

# Corporate Governance Statement

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**Qube Holdings Limited**

**ACN 149 723 053**

For the year ended: **30 June 2019**

# 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 2019 (**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) except as noted below.

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 and the community in general and the particular communities in particular in which we work. 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 processes are in place to identify the principal risks of Qube's business and assessing the integrity of Qube's systems of risk management.
  - c. *Reporting and Disclosure* – approving and monitoring financial and other reporting requirements, including 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 and building 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 Environment Committee.
- 1.9. All three Committees have at least three members. Non-committee members, including the Managing Director and other management, may attend Committee meetings by invitation and generally do attend where appropriate (see paragraph 1.13).
- 1.10. 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.
- 1.11. 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 standing 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 non-executive independent directors.</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></ul>

		<ul style="list-style-type: none"> <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> <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.</li> </ul> <p>The external auditor attends most Committee meetings and the Committee otherwise meets with the external and internal auditors on a regular basis.</p>
<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 director and consists of independent 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>▪ 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 (KMP).</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 succession planning; and</li> </ul>

		<ul style="list-style-type: none"> <li>▪ establishing guidelines for the selection and appointment of new directors, including strategies to address diversity in the Board's composition.</li> </ul>
<p><b>Safety, Health and Environment Committee</b></p>	<p>The members of the Committee are:</p> <ul style="list-style-type: none"> <li>▪ Allan Davies (Chair)</li> <li>▪ Peter Dexter</li> <li>▪ Alan Miles</li> <li>▪ Maurice James</li> </ul> <p>The Committee consists of a majority of independent directors and is chaired by an independent director.</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>▪ safety, health, environment (SHE);</li> <li>▪ Sustainability (Environmental, social and governance or ESG matters); and</li> <li>▪ operational matters as they relate to SHE and Sustainability.</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 incidences and breaches;</li> <li>○ monitor subsequent investigations and remedial actions; and</li> <li>○ protect Qube's reputation;</li> </ul> </li> <li>▪ reviewing sustainable and ethical business practices and transparent sustainability reporting;</li> <li>▪ ensuring compliance with legal and regulatory obligations; and</li> <li>▪ reviewing Qube's enterprise-wide risk management framework and reporting as related to SHE matters.</li> </ul>

1.13. Senior members of management attend Board and Committee meetings. Other senior management personnel attend meetings as required to report on matters relevant to their areas of responsibility. On a standing basis the following senior management personnel attend the following meetings:

- a. *Board* – General Counsel & Company Secretary, Chief Financial Officer, Chief Operating Officer, Director Infrastructure & Property, Director – Corporate Affairs.
- b. *Safety, Health & Environment 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, Risk Manager and the General Manager – Finance & Treasury.

- d. *Nomination & Remuneration Committee* – Managing Director, Chief Financial Officer, 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. In considering the selection, appointment and re-election of directors, the Nomination and Remuneration Committee implements Qube's policy of maintaining a Board with a mix of skills, experience and diversity of occupational backgrounds suitable for Qube's current and anticipated future operations. External consultants will be engaged to assist with the selection process as necessary.
- 1.16. The Nomination and Remuneration Committee will assess candidates against a range of criteria developed for the role and in doing so will consider their background, experience, personal qualities and professional skills. Once a shortlist of suitable candidates is identified, the Committee will undertake 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 will provide its recommendation of the preferred candidates to the full Board to consider prior to making a determination on the appointment. Each Board member will have the opportunity to meet with the proposed appointee.
- 1.17. 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. The Board provides information in the notice of annual general meeting on all directors standing for election or re-election at the meeting.
- 1.18. The Board has instituted a guideline which sets out Qube's expectation that new non-executive directors 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 and Senior Executives*

- 1.19. Non-executive directors are advised of the Board's Charter (see clause 2.11 on director induction) and the terms, conditions and responsibilities of their role in formal letters of appointment.

#### *Management delegation and responsibility*

- 1.20. 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.
- 1.20. Qube's Chief Operating Officer (**COO**) drives synergies and consistent business practices, as well as acts as a conduit between Qube's commercial managers and the Managing Director (to whom he reports) and senior management. 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.
- 1.21. Qube's Infrastructure and Property division houses Qube's established investments, namely its flagship intermodal project, the Moorebank Logistics Park, its Minto property and Australian Amalgamated Terminals business. Infrastructure and Property is headed by its own divisional-level director who is a member of Qube's KMP and reports directly to the Managing Director.
- 1.22. 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 for 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*

- 1.23. The Board has adopted a policy establishing a performance evaluation process for the Board and its Committees. The performance of the Board, each of its Committees and each director are reviewed annually.
- 1.24. 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.
- 1.25. Such reviews may also be conducted by an external consultant. Whether or not an independent 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.
- 1.26. Comprehensive internal performance evaluations of the Board and each Committee 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*

- 1.27. 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 for the Reporting Period.
- 1.28. 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 Committee in determining future remuneration.

#### *Diversity*

- 1.29. Diversity recognises and values the contribution of people with differences in capabilities, experience and perspectives. Diversity encompasses gender, age, ethnicity, religious, and cultural backgrounds. 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 therefore 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.
- 1.31. Qube policy also requires that all positions at Qube are filled on the basis of merit. This means that applicants for positions for which a formal recruitment process is undertaken will be assessed on the basis of the competencies they possess in relation to the requirements of the job. Merit-based selection ensures the opportunity exists for all applicants to demonstrate their competencies for the position being offered.

#### *Gender diversity*

- 1.32. 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. Moreover, Qube is working actively to address diversity and inclusion in our workplace. 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.
- 1.33. Recruitment - Qube is undertaking significant work at the recruitment stage which includes:

- a. reviewing and removing gender biases from job descriptions and incorporating performance-based job descriptions; and
  - b. reviewing the recruitment process and expanding the variety of channels to source the most diverse pool of applicants. Qube has partnered 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. Qube met the selection criteria during the Reporting Period and is now an endorsed employer. The Qube/ Work180 partnership was successfully launched in June 2019.
- 1.34. Education and Training - Qube is developing 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 this during FY 2020. The cadetship program will aim to encourage school leavers and other candidates to enter the logistics and supply chain industry with Qube. The program will be offered to a diverse group of candidates with females and those from non-traditional backgrounds encouraged to apply; and
  - b. Rolling out mandatory unconscious bias awareness training to managers across all Qube divisions delivered through Qube's online training system.
- 1.35. Through Qube's Wayfinder sponsorship, Qube aims to improve 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.
- 1.36. The proportion of men and women at various levels in the business is disclosed in the Company's 2019 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:
- c. The proportion of women overall increased during the WGEA reporting period (1 April 2018 to 31 March 2019) from 9.3% in the prior reporting period to 10.3%. Women occupy 10.5% of managerial roles, 41% of professional and 56% of clerical and administrative roles.
  - d. While women are employed mostly in professional administrative roles, there is a significant and growing number of women in management positions. With 10.5% of managerial positions being held by women at the end of the WGEA reporting period, specifically 41 women were employed in manager level positions (up from 27 in the prior reporting period). 12.5% of all manager promotions were awarded to women during the reporting period;
  - e. A small proportion of the workforce is made up of part-time workers, being 0.7% of the total workforce. Of these, 34 employees were women, making up a higher proportion, 72%, of the part-time workforce compared to full-time employees.
  - f. Overall, there was a reduction in the number of women resigning their employment, from 10.3% in the prior WGEA reporting period to 7.1% in the current reporting period.
  - g. Qube is working actively to address diversity and inclusion in our workplace. While efforts have been made to ensure that women, people from a diverse cultural background and other groups have equal access to opportunities to reach their full potential at work, we know there is more to do - so we have targeted initiatives to address this:



### *Indigenous participation*

- 1.37. 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*

- 1.38. 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.
- 1.39. Ongoing engagement with communities in the areas which we operate, by continuing school and community based programs

### *International development*

- 1.40. 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.

### *Diversity strategy and objectives*

- 1.41. Qube's Diversity Policy was revised during the Reporting Period to expressly recognise the contribution to be gained from gender diversity and Qube's commitment to increasing female participation in its workforce. Qube has a measurable objective of increasing the number of females applying for roles with Qube.
- 1.42. 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.
- 1.43. 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.
- 1.44. The objectives are consistent with Qube's non-gender specific diversity policy and are directed at promoting diversity (including gender diversity) through equal employment opportunities and non-discriminatory practices.

1.45. 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.

1.46. 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 last reporting period Qube undertook fact-finding exercises to identify and understand barriers to employment entry and to ensure diversity strategies are in place within Qube and, where possible, our stakeholders throughout the supply chain. During the Reporting Period, Qube continued to develop and implement business measures and workplace arrangements to promote and support these strategies.
- 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.

## **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 Reported Period and is available from Qube's website. Meetings of the Committee, and individual attendances of its members, are set out in Qube's 2019 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 2019, seven members of which six were non-executive directors comprising Mr Allan Davies as Chairman, Mr Sam Kaplan as Deputy Chairman, Messrs Ross Burney, Peter Dexter and Alan Miles and Ms 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.

- 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 2019 Annual Report. During the Reporting Period, the Board's Nomination and Remuneration Committee completed its review of the skills and experience of the Board against the competencies required for the Company and its activities. Based on the Qube Board Skills Matrix (a copy of which is **attached**), the Committee determined that for the Reporting Period director competencies and skills met the competencies and skills required for Qube's businesses.
- 2.4. 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*

- 2.5. 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.
- 2.6. 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.
- 2.7. 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.
- 2.8. 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.
- 2.9. 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*

- 2.10. 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.
- 2.11. 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.
- 2.12. 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*

- 2.13. 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.
- 2.14. 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 during the Reporting Period. As at the end of the Reporting Period, the directors had the following skills and experience set out in the updated Skills Matrix which is contained in the

**Appendix** at the end of this report. The Board, through the Nomination and Remuneration Committee maintains a focus on succession planning.

- 2.15. The Committee ensures that new director appointments are closely tied to the nominee's ability to satisfy those skillsets of which the Board has the most need.

#### *Tenure and retirement*

- 2.16. Directors appointed to casual vacancies 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.
- 2.17. 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*

- 2.18. 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.
- 2.19. 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.
- 2.20. 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.
- 2.21. 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.
- 2.22. 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. Directors are encouraged to undertake site visits at other times and management works with directors to facilitate such visits.
- 2.23. 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

#### *Code of conduct and ethics*

- 3.1. Qube is committed to conducting its business in accordance with the highest 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.
- 3.2. 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 is also available on Qube's website at [www.qube.com.au/about/corporate-governance](http://www.qube.com.au/about/corporate-governance).
- 3.3. 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.
- 3.4. 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.
- 3.5. 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*

- 3.6. During the Reporting Period, Qube developed, and provided training to staff and relevant contractors on, a Whistleblower Policy. The Whistleblower Policy responds to the requirements of *Treasury Laws Amendment (Enhancing Whistleblower Protections) Act 2019* (Cth). The Whistleblower Policy came into effect, and was available on Qube's website from the commencement of the legislation, on 1 July 2019.

#### *Modern Slavery*

- 3.7. Qube is committed to the principles and objectives underpinning the *Modern Slavery Act 2019* (Act). In accordance with those principles and objectives, Qube is currently implementing a risk-based assessment of Qube's operations and supply chains to identify any modern slavery risks. Qube will be lodging its first Modern Slavery Statement under the Act covering the following reporting period.

#### *Conflicts of interest*

- 3.8. During the Reporting Period, Qube introduced an internal Disclosure of Interests and Related Party Transactions Policy. This 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. 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.
- 3.9. In accordance with the policy, directors of Qube and its subsidiaries are required to disclose any actual, potential or perceived conflict of interest at the time of their appointment, at any Board or Committee meeting where a potential conflict may arise, and are required to keep these disclosures up to date. As a standing agenda item, Qube's directors are required to declare any material interests or conflicts in relation to matters to be considered at Board

meetings. 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*

- 3.10. The Board has in place a Securities Dealing Policy which provides guidance to directors and employees regarding dealing in Qube securities. The policy was last reviewed in May 2019. All directors, executives and employees 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.
- 3.11. 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 2019 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 2019 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 7.2 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 (FY19), 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 2018.
- 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 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. 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.
- 5.5. In accordance with the policy, 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.
- 5.6. 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.



- 5.7. 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.qubemp.com.au](http://www.qubemp.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. Shareholders are provided with access to on-line half yearly and annual reports and have the option of receiving hard copies of these documents if requested. Through Qube's website and its share registry on-line shareholder platform, security holders have the option to receive communications from, and send communications to, Qube and its security registry electronically.
- 6.8. The Board encourages full participation by shareholders at annual general meetings (AGMs) to ensure accountability and transparency. 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 Environment 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 the 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 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.
- 7.4. Given cyber security is a serious and prevailing concern, the Audit and Risk Management Committee has engaged 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 developments. 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. This engagement will continue and strengthen over time.
- 7.5. During the current Reporting Period, the Audit and Risk Management Committee conducted its review of Qube's risk management framework continuing its focus on Information Technology and cyber security. An IT General Controls Review (ITGC) was conducted by an external service provider and the results reported to the Committee and senior management for review. Qube has implemented a number of measures and improvements to its control environment to strengthen its security posture as a result of this review.
- 7.6. Qube's Information Security and Risk Management framework has been amended in response to the Notifiable Data Breaches Scheme which came into effect in February 2018 as a result of amendments to the *Privacy Act 1988* (Cth). Qube has in place a Data Breach Policy and Data Breach Response Plan to ensure it complies with the reporting requirements under the scheme. Under the Plan, a Data Breach Response Committee has been established consisting of a senior executive team tasked with dealing with and responding to material data breaches.
- 7.7. Qube's cyber security awareness training program has been refreshed and incorporated into its online education platform which ensures employees consistently undertake periodic training. The company's Information Security and Risk Management framework is aligned with the existing Qube Risk Management Policy and Crisis Management Plan.
- 7.8. Qube's threat and vulnerability management capability has been further strengthened with the adoption of a new managed security service provider (**MSSP**). The MSSP provides next-generation security incident and event management platforms, a security operations centre and detection and response services for the organisation. In addition, Qube completed the implementation of a leading IT service operations and management platform with an integrated risk and security capability to improve the management of assets, identification of vulnerabilities and respond more effectively to threats.

#### *Risk management and internal control system*

- 7.9. 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.
- 7.10. The risk management 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 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;
  - b. a delegation of authority policy, including guidelines and approval limits for operational and capital expenditure and investments;
  - c. a comprehensive annual insurance program;
  - d. a Board-approved finance policy;
  - e. annual budgeting and monthly reporting systems for all divisions to monitor performance against budget targets;
  - f. the identification and assessment of strategic risks in the annual review and updating of strategic plans and associated business models; and
  - g. an environmental regulation compliance policy and improvement strategies.
- 7.11. During the Reporting Period, Qube appointed a dedicated internal Risk Manager tasked with managing the risk management framework and co-ordinating and responding to the activities and recommendations of the internal audit function.

#### *Sustainability*

- 7.12. Qube's Safety, Health & Environment 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 Environment the Risk Management Policy is available on Qube's website
- 7.13. The Committee's terms of reference and procedures are set out in 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 2019 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 2019 Annual Report.
- 7.14. In addition, as part of Qube's commitment to Sustainability, the Safety, Health and Environment Committee assists the Board in its role of overseeing Qube's practices and governance in the areas of sustainability, social and governance reporting.
- 7.15. Guided by the work of the Committee, the Board and Qube as an organisation have embraced the concept of sustainability. During the Reporting Period, Qube has been undertaking a group-wide climate change assessment to understand the potential impacts of climate change on its business and mitigation strategies that can be implemented to address any potential impacts identified.
- 7.16. In addition, Qube has been preparing its inaugural stand-alone Sustainability Report covering the Reporting Period. The report will be a comprehensive summation of Qube's commitment to sustainable operational practices covering health and safety, community engagement, code of conduct and ethics and the environment and climate change. The report is expected to be published on Qube's website shortly after release of Qube's Annual Report.

#### *Environmental Performance*

- 7.17. Qube continues to enhance its environmental performance by identifying areas of key risk and ensuring that resources are prioritised in these areas.
- 7.18. Qube uses a five tiered system to classify environmental incidents. Zero serious environmental incidents were reported in FY 2019 (Class 3 and above) and Qube's Total Recordable Injury Frequency Rate was 8.9 per million hours worked, down from 9.3 in the prior reporting period

and 16.3 in the period before that. These reductions were achieved against a backdrop of increasing operational activity.

### *Emissions and Energy Use*

- 7.19. Upward pressure from business growth on emissions has contributed towards an increase in Qube's emissions since 2015 (based on Qube's reporting under the National Greenhouse and Energy Reporting (NGER) scheme). However, employee numbers have increased by 56% over the period, so that despite the increase in net emissions, emissions per employee have decreased by 28.7% since 2015.
- 7.20. As a result of this continuing business growth, group revenue has also increased and between FY17 and FY18 it grew by more than 9%. However, Qube's net emissions increased by only 3.5% over this period so that Qube's carbon intensity (tCO<sub>2</sub> per \$m of revenue) decreased by 5.1%.
- 7.21. NGER reporting is undertaken in compliance with the NGER reporting scheme. The scheme is a single national framework for reporting and disseminating company information about greenhouse gas emissions, energy production, energy consumption and other information specified under NGER legislation. Qube will be lodging its NGER Report for FY19 by 31 October 2019.
- 7.22. The Moorebank Logistics Park (MLP), when completed, will:
  - a. reduce the number of emissions-intensive trucks on Australian roads by increasing the use of rail networks to distribute containerised freight to and from Port Botany. The project will switch the movement of 1.55 million freight containers from road to rail, with an estimated annual abatement of more than 110,000 tCO<sub>2</sub>e in transport-related emissions; and
  - b. have a solar photovoltaic cell network installed on the expansive roof space created by 850,000sqm of warehousing. This network will generate 65,000 MWh/year of electricity which is enough to power 10,000 homes. The embedded network within MLP's precinct infrastructure has been designed to incorporate battery storage. Excess solar energy will be stored once battery technology improves to make this commercially viable. The network has also been designed to enable excess power to be sold into the public grid and Qube will look to do so once the technical, commercial and regulatory framework is in place to make this feasible.
- 7.23. Straddle crane equipment to be used at MLP has been designed to be charged using electricity generated from the development's solar power network and Qube is investigating electric-powered locomotives for metro shuttle trains using the facility.

## **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 has been 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 2019 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 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 2019 financial year was within this amount.
- 8.6. Qube has established a number of executive LTI Plans under which participating executives are granted a range of performance rights, options and share appreciation rights that vest over a three-to-five-year period depending on achievement of certain performance conditions.
- 8.7. Qube has an ongoing STI Plan 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

### Qube Board Skills Matrix - as at 30 June 2019

Skill and experience <sup>1</sup>	Number of Directors (of 6 in total)	Percentage of the Board
Major asset and infrastructure development	2	33%
Logistics networks and supply chains	5	83%
Shipping, ports and stevedoring	4	66%
Bulk resources and transport	4	66%
Executive and HR management	6	100%
Health, safety and environment	4	66%
Public relations and communications policy	4	66%
Banking, finance and capital markets	3	50%
Accounting and audit	4	66%
Legal, regulatory compliance, risk and corporate governance	5	83%
Information technology (IT) systems and strategy	2	33%

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

## 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> <li>▪ Knowledge of key commodities markets.</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 environment</b>	<p>Experience and knowledge related to workplace health, safety and the environment, 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>Information technology (IT) systems and strategy</b>	<ul style="list-style-type: none"> <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>▪ Awareness and understanding of cyber risks and defences in the context of the organisation's operational environment.</li> <li>▪ Understanding customer networks, IT requirements and interoperability.</li> </ul>