

As we've said from the beginning, we regret that we needed to make that decision and we deeply regret the personal impact it had on all of those affected.

We're now working through a process with the Federal Court and the Transport Workers' Union to compensate the 1,700 employees who were retrenched.

Vanessa is personally leading that process and will meet with the TWU this month.

Our aim is to move as quickly as we can to resolve this issue fairly, and bring closure for the former employees involved.

On another legal matter, we've had questions regarding the recent ACCC allegations that we misled customers in relation to cancelled flights during the difficult return to flying post-COVID in early 2022.

We understand the concern these claims have generated from shareholders and the community more broadly.

Let me start by saying we take our obligations under consumer law very seriously.

The challenges of the return to flying post-COVID – for Qantas and for the industry as a whole – are well known. While our safety performance was strong, we made many mistakes that impacted our people and our customers, and we apologise for that.

We recently lodged our defence in this case and issued a detailed statement to explain our position. I would encourage you to read that, but let me share a few key points.

Fundamentally, staffing and supply chain issues in the first half of 2022, exacerbated by the impact of Omicron, meant we just didn't have the resourcing we thought we would have to operate our schedule.

We made large cuts to our flying to stabilise our operations, which resulted in thousands of cancelled flights.

We acknowledge that there were some delays in communicating with our customers. This wasn't done for commercial gain but to give us time to find alternative flights for our passengers – either on Qantas or other carriers. We would much rather tell people that their flight has been cancelled at the same time as letting them know their alternative options.

The result of these efforts is shown in the examples highlighted in the ACCC's media release on the commencement of the proceedings:

- 100 per cent of impacted domestic passengers were offered same-day flights departing prior to or within one hour after their scheduled departure time.
- 98 per cent of impacted international passengers were offered re-accommodation options on flights within a day of their scheduled departure date.
- In most cases, customers were rebooked on these alternative flights weeks or months ahead of when they were actually due to travel, allowing them to plan.

We have learned from this experience and cancelled flights are currently immediately removed from sale manually while we work on an IT solution to automate this process. But that does not mean that Qantas' practices during the return to flying post-COVID breached the law.

This matter remains before the courts and we will provide updates when we can.

The final theme from submitted questions that I'll address upfront relates to the fall in the share price over recent months. We've had a number of questions asking what we're doing about the decline in shareholder value reflected in the lower share price.

We acknowledge the substantial fall in the Qantas share price since July – albeit we've seen an uptick this week.

It's important to also look at the global context and some of the factors that have been weighing on our stock.

Globally, airlines shares have fallen between 20 and 30 per cent over recent months as oil prices have risen to recent highs.

Acknowledging the importance of affordable travel in an environment where fares are already elevated, we made the decision to absorb most of the cost from higher fuel prices in the first half, which is likely to total up to $250 million.

However, with sustained high fuel prices and a weaker Australian dollar, last month we increased fares by an average of 3.5 per cent to recover some of this higher cost.

We firmly believe in the fundamentals of this business as we outlined at our investor day in May.

This includes strong dual brands in the domestic market, a transformed international business with incremental earnings from Project Sunrise and an ambitious growth plan in our Qantas Loyalty business.

The balance sheet is in a strong position and we have approximately $10 billion in liquidity sources. We continue to return funds to shareholders with our buyback over 40 per cent complete.

We know we have work to do to as we restore trust with customers and investors, and progress through the resolution of the ACCC allegations and compensation for the ground handling outsourcing.

I'm very confident that Vanessa and her new management team are focused on delivering for all stakeholders, including shareholders, and the fundamentals of this business will be better reflected in the share price.

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Authorised for release by the Qantas Board of Directors.