



# Corporate Governance Statement

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**Qube Holdings Limited**

**ACN 149 723 053**

For the year ended: **30 June 2020**

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# Corporate Governance Statement

This Corporate Governance statement outlines the key aspects of the corporate governance framework of Qube Holdings Limited (**Qube**). The Qube board of Directors (**Board**) is committed to high standards in corporate governance and believes that good governance plays a major role in Qube's success. For the 12-month reporting period to 30 June 2020 (**Reporting Period**), Qube's governance practices comply with the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council 3<sup>rd</sup> Edition (**Principles** or **Recommendations** as the context requires).

Listed below are matters required to be disclosed by the Recommendations.

This Corporate Governance Statement reflects the position in relation to corporate governance matters during and as at the end of the Reporting Period and has been approved by the Qube Board. Information about the governance framework, the policies and charters referred to in this statement can be found on Qube's website at [www.qube.com.au/about/corporate-governance](http://www.qube.com.au/about/corporate-governance).

## 1. Principle 1 – Lay solid foundations for management and oversight

- 1.1. The Board is responsible to shareholders for the long-term performance of Qube and for overseeing the implementation of high standards of corporate governance with respect to Qube's affairs.
- 1.2. The Board seeks to serve the interests of Qube's shareholders, as well as other key stakeholders including Qube employees, customers, the community in general and the particular communities in which Qube operates. Qube's approach is to build sustainable value over time for Qube and its stakeholders.
- 1.3. To assist the Board in discharging its responsibilities, Qube has adopted a governance framework which provides for the delegation of functions to Board Committees and senior management under the leadership of the Managing Director. Whilst ultimate accountability rests with the Board, the framework ensures that functions are carried out by the most appropriate person or group and that a tiered system of responsibility and accountability exists throughout Qube.
- 1.4. The Board operates under a formal Charter which is available on Qube's website. The Charter sets out the Board's role, responsibilities and key matters reserved to it for consideration and decision-making. In summary, the Board is responsible for:
  - a. *Strategy* – approving, directing, monitoring and assessing Qube's performance against strategic and business plans as well as approving and monitoring capital management including major capital expenditure, acquisitions and divestments.
  - b. *Risk Management* – ensuring a risk management framework is in place under which processes are articulated and followed to identify the principal risks of Qube's business and assessing the integrity of Qube's systems of risk management.
  - c. *Reporting and Disclosure* – satisfying itself that appropriate frameworks are in place for relevant information to be reported by management to the Board so that it can fulfil its responsibility of approving and monitoring financial and other reporting requirements. These include reporting to shareholders and other stakeholders and establishing procedures to ensure compliance with Qube's continuous disclosure obligations.
  - d. *Management and Performance* – approving criteria for assessing, monitoring and evaluating the performance of the Managing Director and senior executives, as well as undertaking an annual performance review of the effectiveness of the Board and its Committees.
  - e. *Corporate Governance* – establishing and monitoring Qube's compliance with corporate governance standards including by setting Qube's values and overseeing management's inculcation of those values across the organisation to build a culture that fosters and encourages ethical behaviour.

### Chairman

- 1.5. The Chairman is elected from the independent non-executive Directors. The responsibilities of the Chairman are set out in the Board Charter.
- 1.6. Mr Allan Davies has been Chairman since his appointment on 23 June 2017. Further information on Mr Davies is set out in the Directors' Report contained within the Annual Report.

### Company Secretary

- 1.7. Qube's Company Secretaries are directly accountable to the Board and assist it with corporate governance matters, adherence to Board policies and procedures and meeting Qube's regulatory compliance obligations. The Company Secretaries report through the Chairman directly to the Board on all matters to do with the proper functioning of the Board. All Directors have access to the Company Secretaries who may retain professional advisers at the Board's request. Further information on the role of the Company Secretaries is contained in the Board Charter.

### Board Committees

- 1.8. The Board has established three standing Board Committees to assist with the effective discharge of its duties, as follows:
  - a. Audit and Risk Management Committee.
  - b. Nomination and Remuneration Committee.
  - c. Safety, Health and Sustainability Committee.
- 1.9. All three Committees have at least three members. Each Committee operates under a specific Charter approved by the Board. The Board regularly reviews the appropriateness of the existing committee structure, as well as the membership and Charter of each Committee.
- 1.10. Qube's current Board and Committee Charters are available on Qube's website at: <http://www.qube.com.au/about/corporate-governance>. Further details regarding the Committees are set out in the table below.

Committee	Members and Composition	Role
<b>Audit and Risk Management Committee</b>	<p>The members of the Committee are:</p> <ul style="list-style-type: none"><li>▪ Sam Kaplan (Chair)</li><li>▪ Alan Miles</li><li>▪ Sue Palmer</li></ul> <p>The Chair and all of the members of the Committee are independent non-executive Directors. The Chairman of the Board, while not a member, attends all Committee meetings.</p>	<p>The primary responsibility of the Committee is to review the integrity of Qube's financial reporting process and to report the results of its activities to the Board.</p> <p>Other responsibilities of the Committee include:</p> <ul style="list-style-type: none"><li>▪ assessing internal controls;</li><li>▪ reviewing compliance with legal and regulatory obligations;</li><li>▪ assessing the integrity of the financial reporting process;</li><li>▪ overseeing the relationship with, and the independence of, the external auditor;</li><li>▪ advising on the provision of non-audit services by the external auditor;</li></ul>

		<ul style="list-style-type: none"> <li>▪ overseeing the relationship with, and provision of internal audit services by, the internal auditor;</li> <li>▪ reviewing Qube's enterprise-wide risk management framework and reporting;</li> <li>▪ overseeing operation of Qube's compliance systems and Qube's corporate governance processes; and</li> <li>▪ consulting with, and as appropriate referring to, the Safety, Health and Sustainability Committee and the Nomination and Remuneration Committee matters that may be within the areas of responsibility of those Committee under their Charters.</li> </ul>
<p><b>Nomination and Remuneration Committee</b></p>	<p>The members of the Committee are:</p> <ul style="list-style-type: none"> <li>▪ Peter Dexter – Chair</li> <li>▪ Allan Davies</li> <li>▪ Ross Burney</li> </ul> <p>The Committee is chaired by an independent non-executive Director and consists of independent non-executive Directors.</p>	<p>The responsibilities of the Committee include:</p> <ul style="list-style-type: none"> <li>▪ overseeing the remuneration of non-executive Directors;</li> <li>▪ ensuring Qube's remuneration framework, policies and practices are aligned with Qube's purpose, values, strategic objectives and risk appetite as set by the Board;</li> <li>▪ reviewing and making recommendations to the Board on Qube's remuneration policies, framework and practices, including senior executive remuneration and long-term incentive (LTI) and short term incentive (STI) plans, to ensure they are aligned with the strategic objectives of the Board;</li> <li>▪ making recommendations to the Board in relation to the setting of awards under, and operation of, equity-based incentive plans and other employee benefit programs;</li> <li>▪ setting performance-based measures for senior executives (other than the Managing Director), determining performance outcomes and approving awards under the STI Plan for the Key Management Personnel (the Chair of the Committee approves awards under the STI plan for other senior executives reporting directly to the Managing Director);</li> <li>▪ overseeing the performance evaluation of senior executives including the Managing Director;</li> <li>▪ reviewing Qube's recruitment, retention and termination policies and fringe benefits;</li> <li>▪ reviewing the size, composition and necessary competencies of the Board and making recommendations to the Board on the appointment and removal of Directors;</li> <li>▪ overseeing, and considering diversity in the context of Director and senior executive</li> </ul>

		<p>succession planning and broader initiatives to increase diversity across Qube's workforce; and</p> <ul style="list-style-type: none"> <li>▪ establishing guidelines for the selection and appointment of new Directors, including strategies to promote diversity in the Board's composition.</li> <li>▪ consulting with, and as appropriate referring to, the Audit and Risk Management Committee and the Safety, Health and Sustainability Committee matters that may be within the areas of responsibility of those Committees under their Charters.</li> </ul>
<p><b>Safety, Health and Sustainability Committee</b></p>	<p>The members of the Committee are:</p> <ul style="list-style-type: none"> <li>▪ Alan Miles (Chair)</li> <li>▪ Peter Dexter</li> <li>▪ Stephen Mann</li> <li>▪ Maurice James</li> </ul> <p>The Committee consists of a majority of independent non-executive Directors and is chaired by an independent non-executive Director. The Chairman of the Board, while not a member, attends all Committee meetings.</p>	<p>The responsibilities of the Committee include assisting the Board in fulfilling its strategy, policy, monitoring and corporate governance responsibilities in regard to:</p> <ul style="list-style-type: none"> <li>▪ work health and safety (<b>WHS</b>); and</li> <li>▪ environmental, social and governance (<b>ESG</b> or <b>Sustainability</b>) matters,</li> </ul> <p>(together or separately, Safety, Health and Sustainability or <b>SHS</b>); and</p> <ul style="list-style-type: none"> <li>▪ operational matters as they relate to SHS.</li> </ul> <p>These matters include:</p> <ul style="list-style-type: none"> <li>▪ reviewing the strategies, systems, policies and processes established by Qube management to: <ul style="list-style-type: none"> <li>○ manage the environmental performance of Qube and its subsidiaries;</li> <li>○ monitor the adequacy of safety, health and environment systems for the reporting of actual or potential incidents and breaches;</li> <li>○ monitor subsequent investigations and remedial actions; and</li> <li>○ protect Qube's reputation;</li> </ul> </li> <li>▪ overseeing management's implementation, monitoring and reporting of sustainable and ethical business practices of the Qube group and its suppliers;</li> <li>▪ ensuring compliance with legal and regulatory obligations;</li> <li>▪ reviewing Qube's enterprise-wide risk management framework and reporting as related to SHS matters; and</li> <li>▪ consulting with, and as appropriate referring to, the Audit and Risk Management Committee and the Nomination and Remuneration C matters that</li> </ul>

		may be within the areas of responsibility of those Committees under their Charters.
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- 1.13. Senior members of management attend Board and Committee meetings. Other senior management personnel attend meetings as required or invited to report on matters relevant to their areas of responsibility. On a standing basis the following senior management personnel attended the following meetings during the Reporting Period:
- a. *Board* – General Counsel & Company Secretary, Chief Financial Officer, Chief Operating Officer, Director Infrastructure & Property, Director – Corporate Affairs.
  - b. *Safety, Health & Sustainability Committee* - General Manager - Health, Safety & Environment, General Counsel & Company Secretary, Chief Operating Officer, Director Infrastructure & Property.
  - c. *Audit & Risk Management Committee* – Managing Director, Chief Financial Officer, General Counsel & Company Secretary, Chief Operating Officer, Chief Information Officer and General Manager – Finance & Treasury.
  - d. *Nomination & Remuneration Committee* – Managing Director, Chief Financial Officer, Chief Operating Officer and General Counsel & Company Secretary.

*Appointment of Directors*

- 1.14. When appointing new Directors, the Board and the Nomination and Remuneration Committee ensure that an appropriate balance of skills, experience, expertise and diversity is maintained.
- 1.15. The importance of diversity and its promotion from the top down is recognised by the Committee and the Board. As part of this commitment to diversity, in respect of gender diversity in Board composition, towards the end of the Reporting Period, Qube set a measurable objective of having a gender balance on the Board of 40:40:20 (i.e. at least 40% of its Directors from each gender) within five years commencing from 1 July 2020.
- 1.16. In considering the selection, appointment and re-election of Directors, the Nomination and Remuneration Committee will consider this measurable objective in developing and maintaining a Board with a mix of skills, experience and diversity of backgrounds suitable for Qube’s current and anticipated future operations. External consultants are engaged to assist with the selection process as necessary.
- 1.17. The Nomination and Remuneration Committee assesses candidates against a range of criteria developed for the role and in doing so considers their background, experience, personal qualities and professional skills. Once a shortlist of suitable candidates is identified, the Committee undertakes interviews of, and background checks into, prospective candidates. These checks include but are not limited to solvency, criminal record and reference checks. Following this assessment, the Committee provides its recommendation of the preferred candidate(s) to the full Board to consider prior to making a determination on the appointment. Each Board member is given the opportunity to meet with the proposed appointee. Key senior management personnel also have the opportunity to meet with the proposed appointee.
- 1.18. Qube announces and provides background and experience on, the appointment of a new Director. New Directors receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment, including as to the time commitment required of Directors to properly perform their role. Towards the end of the Reporting Period, Qube’s Letter of Appointment template was updated to require that Directors notify Qube and obtain the Board Chairman’s approval before accepting any new role, commitment or interest that could impact upon the time commitment expected of the Director in their role for Qube.
- 1.19. The Board provides information in the notice of annual general meeting on all Directors standing for election or re-election at the meeting. For all candidates standing for election for the first time, Qube will include confirmation that it has conducted appropriate checks into the candidate’s background and experience, relevant information if those checks revealed any

concerns and, in its statement as to whether the Board supports the election, a summary of the reasons for its view.

- 1.20. In August 2017, the Board instituted a guideline which sets out Qube's expectation that non-executive Directors, appointed after introduction of the guideline, should accumulate Qube shares equivalent to one-year's worth of a non-executive Director's fee within three years after the date of their appointment.

#### *Agreements with Directors*

- 1.21. Non-executive Directors are advised of the Board's Charter (see clause 2.13 on Director induction) and the terms, conditions and responsibilities of their role in formal letters of appointment.

#### *Management delegation and responsibility*

- 1.22. The Board has delegated the day-to-day management of Qube's business to the Managing Director and management. The Managing Director and management regularly report to the Board to enable the Directors to discharge their duties. In addition, reports from each Qube Committee and each division as well as from senior management are provided as part of the papers for each meeting of the Board. During the Reporting Period, IT and cyber security reports and risk analysis summaries were made standing agenda items at all Board meetings.
- 1.20. Qube's Chief Operating Officer (**COO**) drives synergies and consistent business practices, as well as acting as a conduit between Qube's commercial managers to senior corporate management and the Managing Director. One of the COO's key tasks has been supervision of the continued integration of Qube's two principal operating businesses (Logistics and Ports & Bulk) into one 'Operating Division' to achieve cost savings, operational benefits and reflect how the business is being managed and reported internally. During the Reporting Period, a particular focus was on the continuing integration of IT architecture to transition group businesses onto the main Qube network as part of the OneQube IT strategy.
- 1.21. To ensure appropriate oversight of the senior executive team, Qube has adopted a range of mechanisms which reinforces the accountability of the senior executive team for functions delegated to them and ensures their performance is assessed accordingly. As advised by the Nomination & Remuneration Committee, the Board is responsible for setting the major goals and objectives of the Managing Director for the year ahead. The Chairman of the Board conducts the Managing Director's performance review and shares the outcome with the Board.

#### *Board and Committee performance evaluation*

- 1.22. The Board has adopted a policy establishing a performance evaluation process for the Board and its Committees. The performance of the Board, its Committees and the Directors are reviewed annually.
- 1.23. Additionally, as part of this review, the Chairman may decide to meet with the Board as a whole and with each Director individually to discuss the effectiveness of the Board and each of the Committees.
- 1.24. Such reviews may also be conducted by an external consultant. Whether or not an external consultant has been engaged to assist with the review, the Board will consider the results of the review and, where desirable, take steps to implement any recommendations for improving Board and Committee performance.
- 1.25. Comprehensive internal performance evaluations of the Board, the Committees and Directors in respect of the Reporting Period were undertaken during the Reporting Period. Management also contributed its feedback on the functioning of the Board and Committees.

#### *Management performance evaluation*

- 1.26. A comprehensive process for the evaluation of the performance of senior executives is also conducted on an annual basis. Performance evaluations for all senior executives were undertaken during the Reporting Period.



- 1.27. As part of the review process, the Managing Director considers and disseminates internal feedback, the individual's performance against requisite standards and actively monitors their contribution to all aspects of Qube's performance and culture. The results of these reviews are used by the Nomination and Remuneration Committee in determining future remuneration.

#### *Diversity*

- 1.28. Diversity is the variety of differences in people who make up Qube's workforce. Diversity recognises and values the contribution of people with differences in capabilities, experience and perspectives. Diversity encompasses life, work and educational experience, work status, language, sexual preference, gender, national extraction, physical or mental disability, marital status, personality profile, age, carer's responsibilities, ethnicity, religious, and cultural and socio-economic backgrounds.
- 1.29. Qube believes that a talented and diverse workforce is a key driver of competitiveness and Qube's success is a reflection of the quality and skills of its people. Qube is committed to providing equal employment opportunities and to fostering an environment which attracts, welcomes and retains a diverse and talented workforce, treating every person equitably with respect, dignity and fairness.

#### *Diversity strategy and objectives*

- 1.31. Qube's Diversity Policy was revised during the Reporting Period to emphasise the benefits of diversity, in particular noting the approved Board gender diversity target and focusing on increasing female participation in its workforce, particularly at the recruitment phase.
- 1.32. Consistent with the Diversity Policy, during the Reporting Period the Nomination and Remuneration Committee reviewed previously established measurable objectives and Qube's progress in achieving them in order to ensure continuing implementation of equal opportunity and non-discriminatory practices.
- 1.33. The objectives are designed to achieve the following outcomes:
- a. attracting and retaining well qualified employees, senior management and Board members from a deep talent pool;
  - b. eliminating artificial, unfair and inappropriate barriers to workplace and Board participation and facilitating equal employment opportunities based on merit, performance and potential;
  - c. taking action against inappropriate workplace behaviours including discrimination and harassment;
  - d. providing the opportunity for workplace flexibility when meeting business requirements; and
  - e. creating an inclusive workplace culture, recognising that people are different and valuing those differences.
- 1.34. Qube deploys a range of strategies and initiatives aimed at meeting these objectives.

#### Strategies and initiatives

- a. Ensuring the Diversity Policy is regularly reviewed and updated.
  - b. Assigning management responsibility for the Diversity Policy and its administration.
  - c. Designing occupational and professional recruitment and development practices that implement the policy objectives.
  - d. Designing and implementing employee experience strategies to engage with employees to improve offerings and initiatives and support services.
- 1.35. These strategies and initiatives are implemented at all levels of the organisation, as follows:

#### Board/Committee level

- a. Review of Board/Committee Charters to consider whether amendments are required to promote diversity i.e. broad range of skills, expertise and experience and equal opportunity through diverse candidate pools.
- b. Annually reviewing and evaluating the requirements of the Board and its Committees.

#### Executive/management

- a. Reviews of divisional Human Resources policies occur regularly to ensure Qube's policies and procedures are in compliance with equal employment opportunity legislation, reflect modern employment practices and remove potential impediments.
- b. During the Reporting Period, Qube continued to develop and implement business measures and workplace arrangements to promote and support diversity strategies aimed at eliminating barriers to employment entry and progression into management positions.
- c. During the Reporting Period, the business continued to develop its talent sourcing system through professional media platforms. These have enabled a broadening of Qube's reach and engagement with prospective employees with the aim of reaching broad groups of people. From this deep talent pool, candidates can be selected based on skill, merit and capability while ensuring that selection criteria do not indirectly disadvantage people from certain groups.

#### Workforce

- 1.36. Employee experience initiatives during the Reporting Period included:
- a. introducing employee surveys as a method of collecting feedback to improve initiatives, offerings and general policy review with a focus on expanding employees quarterly to engage with employees;
  - b. investigating employee appetite for work/life programs;
  - c. providing working parent/family information and support for first-time parents and those returning from parental leave;
  - d. exploring flexible work opportunities available across the business and seeking to understand employee experience in respect to work/life balance and flexibility overall; and
  - e. improving awareness of the importance of inclusion in the workplace.

#### *Gender diversity*

- 1.37. The Nomination and & Remuneration Committee is focused on ensuring there are no barriers for women in operational roles, as well as senior management roles and the Board. As noted above, in respect of gender diversity in Board composition, Qube has set a measurable objective of having a gender balance on the Qube Board of 40:40:20 within five years commencing from 1 July 2020.
- 1.38. Qube is working actively to address diversity and inclusion across our workforce. Efforts are ongoing to ensure that women, people from diverse cultural backgrounds and other groups have equal access to opportunities to reach their full potential at Qube. These efforts include the following initiatives.
- 1.39. Recruitment - During the Reporting Period, Qube built on the work undertaken during the previous reporting period in relation to recruitment. This work included:
- a. establishing inclusive recruitment and selection practices and providing training and awareness to hiring managers;

- b. considering strategies to increase diversity at the recruitment phase by trialling where practicable having a minimum of one female on hiring panels;
  - c. engaging with Qube's labour hire suppliers to ensure they are taking steps to increase diversity within their talent pool and presenting candidates of different backgrounds and genders; and
  - d. continuing to expand the variety of recruitment channels to source the most diverse pool of applicants. Qube is continuing to partner as an endorsed employer with Work180 (<https://au.work180.co/>) which is an organisation that advocates for working women. Work180 provides job applicants with a transparent Directory of endorsed employers who support diversity, inclusion and equality.. During the period, Qube continued to build awareness of this partnership through social media campaigns.
- 1.40. Education, Training - Qube is continuing to develop training initiatives to proactively source a diverse employment pipeline through the following:
- a. During the Reporting Period, Qube commenced development of a cadetship program and plans to launch it during the next reporting period subject to any delays due to ongoing impacts of COVID-19.
  - b. Rolling out mandatory unconscious bias awareness training to managers across all Qube divisions delivered through Qube's online training system.
- 1.41. During the Reporting Period, Qube worked to increase awareness of diversity through celebrating International Women's Day both internally and externally through our media channels.
- 1.42. Qube also continued its sponsorship of the Wayfinder program. This program improves community understanding about supply chain and logistics for women's and girls' careers. Developed by the Centre for Supply Chain and Logistics at Deakin University in partnership with industry sponsors, Wayfinder is an initiative designed to create a new talent pipeline for Australia's supply chain and logistics sector. It is focused on raising community awareness about supply chain and logistics, increasing understanding about the industry and its significance to Australia's economic future, and showcasing to women and girls the careers available to them.
- 1.43. During the Reporting Period, Qube partnered with Deakin University and Food Innovation Australia Ltd (FIAL) on research project. The Research program will focus on researching and continuously evaluating and designing activities to facilitate the transition of women into supply chain and logistics careers whilst helping industry to understand how to recruit and retain women.

#### *WGEA Reporting*

- 1.44. The proportion of men and women at various levels in the business is disclosed in the Company's 2020 Workplace Gender Equality Act (WGEA) Report available on Qube's website at: [www.qube.com.au/investors/reports-and-presentations](http://www.qube.com.au/investors/reports-and-presentations). The report notes that:
- a. The proportion of women overall increased during the WGEA reporting period (1 April 2019 to 31 March 2020) from 9.6% in the prior reporting period to 10.3%. Women occupy 7.8% of managerial roles, 38% of professional and 53% of clerical and administrative roles.
  - b. While women are employed mostly in professional administrative roles, there is a significant number of women in management positions. With 7.8% of managerial positions being held by women at the end of the WGEA reporting period, specifically 30 women were employed in manager level positions. 8% of all manager promotions, and 12.1% of all appointments to manager roles (including promotions) were awarded to women during the reporting period;
  - c. A small proportion of the workforce is made up of part-time workers, being 0.97% of the total workforce. Of these, 39 employees were women, making up a higher proportion, 81%, of the part-time workforce compared to full-time employees.

- d. Overall, there was an increase in the proportion of women resigning their employment (including casual employees) from 6.5% in the prior reporting period to 11.9% in the current reporting period. Reasons for the increase in female resignations are to be investigated.

#### *Indigenous participation*

- 1.45. Qube demonstrates its commitment to indigenous participation in the logistics and supply chain sector in part through its ongoing relationship with the Clontarf Foundation. The Foundation has set up academies throughout Australia aimed improving the education, discipline, life skills, self-esteem and employment opportunities for young aboriginal men. Qube engages with organisations such as Clontarf to ensure that all employment opportunities are circulated through employment officers and indigenous networks and proactively supports its commitment to provide training and employment opportunities for indigenous people in both metropolitan and regional locations.

#### *Social Performance*

- 1.46. Qube has an open and constructive approach to community engagement and investment. Our economic and social contribution is critical to maintaining Qube's social licence to operate and ensuring that communities see lasting benefits from Qube's operations.
- 1.47. Ongoing engagement with communities in the areas which we operate, by continuing school and community based programs.

#### *International development*

- 1.48. Qube Energy is a sub-division of Qube Ports providing a suite of offshore services to the oil and gas industry from its supply base in Darwin. In collaboration with ConocoPhillips, Qube delivers a suite of capability development programs to provide training and education for East Timorese, with the objective of investing in people and getting them employment-ready.

## **2. Principle 2 – Structure the Board to add value**

#### *Nomination and Remuneration Committee*

- 2.1. As described above, the Nomination and Remuneration Committee is comprised of three members all of whom are independent and chaired by a Director who is not the Chairman of the Board. The Committee's Charter, approved by the Board, was reviewed and revised during the Reporting Period and is available on Qube's website. Meetings of the Committee, and individual attendances of its members, are set out in Qube's 2020 Annual Report.

#### *Board composition*

- 2.2. Qube's Constitution requires that the number of Qube Directors be determined by the Directors from time to time and must be not less than 3 and not more than 10. The Board had, as at 30 June 2020, eight members of which seven were independent non-executive Directors comprising Mr Allan Davies as Chairman, Mr Sam Kaplan as Deputy Chairman, Mr Ross Burney, Mr Peter Dexter, Mr Alan Miles, Mr Stephen Mann and Ms Sue Palmer. The Board has also accepted the appointment of Mr Åge Holm as alternate non-executive Director to Mr Dexter. The remaining Director is Mr Maurice James who is the Managing Director of Qube. On 2 July 2020, shortly after the end of the Reporting Period, Qube announced the appointment of a new Director, Jackie McArthur. Ms McArthur's appointment came into effect on 17 August 2020.
- 2.3. The Board is balanced in its composition with each Director bringing a range of complementary skills and experience to Qube. Further details regarding the relevant skills, experience, tenure and expertise of each Director are set out in the Directors' Report contained in Qube's 2020 Annual Report.
- 2.4. During the Reporting Period, the Board's Nomination and Remuneration Committee reviewed and updated the Qube Board Skills Matrix (at **Appendix 1**). The main changes were to:

- a. rename the Health, Safety and Environment skillset to Environmental, Social and Governance (ESG) to emphasise knowledge and experience of sustainability-related matters; and
  - b. amend the Information Technology skillset to expressly include cyber security in recognition of the increasing importance of knowledge, skill and experience in this domain.
- 2.5. The Committee completed its review of the skills and experience of the Board against the competencies required for the Company and its activities as summarised in the updated Board Skills Matrix and determined that, for the Reporting Period, Director competencies and skills met the competencies and skills required for Qube's businesses.
- 2.6. The Directors believe that during the Reporting Period the Board was appropriately structured, independent and comprised of Directors with extensive knowledge of Qube and its business divisions and able to deploy their substantial experience and expert recognition in the logistics industry and other industries relevant to Qube's operations.

### *Independence*

- 2.7. The Board will continually assess the independence of the Directors appointed to the Board, the interests they have disclosed and such other factors as the Board determines are appropriate to take into account. In making this determination, the Board is seeking to assess whether Directors are:
- a. independent of management;
  - b. free of any business or other relationship that could materially interfere, or be perceived to materially interfere, with their unfettered and independent judgement; and
  - c. capable of making decisions without bias and which are in the best interests of all members.
- 2.8. The criteria utilised by the Board in its assessment of independence and the criteria against which it determines materiality are based on consideration of the Principles, in particular the factors relevant to assessing independence as set out in Recommendation 2.3, materiality guidelines applied in accordance with Australian Accounting Standards and independent professional advice as may be sought by the Board.
- 2.9. Important but non-determinative factors to be considered when determining whether a non-executive Director is to be regarded as an independent Director include whether that Director:
- a. is a substantial shareholder of Qube or an officer of, or otherwise associated directly with, a substantial shareholder of Qube;
  - b. within the last three years has been employed in an executive capacity by any member of the Qube Group;
  - c. within the last three years has been a partner or a senior management executive with audit responsibilities of a firm which has acted in the capacity of statutory auditor of any member of Qube;
  - d. within the last three years has been a principal of a material professional adviser or a material professional consultant to any member of the Qube Group, or an employee materially associated with the service provided – for this purpose a material professional adviser/consultant is an adviser whose billings to Qube exceed 5% of the total revenues of the adviser/consultant;
  - e. is a material supplier to, or material customer of, any member of the Qube Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer – for this purpose a material supplier to Qube means a supplier whose revenues from Qube exceed 5% of the supplier's total revenues and a material customer is a customer whose payments to Qube exceed 5% of the customer's operating costs;

- f. has a material contractual relationship with any member of Qube other than as a Director; or
  - g. has any interest or business or other relationship which could materially interfere with the Director's ability to act in the best interests of Qube and independently of management.
- 2.10. Based on the Board's assessment (including consideration of the factors listed above), the Board has made determinations that:
- a. Mr Allan Davies is an independent Director;
  - b. Mr Sam Kaplan is an independent Director;
  - c. Mr Ross Burney is an independent Director;
  - d. Mr Peter Dexter is an independent Director;
  - e. Mr Alan Miles is an independent Director; and
  - f. Ms Susan Palmer is an independent Director.
  - g. Mr Stephen Mann is an independent Director.
- 2.11. During the Reporting Period all of the Directors other than the Managing Director were deemed to be independent. Accordingly, Qube has also complied with the Recommendation 2.4 of the Principles that the majority of the Board be independent. Qube also complies with Recommendation 2.5 that the Chair should be an independent Director and, in particular, should not be the same person as the Managing Director/CEO.

*Independent advice*

- 2.12. In order to assist Directors in fulfilling their responsibilities, each Director has the right (with prior approval from the Chairman) to seek independent professional advice regarding those responsibilities at the expense of Qube.
- 2.13. When a new Director is appointed, he or she must undertake an induction program which includes information about Qube's strategies, objectives and values as well as Qube's governance framework, including its policies, codes, guidelines and Charters of the Board and its Committees. The program also covers Qube's business operations as well as meetings with key senior management personnel.
- 2.14. In addition, all Directors have on-going access to information with respect to Qube's business operations and to members of senior management through Board presentations, strategic discussions and site visits.

*Board skills and expertise*

- 2.15. The Board has set key priorities as a background to which it has established the skills and expertise it requires of its members. These priorities are:
- a. Expansion and diversification of logistics activities;
  - b. Organic growth from new and existing customers;
  - c. Significant investment in facilities, equipment and acquisitions; and
  - d. Development of strategic assets, in particular intermodal infrastructure development and operation.
- 2.16. As noted above, during the Reporting Period the Nomination and Remuneration Committee, as part of its regular review of the requirements of the Board in the context of Qube's business and strategic plans, reviewed the Board Skills Matrix. As at the end of the Reporting Period, the Directors had the following skills and experience set out in the updated Skills Matrix. The Board, through the Nomination and Remuneration Committee maintains a focus on succession

planning. The Committee ensures that new Director appointments are closely tied to the candidate's ability to satisfy those skillsets of which the Board has the most need.

#### *Tenure and retirement*

- 2.17. Directors appointed during any reporting period are required to stand for election at the next general meeting of members in accordance with Qube's Constitution and the ASX Listing Rules.
- 2.18. All Directors, excluding the Managing Director, are required to retire and, if eligible, stand for re-election by members at Qube's Annual General Meeting (AGM) at least once every three years. Where incumbent Directors are to be nominated for re-election, their performance is reviewed by the Nomination and Remuneration Committee. The Committee then makes recommendations to the Board on their nomination for re-election based on the Directors' performance assessments, mix of skills, experience and expertise and the requirements of the Board at the time. Having regard to the Committee's assessments and recommendations, the Board then makes recommendations to shareholders in the notice of AGM concerning the election or re-election of any Director.

#### *Induction and training*

- 2.19. Upon appointment, Directors receive an induction pack which includes:
  - a. a letter of appointment, which refers to and summarises a number of matters including Director's duties, disclosure of interests and dealing with conflicts, and Qube securities dealing;
  - b. a copy of all of Qube's policies and codes and Board/Committee Charters (as listed on the Corporate Governance section of Qube's website);
  - c. a Directors' interests disclosure agreement; and
  - d. a deed of indemnity, insurance and access.
- 2.20. In addition, the induction pack contains a detailed presentation on Qube, its business, structure and management, as well as minutes of past Board and Committee meetings.
- 2.21. At this time, Directors are also introduced to the senior executive team and receive a briefing in relation to meeting arrangements and the culture and values of Qube. New Directors are also encouraged to undertake site tours of key business locations.
- 2.22. Qube recognises the importance of providing continuing professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively, as well as to enhance their knowledge of the Qube Group and the industries in which it operates. As part of the Board's on-going development program, Directors attend an annual off-site planning and strategy session which includes briefings on current and future projects.
- 2.23. Several Board and Committee meetings each year are also held at operational locations. These typically include site visits to interact with operational management personnel aimed at supplementing the Board's knowledge and understanding of Qube's operations. The members of the Safety, Health and Sustainability Committee agreed during the Reporting Period a schedule of external site visits each member must attend (subject to any COVID-19-related restrictions) each year. Other Directors are encouraged to undertake site visits at other times and management works with Directors to facilitate such visits.
- 2.24. Additionally, Qube facilitates Directors attending training seminars in relation to important legal, ethical and regulatory issues such as anti-bribery/corruption and competition law and regulation.

### 3. Principle 3 - Promote ethical and responsible decision-making

- 3.1. Qube is committed to conducting its business in accordance with high standards of ethical behaviour. All Directors, managers and employees are expected to act with integrity and objectivity, striving at all times to enhance Qube's reputation. Accordingly, Qube has established policies in order to maintain confidence in Qube's integrity and encourage compliance with both legal obligations and stakeholder expectations.

#### *Statement of Values*

- 3.2. Towards the end of the Reporting Period, the Qube Board approved the publication of Qube's Statement of Values. The Statement of Values sets out the guiding principles that underpin Qube's culture. They comprise the set of beliefs and behaviours in accordance with which Qube must conduct its business, to be both a good corporate citizen and enable the realisation of Qube's purpose and vision as described in the Statement of Values. The Statement of Values is available at: [www.qube.com.au/about/corporate-governance](http://www.qube.com.au/about/corporate-governance).

#### *Code of conduct and ethics*

- 3.3. Qube's Code of Conduct and Ethics sets out obligations in relation to fair dealing, insider trading, equal opportunity, privacy and confidentiality, health and safety, the environment, gifts and favours, conflicts of interest, expenses and claims, and use of company property. The Code was reviewed and revised during the Reporting Period and is also available on Qube's website.
- 3.4. In addition, all employees are provided with a copy of Qube's Employee Handbook. This is a compendium summarising Qube's primary policies as well as important human resources, operational and workplace policies and standards. The policies are cross-referenced and employees are advised how to access the policies and standards and whom to contact in relation to specific queries.
- 3.5. In accordance with Qube's policies and standards, employees are encouraged to report unacceptable behaviour to their nominated supervisors, human resource managers or the Company Secretary.
- 3.6. Qube recognises the value of attracting and retaining employees with differing knowledge, abilities and experiences and is committed to creating a working environment that is fair and flexible, promotes personal and professional growth, and benefits from the capabilities of its diverse workforce.

#### *Whistleblower Policy*

- 3.7. During the Reporting Period, Qube revised and enhanced its Whistleblower Policy. The policy responds to the requirements of *Treasury Laws Amendment (Enhancing Whistleblower Protections) Act 2019* (Cth). The Whistleblower Policy is available on Qube's website.

#### *Anti-Bribery & Anti-Corruption Policy*

- 3.8. During the Reporting Period, Qube introduced an Anti-Bribery & Anti-Corruption (ABAC) Policy. The ABAC Policy applies to Qube-controlled entities (and their officers and employees) and Qube contractors including agents, distributors, business representatives and advisers acting for or on behalf of a Qube entity.
- 3.9. The ABAC Policy:
- a. sets out management's responsibilities in relation to implementation and oversight of, and reporting and approvals under, the policy;
  - b. explains conduct that is prohibited and provides guidance on giving and receiving gifts, entertainment and donations;



- c. sets out Qube's requirements and expectations in relation to engagement with Qube contractors and third parties, including customers, suppliers, distributors and joint venture partners; and
- d. links to the Whistleblower Policy for complaint-reporting purposes.

#### *Modern Slavery*

- 3.10. Qube is committed to the principles and objectives underpinning the *Modern Slavery Act 2019* (Act). In accordance with those principles and objectives, during the Reporting Period Qube undertook a risk-based assessment of Qube's operations and supply chains and a strategic planning workshop to identify any modern slavery risks. Qube is developing a framework and action plan to address modern slavery risks and facilitate the preparation of Qube's first Modern Slavery Statement under the Act.

#### *Conflicts of interest*

- 3.11. Towards the end of the Reporting Period, Qube made public its Disclosure of Interests and Related Party Transactions Policy. The policy is available in the Corporate Governance section of the Qube website. The policy mandates a formal process for Directors of Qube and its subsidiaries as well as other senior executives to disclose material personal interests and conflicts of interests as well as related party transactions. Disclosed interests are recorded in a register of interests maintained by Qube's Company Secretaries.
- 3.12. In accordance with the policy, Directors of Qube, directors of Qube subsidiaries and senior executives are required to disclose any actual, potential or perceived conflict of interest where a potential conflict may arise, and are required to keep these disclosures up to date. In addition, Directors are obliged to disclose any such conflicts under their Letters of Appointment and Officer Protection Deeds. The policy requires that Qube's Audit and Risk Management Committee be informed of actual or potential conflicts of interest and any proposed related party transactions.
- 3.13. As a standing agenda item at each Board meeting, Qube's Directors are required to declare any material interests or conflicts in relation to matters to be considered at that meeting. These are tabled before the Board and noted in the minutes and register of interests in accordance with this policy. Guided by advice of the Company Secretary, any such interests or conflicts are dealt with at the meeting in accordance with the policy and the law.

#### *Dealing in Qube's securities*

- 3.14. The Board has in place a Securities Dealing Policy which provides guidance to Directors and employees regarding dealing in Qube securities. All Directors, executives and relevant employees (as delineated in the policy) are prohibited from trading in Qube's securities, related financial products and derivatives during specific 'Blackout Periods' (prior to release of Qube's financial results) and whenever they have price sensitive information which is not generally available. Additionally, the policy specifies procedures for obtaining internal approval to trade outside the Blackout Periods, which is only granted if there are extenuating circumstances.
- 3.15. Qube provides regular regulatory and legal compliance training to senior management on the policy, as well informal briefing sessions for Directors, senior executives and relevant employees of Qube as part of its continuing employee education initiatives. A copy of the policy is available in the Corporate Governance section of Qube's website.

## **4. Principle 4 - Safeguard integrity in financial reporting**

- 4.1. The Board has an Audit and Risk Management Committee whose terms of reference and procedures under its Charter (which is available on Qube's website) govern its responsibilities and composition requirements. The experience of the Committee's members is set out in Qube's 2020 Annual Report. The Committee meets as frequently as required but not less than five times per year. The number of meetings held during the Reporting Period is set out in Qube's 2020 Annual Report.

- 4.2. The Committee assists the Board in fulfilling its statutory responsibilities in relation to financial reporting, risk management and internal control. The Committee's responsibilities have been outlined under Principle 2 - Structure the Board to add value. Recommendation 7.1 of the Principles (that a majority of members of the Audit and Risk Management Committee be independent and be chaired by an independent Director) has been satisfied since September 2012.

#### *CEO and CFO Declaration and Assurance*

- 4.3. In accordance with section 295A of the Corporations Act 2001 and Recommendation 4.2 of the Principles, the Managing Director and the Chief Financial Officer provided assurances to the Board attesting that, during the Reporting Period (FY20), to the best of their knowledge and belief:
- a. Qube has determined its material exposure to risks, and has established the necessary policies for the oversight and management of material business risks;
  - b. there is a risk management and internal control system in place to manage Qube's exposure to material business risks, including both financial and non-financial (including environmental and social sustainability) risks, and to ensure that those risks are being managed effectively;
  - c. the integrity of the financial statements is founded on a sound system of risk management and internal control and compliance; and
  - d. Qube's risk management and internal control and compliance system is operating efficiently and effectively in all material respects regarding financial reporting risks.
- 4.4. In addition, the Managing Director and Chief Financial Officer also provided equivalent declarations in respect of the financial statements for the half-year ended 31 December 2019.
- 4.5. The Managing Director and the Chief Financial Officer require that management of the business divisions and of the corporate function complete a declaration on a six-monthly basis for each financial reporting period addressing financial reporting and the internal control environment.
- 4.6. The assurances provided to the Board, due to their nature, are not absolute. The assurances provided are based on judgements, use of sample testing and the inherent limitations of internal control.

#### *External Audit*

- 4.7. The Audit and Risk Management Committee also monitors procedures to ensure the rotation of external audit engagement partners every five years as required by the Corporations Act. Qube's audit engagement partners rotated at the conclusion of Qube's 2017 annual general meeting.
- 4.8. If circumstances arise where it becomes necessary to replace the external auditor, the Audit and Risk Management Committee will formalise a process for the selection and appointment of a new auditor and recommend to the Board the auditor to be appointed to fill the vacancy. Policies are also in place to restrict the type of non-audit services which can be provided by the external auditor and there is a detailed review of non-audit fees paid to the external auditor.
- 4.9. Qube's external auditor is PwC Australia (PwC). All Audit and Risk Management Committee papers are available to the external auditor, the auditor is invited to and does attend all Committee meetings and is available to Committee members at any time. The auditor also attends Qube's annual general meeting to answer any questions from shareholders.
- 4.10. As Qube's external auditor, PwC is required to confirm its independence and compliance with specified independence standards on a half-yearly basis. This declaration is contained in the Annual Report.

## **5. Principle 5 - Make timely and balanced disclosure**

- 5.1. Qube is committed to providing timely, open and accurate information to all of its stakeholders including shareholders, employees, regulators and the investment community.
- 5.2. The Board has adopted a Continuous Disclosure Policy that sets out Qube's approach to continuous disclosure and to external announcements generally. The policy provides an outline of Qube's continuous disclosure obligations and sets out the measures it has implemented to ensure compliance with these obligations, including listing the kind of matters that would generally require disclosure.
- 5.3. The Continuous Disclosure Policy also provides guidelines for the management of external announcements and specifies Qube's authorised spokespeople. The Board reviews the policy at appropriate times to ensure it is effective and remains consistent with relevant laws and ASX requirements.
- 5.4. The policy was reviewed during the Reporting Period and amended to include an obligation on Qube to notify the ASX of a work-related fatality of a Qube employee or a Qube contractor occurring at a Qube site or during Qube operational activity as soon as practicable after the incident has occurred (section 2.2 of the policy).
- 5.5. A copy of the Continuous Disclosure Policy is publicly available on Qube's website at [www.qube.com.au/about/corporate-governance](http://www.qube.com.au/about/corporate-governance). Qube provides regular compliance training to senior executives as part of its continuing employee education initiatives, which includes periodic refresher training on Qube's continuous disclosure obligations.
- 5.6. In accordance with the policy and internal procedures, senior executives that become aware of potentially price-sensitive information must immediately report this to Qube's disclosure officers, being either the Managing Director or Company Secretaries. Compliance training was provided during the Reporting Period to senior management and staff on their obligations under the policy.
- 5.7. Although the Board has ultimate responsibility for ensuring that Qube complies with its continuous disclosure obligations, the Board has delegated to Qube's Disclosure Officers responsibility for overseeing compliance with Qube's continuous disclosure policy.
- 5.8. A management continuous disclosure compliance statement has been made a standing item at all Board meetings to ensure the Board is continuously updated on Qube's compliance with the policy. The Board will be advised promptly where a material matter arises requiring disclosure.

## **6. Principle 6 - Respect the rights of shareholders**

- 6.1. Qube is committed to the delivery to its shareholders and the broader investment community of timely and relevant information about Qube's operations and governance practices.
- 6.2. Qube has an 'Investor & Media' section on its website (<https://qube.com.au/investor/>). This section contains links to Qube's activities, ASX and other announcements and an investor calendar setting out important dates. Important reports are also available for download from this page. Qube has LinkedIn and Twitter profiles which enables it to 'push' news stories and ASX releases to its network of Qube followers.
- 6.3. Shareholders can also request information from, and communicate with, Qube online via the 'Contact us' page: <https://qube.com.au/contact/>. Qube's 'About' page contains information on the Board and Leadership team and key corporate governance documentation including Qube's Constitution, Board and Committee Charters and other corporate governance policies.
- 6.4. Qube also has a dedicated website to keep investors updated on developments at its flagship intermodal project, the Moorebank Logistics Park: [www.qubemlp.com.au](http://www.qubemlp.com.au).
- 6.5. Qube has developed an Investor Relations Program, a copy of which is available on Qube's website. The primary purpose of the program is to inform investors and other financial market participants of all major developments affecting Qube's state of affairs and allow them to gain a greater understanding of Qube's business, governance, financial performance and prospects.

- 6.6. As part of its investor relations program, to facilitate effective communication and interaction with investors, Qube holds two investor roadshows each year following its results announcements, as well as additional ad-hoc investor meetings and conference calls with investors and analysts.
- 6.7. New security holders of Qube are sent a welcome pack of materials from our share registry provider, Computershare. This pack includes information on registering to receive all Qube materials and communications electronically. In addition, Qube runs regular campaigns contacting the security holders to notify them of this option.
- 6.8. Shareholders are provided with access to on-line half yearly and annual reports and have the option of receiving soft copies of these documents upon request. Through Qube's website and its share registry on-line shareholder platform, security holders have the option to update their communication preferences at any time to receive the desired type of communications and reports (including Annual Reports and notices of meetings) electronically.
- 6.9. The Board encourages full participation by shareholders at annual general meetings (AGMs) to ensure accountability and transparency. Proceedings are also webcast. Questions are called for at various stages throughout the meeting including on resolutions. Written questions may also be put to Qube's external auditor ahead of, and at, all annual general meetings to answer shareholder queries about the Auditor's Report.

## **7. Principle 7 - Recognise and manage risk**

### *Oversight and management of material business risks*

- 7.1. The Board has adopted a Risk Management Policy in accordance with which it is responsible for the oversight of Qube's risk management framework. The Audit and Risk Management Committee and Safety, Health and Sustainability Committee assist the Board in fulfilling its responsibilities in this regard by reviewing and monitoring the financial and reporting aspects of the framework at least annually. A copy of the Risk Management Policy is available on Qube's website at [www.qube.com.au/about/corporate-governance](http://www.qube.com.au/about/corporate-governance).
- 7.2. As required by the Board, management has implemented a risk management framework which is designed to ensure that Qube's material business risks are identified and that adequate controls are in place and function effectively, and for management to report to the Board on whether those risks are managed effectively. This framework incorporates the maintenance of comprehensive policies, procedures and guidelines (including a Board-approved Risk Appetite Statement and high level Crisis Management Plan) which span Qube's diverse activities. The matters addressed within the framework including setting financial controls, conducting business audits, investment and acquisition overview, and ensuring high standards in corporate communications and external affairs.
- 7.3. Responsibility for control and risk management is delegated to the appropriate level of management within Qube, and the Audit and Risk Management Committee and Safety, Health and Environment Committee have ultimate accountability to the Board. To facilitate interaction of the Committees, and in accordance with the Audit & Risk Management Committee Charter, Qube currently has one Director who is a member of both Committees. Presentations and training from external experts are a regular feature of meetings of these Committees to keep its members up to date with current issues.

### *Information technology and Cyber Security*

- 7.4. Qube continues to drive forward on its technology and innovation programs and recognises that cyber threats continue as a serious and prevailing concern to the organisation. The Audit and Risk Management Committee and senior management have continued to engage closely with Qube's Information Technology team during the Reporting Period. Qube's Chief Information Officer (**CIO**) attended Committee meetings providing both oral and written reports on IT and cyber security threats, incidents and improvement strategies and initiatives. Further, Qube's CIO reports any material cyber security threats immediately to the Committee and, if there were any of sufficient magnitude, such incidents would also be reported immediately to the Qube Board. .

- 7.5. During the Reporting Period, Qube formed and deployed a new Cybersecurity Management Committee that is chaired by the company's COO and comprises the company's CIO and senior IT executives to review threats, risks and raise awareness and develop continuous improvement programs across our digital and cyber environments.
- 7.6. Additionally during the current Reporting Period, the following initiatives were undertaken, particularly in response to IT/cyber-related impacts relating to the COVID-19 pandemic:
  - a. Upgrading the Qube network capacity, security systems and online collaboration platforms and tools to support a significant increase in employees working from home.
  - b. Undertaking an independent review of Qube's Defence in Depth (DiD) cybersecurity architecture and completing regular testing of defence and response technologies and procedures.
  - c. Re-configuring and improving Qube's Disaster Recovery (DR) framework and reviewing all Business Continuity Plans (BCPs) maintained by the various business units.
- 7.7. Qube's cyber security awareness training program focusing on business email compromise and credential theft (Phishing) continued throughout the Reporting Period. In addition to the ongoing training program, an additional "Zero Hack" campaign was undertaken targeted at the online user community of Qube's digital assets. The aim of the campaign is to convey to users that cybersecurity is everyone's responsibility and encourage reporting incidents to facilitate continuous improvement.

*Risk management and internal control system*

- 7.8. During the Reporting Period, the Audit and Risk Management Committee continued the engagement of an external service provider to provide internal audit services. The service provider, a large accountancy firm, was appointed in 2014 to initially prepare a three-year internal audit plan focusing on key risk areas of the business. This plan was updated during the Reporting Period to focus on additional audit areas. The internal auditor will continue to work with the Committee and Qube's senior executives through the modules agreed in the updated plan to ensure action items arising from this work are implemented.
- 7.9. The risk management framework is established in accordance with Qube's Risk Management Policy (available on Qube's website). The framework aims to evaluate and continually improve the effectiveness of Qube's risk management and internal control processes. The risk management framework incorporates input from a range of existing systems, programs and policies including:
  - a. a Board-approved Risk Appetite Statement;
  - b. a comprehensive occupational health and safety program, including specific targets for continuous improvement, occupational health and safety standards, rail safety standards and safety management systems, all of which are monitored and reviewed to achieve compliance with applicable legislation and regulations;
  - c. a delegation of authority policy, including guidelines and approval limits for operational and capital expenditure and investments;
  - d. a comprehensive annual insurance program;
  - e. a Board-approved finance and tax management policy;
  - f. annual budgeting and monthly reporting systems for all divisions to monitor performance against budget targets;
  - g. the identification and assessment of strategic risks in the annual and bi-annual reviews and updating of strategic plans and associated business models; and
  - h. an environmental regulation compliance policy and improvement strategies.

- 7.10. Twice each year management conducts a formal group-wide, bottom-up risk review of all business units and operations. This review, together with reviews of major associates, are reported to the Audit & Risk Management Committee, which in turn reports to the Board. This occurred during the Reporting Period which also included a comprehensive review of Qube's Risk Management Framework and Risk Appetite Statement.

#### *Sustainability*

- 7.11. Qube's Safety, Health & Sustainability Committee has responsibility for overseeing the sustainability of Qube's business practices in a responsible manner that aims to do 'Zero Harm' to the environment and the communities in which Qube operates. A copy of Qube's Safety, Health and Sustainability Policy is available on Qube's website.
- 7.12. The Committee's responsibilities, composition requirements, terms of reference and procedures are set out in its Charter (which is available on Qube's website). The experience of the Committee's members is set out in Qube's 2020 Annual Report. The Committee meets as frequently as required but not less than four times per year. The number of meetings held during the Reporting Period is set out in Qube's 2020 Annual Report.
- 7.13. In addition, as part of Qube's commitment to Sustainability, the Safety, Health and Sustainability Committee assists the Board in its role of overseeing Qube's practices and governance in the areas of sustainability, social and governance reporting.

#### *Economic, environmental and social sustainability risks*

- 7.14. During the Reporting Period, Qube continued to improve safety outcomes, reduce its carbon emission intensity, and increase gender diversity in the workforce. Qube enhanced and strengthened governance, strategy and risk management of climate related impacts. Qube also continued to strengthen our sustainability approach and reporting as follows:
- a. enhancing climate-related disclosure, progressively aligning reporting to the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).
  - b. identifying the United Nations Sustainable Development Goals (SDGs) that Qube can most impact and integrating them into our sustainability reporting.
- 7.15. Qube is in the process of preparing its second annual Sustainability Report covering the Reporting Period. The report will outline Qube's performance and approach to material environmental and social issues and sustainability governance. The report is expected to be published on Qube's website shortly after release of Qube's 2020 Annual Report.

#### *Environmental Incidents*

- 7.16. Qube continues to enhance its environmental performance by identifying areas of key risk and ensuring that resources are prioritised in these areas. our Zero Harm value is a commitment of Zero Harm to the environment. We understand that we work in sensitive environments particularly our marine environments
- 7.17. Qube uses a five-tiered system to classify environmental incidents. Regrettably we had one Class 3 environmental incident reported in FY 2020. The incident involved the escape of sulphur product from an over-water conveyor system during discharge of a vessel in Kwinana, WA. The incident was thoroughly investigated and action plans were implemented aimed at preventing a future such future incident. .

#### *Emissions and Energy Use*

- 7.18. Based on the latest FY19 reporting period under the National Greenhouse and Energy Reporting (NGER) scheme:
- a. Qube marginally increased its scope 1 and scope 2 emissions by 1% to 331,605 tCO<sub>2</sub>-e, although the 3 main divisions of Qube (Ports, Bulk & Logistics) decreased in emissions with the increase attributable to continued construction activities at Moorebank Logistics Park. Qube's net emissions increased by 1.2% compared to FY18,

while underlying revenue increasing by 4.7% over the same period. This resulted in Qube's carbon emission intensity (calculated as net emissions (expressed in tonnes of carbon dioxide equivalent per million dollars of revenue generated) decreasing by 3.4%.

- 7.19. Through targeted reduction strategies, Qube is improving the fuel efficiency of our prime-mover fleet. Greater than 85% of the fleet is now comprised of the latest EURO 5 & 6 standard.
- 7.20. Moorebank Logistics Park will be a benchmark in environmentally sustainable design (ESD) practices across every facet of the development, including precinct wide initiatives and tenant-led activity.

## **8. Principle 8 - Remunerate fairly and responsibly**

- 8.1. The Nomination and Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, non-executive Directors and, where appropriate, senior executives.
- 8.2. The Committee may also review and make recommendations regarding the policies applicable to staff salary reviews generally. One of the requirements of the Committee is to ensure remuneration levels are competitively set in order to attract and retain appropriately qualified and experienced Directors and senior executives.
- 8.3. As noted under Principle 1, Qube is continually reviewing its remuneration practices from a diversity perspective to ensure all employees of the Qube Group are provided with fair and equitable remuneration and access to benefits, irrespective of gender, sexual orientation, ethnicity, age, social status or beliefs.
- 8.4. Qube's approach to non-executive Director, Managing Director and senior executive remuneration is set out in detail in the Remuneration Report included in the 2020 Annual Report. Qube's remuneration framework is designed to be both market-competitive and fair to all stakeholders and contain performance measures aligned to support the values, purpose, strategies, objectives and future direction of the business by attracting and retaining high calibre individuals. The level and mix of remuneration of non-executive Directors and other senior executives is determined by reference to the market via survey data and may include input from external professional remuneration consultants.
- 8.5. The remuneration framework clearly distinguishes the remuneration structure for non-executive Directors from that of the Managing Director and other senior executives and Qube does not have any schemes or retirement benefits (other than superannuation) in place for its non-executive Directors. Under the Company's Constitution, the maximum remuneration payable by the Company for the services of non-executive Directors in total must not exceed the amount approved by shareholders in general meeting which is currently \$1.4 million. The total remuneration paid to the non-executive Directors during the 2020 financial year was within this amount.
- 8.6. Qube has established an executive LTI Plan under which participating executives are granted share appreciation rights that vest over a three-to-five-year period depending on achievement of certain performance conditions.
- 8.7. Qube has two ongoing STI Plans under which, provided performance measures are met each financial year, management personnel may be awarded, at the participant's election, a mixture of shares and cash payments (with half deferred for one year). Qube has a clawback policy which allows Qube to reduce any STI Plan award or payment where:
  - a. a participant breaches any continuing employment contract obligation or compromise agreement following cessation of employment;
  - b. Qube determines that the Participant is responsible for, or has been involved in, any material misstatement included in the financial statements of any Qube Group Member; or
  - c. Qube determines, acting reasonably, that the Participant engaged in any conduct which has or is likely to have the effect of disparaging or bringing into disrepute any member of

the Qube Group or any officer or employee of a Qube Group Member irrespective of whether this conduct takes place during or following cessation of the Participant's employment with the Qube Group.

- 8.8. Qube's Securities Dealing Policy includes a prohibition on entering into transactions in financial products which limit the economic risk of holding unvested entitlements under any equity-based remuneration schemes. A copy of the policy is available on Qube's website.



**APPENDIX 1**

**Qube Board Skills Matrix - as at 30 June 2020**

Skill and experience <sup>1</sup>	Peter Dexter	Sam Kaplan	Allan Davies	Susan Palmer	Alan Miles	Ross Burney	Maurice James	Steve Mann	Number of Directors (of 8)	Board Percentage
Major asset and infrastructure development		✓	✓	✓		✓	✓	✓	6	75%
Logistics networks and supply chains	✓	✓	✓		✓		✓	✓	6	75%
Shipping, ports and stevedoring	✓	✓		✓	✓		✓		5	62.5%
Bulk resources and transport		✓	✓	✓	✓		✓	✓	6	75%
Executive and HR management	✓	✓	✓	✓	✓	✓	✓	✓	8	100%

<sup>1</sup> See skill descriptors on following page

<b>Health, safety and ESG</b>	✓		✓	✓	✓		✓	✓	6	75%
<b>Public relations and communications policy</b>	✓	✓	✓				✓		4	50%
<b>Banking, finance and capital markets</b>		✓		✓		✓	✓		4	50%
<b>Accounting and audit</b>		✓		✓	✓	✓	✓		5	62.5%
<b>Legal, regulatory compliance, risk and corporate governance</b>	✓	✓	✓	✓		✓	✓	✓	7	87.5%
<b>Cyber security and Information technology (IT) systems and strategy</b>		✓		✓	✓		✓	✓	5	62.5%

## Board Skills Matrix skillset descriptors

Skill and experience	Description
<b>Major asset and infrastructure development</b>	<p>Experience in the delivery of large-scale commercial/industrial property and infrastructure development, including:</p> <ul style="list-style-type: none"> <li>▪ knowledge and understanding of strategic intermodal infrastructure.</li> <li>▪ construction and management (including leasing and associated logistics services provision).</li> <li>▪ project governance, funding and risk management.</li> </ul>
<b>Logistics networks and supply chains</b>	<p>Experience in and understanding of:</p> <ul style="list-style-type: none"> <li>▪ the modes of transport, storage and delivery of goods, including import and export, warehousing, distribution and intermodal operations.</li> <li>▪ operations management.</li> <li>▪ procurement and implementation of logistics services within a significant enterprise</li> </ul>
<b>Shipping, ports and stevedoring</b>	<ul style="list-style-type: none"> <li>▪ Experience in provision or procurement of stevedoring and associated port services including development and innovation.</li> <li>▪ Understanding port environments including knowledge of and experience dealing with stakeholders including shipping lines, other port operators and logistics services providers, and government and port authorities.</li> </ul>
<b>Bulk resources and transport</b>	<ul style="list-style-type: none"> <li>▪ Mining industry knowledge and experience.</li> <li>▪ Experience in, and understanding of, transport and export of bulk products including delivery or procurement of mine-to-port solutions.</li> <li>▪ Understanding of, and experience dealing with, stakeholders including customers and government and port authorities.</li> </ul>
<b>Executive and HR management</b>	<ul style="list-style-type: none"> <li>▪ Management and leadership skills at senior and divisional business levels.</li> <li>▪ Publicly-listed company experience.</li> <li>▪ Understanding the importance of organisational culture and its influence on business success.</li> <li>▪ Ability to appoint and evaluate the performance of senior management.</li> <li>▪ Remuneration skills and experience including senior management incentive programs, superannuation and the legislation and contractual framework governing remuneration.</li> <li>▪ Ability and experience in overseeing strategic human capital planning and organisational change.</li> </ul>

<b>Health, safety and ESG</b>	<p>Experience and knowledge related to workplace health, safety and sustainability/ESG issues, including:</p> <ul style="list-style-type: none"> <li>▪ understanding the structure of, and legislative frameworks for, the development of safety management systems (includes Chain of Responsibility).</li> <li>▪ understanding the importance of technology and incident response preparedness.</li> <li>▪ understanding and awareness of environmental, community and social responsibility.</li> </ul>
<b>Public relations and communications policy</b>	<ul style="list-style-type: none"> <li>▪ Understanding of, and engagement and ability to communicate with, stakeholders including investor, community, industry and government organisations.</li> <li>▪ Knowledge of, and experience in, marketing to and communicating with customers and engaging with government, interest groups and the general public.</li> </ul>
<b>Banking, finance and capital markets</b>	<ul style="list-style-type: none"> <li>▪ Understanding of, and experience in, investment management, corporate finance, capital and debt markets, financial products and sources of funding.</li> <li>▪ Ability to contribute to strategic financial planning and oversee funding arrangements.</li> </ul>
<b>Accounting and audit</b>	<ul style="list-style-type: none"> <li>▪ Qualifications in, understanding of, and experience in, financial accounting and reporting and internal financial controls.</li> <li>▪ Ability to identify key risks to the organisation in a wide range of areas including legal and regulatory compliance, and risk and compliance management frameworks and systems.</li> <li>▪ Understanding of, and ability to oversee, budgets and the efficient use of resources.</li> </ul>
<b>Legal, regulatory compliance, risk and corporate governance</b>	<p>Experience in governance and risk within complex organisations overseeing and managing regulatory frameworks and processes including an:</p> <ul style="list-style-type: none"> <li>▪ understanding of legislative and regulatory frameworks (e.g. ASX Listing rules and Corporations Act requirements) in respect of the principal activities of large, public listed companies.</li> <li>▪ understanding identification of risk and an ability to identify appropriate mitigation measures.</li> <li>▪ understanding of competition and trade practices regulation and regulatory processes.</li> </ul>
<b>Cyber security and information technology (IT) systems and strategy</b>	<ul style="list-style-type: none"> <li>▪ Awareness and understanding of cyber security risks and defences in the context of the organisation's operational environment.</li> <li>▪ Knowledge and experience in the strategic use and governance of information management and information technology, including understanding the current drivers of IT innovation in the logistics market.</li> <li>▪ Understanding customer networks, IT requirements and inter-operability.</li> </ul>