

# Corporate Governance Statement

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**Qube Holdings Limited**

**ACN 149 723 053**

For the year ended: **30 June 2017**

# Corporate Governance Statement

This Corporate Governance statement outlines the key aspects of Qube's corporate governance framework. The Board is committed to the highest 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 2017 (**Reporting Period**), Qube's governance practices comply with the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council (**Principles** or **Recommendations** as the context requires) except as noted below.

Also 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 the highest standards of corporate governance with respect to Qube's affairs.
- 1.2. 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.
- 1.3. The Board operates under a formal charter which sets out its role and responsibilities and which is available on Qube's website.
- 1.4. 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* – evaluating the performance of the Managing Director, approving criteria for assessing, monitoring and evaluating the performance of senior executives, as well as undertaking an annual performance review of the Board's own effectiveness.
  - e. *Corporate Governance* – establishing and monitoring Qube's compliance with corporate governance standards and encouraging ethical behaviour.
- 1.5. Non-executive directors are advised of the Board's Charter (see clause 2.13 on Director induction) and the terms and conditions of their appointment in formal letters of appointment.

### *Performance reviews*

- 1.6. The Board has adopted a policy setting out a performance evaluation process for the Board. This policy provides that the performance of the Board, each of its Committees and each director will be reviewed annually. The policy also sets out matters that will be considered relevant in assessing their performance.
- 1.7. 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.
- 1.8. Such reviews may also be conducted by an external consultant. Where 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 performance.
- 1.9. Performance evaluations for board members in respect of the Reporting Period were commenced during the year in accordance with this process.

### *Chairman*

- 1.10. The Chairman is elected from the independent non-executive directors. The responsibilities of the Chairman are set out in the Board Charter.
- 1.11. Mr Allan Davies was elected by the non-executive directors to replace Mr Chris Corrigan upon Mr Corrigan's resignation on 23 June 2017. Further information on Mr Davies set out in the Directors' Report contained within the Annual Report.

### *Company Secretary*

- 1.12. Since 1 July 2016, two company secretaries have assisted the Board with corporate governance matters and efficient compliance by Qube with its regulatory compliance obligations. The two Company Secretaries report directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. All directors have access to the Company Secretaries, who advise the Board and its Committees on governance matters, monitor adherence to Board policies and procedures, and retain professional advisers at the Board's request. Further information on the role of the Company Secretaries is contained in the Board Charter.

### *Management delegation, review and assessment*

- 1.13. 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. Management and key staff performance is regularly reviewed.
- 1.14. On 1 July 2016, Qube created the position of Chief Operating Officer. The role of the Chief Operating Officer includes supervision of the integration of Qube's operating divisions, Logistics and Ports and Bulk Divisions to drive synergies and consistent business practices, as well as to act as a conduit between Qube's commercial managers and the Managing Director and senior management. On 1 July 2016, Qube created the position of Director, Strategic Assets Division, a new division which houses the Company's investments in the Moorebank Intermodal Project, Minto property, Australian Amalgamated Terminals, Quattro and TQ Holdings.
- 1.15. To ensure appropriate oversight of the senior executive team, Qube has adopted a range of mechanisms which reinforce the accountability of the senior executive team for functions delegated to them and ensures their performance is assessed accordingly. The Board is responsible for setting the major goals, objectives and personal development programs for the Managing Director for the year ahead, and then assessing and measuring performance against such goals, objectives and programs.

- 1.16. The Managing Director reviews the performance of all senior executives who report to the Managing Director by way of formal review as appropriate throughout the year. As part of the review process, the Managing Director considers internal feedback, the individual's performance against requisite standards, and actively monitors their contribution to all aspects of Qube's performance and culture.
- 1.17. A comprehensive process for the evaluation of the performance of senior executives is also conducted on an annual basis. The results of these reviews are used by the Board's Nomination and Remuneration Committee in determining future remuneration.
- 1.18. Performance evaluations for all senior executives were undertaken during the reporting period in accordance with this process.

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

### *Board composition*

- 2.1. On 23 June 2017, Mr Chris Corrigan resigned as Chairman of the Board and was replaced by Mr Allan Davies. Consequently, the Board had, as at 30 June 2017, six members of which five were non-executive directors comprising Mr Allan Davies as Chairman, Mr Sam Kaplan as Deputy Chairman, Messrs Ross Burney, Peter Dexter and Alan Miles as the non-executive directors. 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.
- 2.2. 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 Director's Report contained in Qube's 2017 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. Utilising the results of this review including a revised Board Skills Matrix (see clauses 2.23 and 2.24), the Committee commenced a recruitment process for the appointment of an additional director (subsequent to the Reporting Period Ms Susan Palmer was appointed as a director of Qube with effect from 1 September 2017).
- 2.3. On 2 August 2016, the Wilhelmsen Group, formerly a substantial shareholder of Qube, reduced its shareholding to below the 5% threshold Qube considers is required for a person to be a substantial shareholder. Accordingly, on that date Mr Dexter, who is associated with the Wilhelmsen Group companies, ceased to be a non-independent director. The Wilhelmsen Group has not at any time been a material customer of Qube based on the relevant factor Qube applies to assess independence.
- 2.4. On 29 June 2017, the Taverners Group, formerly a substantial shareholder of Qube, reduced its shareholding to below this 5% shareholding threshold. Consequently, on that date Mr Burney, who is associated with the Taverners Group companies, ceased to be a non-independent director.
- 2.5. Based on this and the additional factors listed below, Messrs Kaplan, Davies, Dexter, Burney and Miles are considered by the Board to be independent directors. Qube complies with Recommendation 2.1 of the Principles that the Chair should be an independent director and, in particular, should not be the same person as the Managing Director. Since the date Mr Dexter was deemed to have become an independent director, Qube has also complied with the Recommendation 2.4 that the majority of the Board be independent. This majority was increased on 1 September 2016 when Mr Robert Dove, formerly a non-independent director, resigned as a director.
- 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 were 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. 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. These above are only factors to be considered and are not determinative of whether a director is to be regarded as independent.
- 2.11. The Board has made the following determinations:
- a. Mr Allan Davies is an independent director;
  - b. Mr Chris Corrigan was an independent director to the date of his resignation;

- c. Mr Sam Kaplan is an independent director;
- d. Mr Ross Burney is an independent director as the Taverners Group with which he is associated is no longer a substantial shareholder of Qube;
- e. Mr Peter Dexter is an independent director as the Wilhelmsen Group with which he is associated is no longer a substantial shareholder of Qube; and
- f. Mr Alan Miles is an independent director.

*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 and Charters of the Board and its Committees (subsequent to the Reporting Period, the Board instituted a new 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). The program also covers Qube's business operations as well as meetings with key senior management personnel. 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 Committees*

- 2.14. The Board has established three standing 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.
- 2.15. Further details regarding the standing Committees are set out in the table below.
- 2.16. All three Committees have at least three members. Non-Committee members, including the Managing Director, may attend Committee meetings by invitation and generally do attend where appropriate.
- 2.17. Each Committee operates under a specific Charter approved by the Board and the Charters are available on Qube's website. The Board regularly reviews the appropriateness of the existing committee structure, as well as the membership and Charter of each Committee.

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 (Chairman)</li> <li>▪ Alan Miles</li> <li>▪ Ross Burney</li> </ul> <p>The Committee consists of a majority of independent</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> </ul>

	<p>directors and is chaired by an independent director.</p>	<ul style="list-style-type: none"> <li>▪ confirming 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; and</li> <li>▪ overseeing: <ul style="list-style-type: none"> <li>○ the establishment and implementation of Qube's enterprise-wide risk management systems and reporting;</li> <li>○ reviewing Qube's risk management framework at least annually to satisfy itself that it continues to be sound;</li> <li>○ Qube's outsourced internal audit function;</li> <li>○ Qube's compliance systems; and</li> <li>○ Qube's corporate governance processes.</li> </ul> </li> </ul> <p>The Committee meets with external 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>▪ Allan Davies (Chairman)</li> <li>▪ Peter Dexter</li> <li>▪ Ross Burney (since 21 February 2017)</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 including senior executive remuneration and long-term incentive (LTI) and short term incentive (STI) Plans;</li> <li>▪ making recommendations to the Board in relation to the implementation and operation of equity-based incentive plans and other employee benefit programs;</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>▪ considering diversity in the context of director and senior executive succession planning;</li> <li>▪ establishing guidelines for the selection and appointment of new directors, including strategies</li> </ul>

		<p>to address diversity in the Board's composition; and</p> <ul style="list-style-type: none"> <li>▪ reviewing succession plans and overseeing the performance evaluation of senior executives including the Managing Director.</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 (Chairman)</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 safety, health, environment (SHE) and operational (as they relate to SHE) matters, including:</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, environment and 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>▪ ensuring compliance with legal and regulatory obligations; and</li> <li>▪ enterprise-wide risk management.</li> </ul>

#### *Appointment and re-election of directors*

- 2.18. When appointing new directors, the Board and the Nomination and Remuneration Committee will look to ensure that an appropriate balance of skills, experience, expertise and diversity is maintained.
- 2.19. 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 backgrounds suitable for Qube's current and anticipated future circumstances. External consultants will be engaged to assist with the selection process as necessary.
- 2.20. 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.
- 2.21. New directors receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment. They are also required to declare their material interests which are tabled before the Board in accordance with Qube's Constitution and the ASX Listing Rules. Directors to be re-elected are reviewed by the Nomination and Remuneration

Committee. Directors are re-elected in accordance with Qube's Constitution and the ASX Listing Rules.

#### *Board skills and expertise*

- 2.22. The Board has set key priorities as a context against 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.
- 2.23. The Nomination and Remuneration Committee, as part of its regular review of the requirements of the Board in the context of Qube's business, reviewed the Board Skills Matrix during the Reporting Period. The Committee sought to consolidate and streamline skillsets and experience and link them to explanatory descriptors to provide better visibility on the particular skillset required to be satisfied. Two new categories were created as follows: 'Information Technology' and 'Executive HR Management'.
- 2.24. 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 Committee will ensure that selection of new director appointments will be closely tied to the nominee's ability to satisfy those skillsets in which the Board currently scores lowest.

#### *Tenure and retirement*

- 2.25. Directors appointed to casual vacancies during any reporting period are required to stand for election at the next general meeting of members.
- 2.26. All directors, excluding the Managing Director, are required to retire and, if eligible, stand for re-election by members at least once every three years.
- 2.27. 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 as to 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 Meeting concerning the election or re-election of any director.

#### *Induction and training*

- 2.28. Upon appointment, directors receive an induction pack which includes:
- a. a letter of appointment, which refers to and summarises a number of matters including directors' 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.
- 2.29. 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.

- 2.30. 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.
- 2.31. 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. Several Board meetings each year are also held at operational locations and typically include site visits to supplement the Board's knowledge and understanding of Qube's operations.
- 2.32. Additionally, Qube provides ongoing Board training seminars in relation to important legal, ethical and regulatory issues such as anti-bribery/corruption and anti-competition law and regulation. In recognition of emerging threats in the modern business environment, Qube's senior management and a number of directors attended a cyber security workshop conducted in November 2016, the aim of which was to gain a better understanding of cyber threats and exposures facing businesses today.

### **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 the reputation and performance of Qube. 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.
- 3.3. 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).
- 3.4. Notwithstanding the above policy, employees are encouraged to report unacceptable behaviour to their nominated supervisors or a Company Secretary at first instance.
- 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.

#### *Diversity*

- 3.6. 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.
- 3.7. Qube is committed to providing equal employment opportunities and fostering an environment which attracts, welcomes and retains a diverse and talented workforce, and to treating people equitably with respect, dignity and fairness.
- 3.8. Diversity recognises and values the contribution of people with differences in capabilities, experience and perspectives.
- 3.9. Diversity encompasses gender, age, ethnicity, religious, and cultural backgrounds.
- 3.10. 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.

- 3.11. During the Reporting Period, Qube introduced recruitment practices designed to reach different community groups and avoid use of selection criteria that indirectly disadvantage candidates from these groups. These practices have been supported by diversity inclusion training for Qube's HR managers.
- 3.12. Towards the end of the Reporting Period, Qube issued surveys to employees aimed at identifying the opportunities and barriers to promoting diversity within Qube's businesses. Qube also plans in the following Reporting Period to issue surveys to its suppliers and contractors to ensure diversity and inclusion policies and procedures were being utilised in their own employment practices.

#### *Gender diversity*

- 3.13. The proportion of men and women at various levels in the business is disclosed in the Company's 2017 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 in the Company overall increased from the prior reporting period to 8.5%. Women occupy 40% of professional and 43% of clerical and administrative roles. While women are employed mostly in professional administrative roles although there are a number of women in management positions. As at the end of the Reporting Period, there were 27 manager level positions (or above) and five senior managers;
  - b. The number of females promoted within the business increased from 7.7% in FY16 to 17.3% in FY17. There was an increase in women promoted in management roles from 5.6% to 7.7%; and
  - c. The number of females returning to work after utilising parental leave increased from 71.4% in FY16 to 80% in FY17.
- 3.14. The Nomination and Remuneration Committee recognises that the Company is in an industry where its employees engaged in operations (waterfront, trucks, rail, etc.) including those employees that have become senior managers have been traditionally male. The Committee is focused on ensuring there are no barriers for women in operational roles, as well as senior management roles and the Board.
- 3.15. To this end, during the Reporting Period, Qube became a Diamond sponsor of the 'Wayfinder' initiative, a diversity and inclusion program which aims to increase the number of women in supply chain and logistics education, training, jobs and careers. It also seeks to encourage employers to consider their retention and succession strategies so they address the specific needs of women in their organisations.
- 3.16. Consistent with Qube's Diversity Policy, during the year the Committee reviewed previously established measurable objectives to ensure continuing implementation of equal opportunity and non-discriminatory practices.

#### *Indigenous participation*

- 3.17. Qube proactively supports its commitment to provide training and employment opportunities for indigenous people in both metropolitan and regional locations.
- 3.18. Qube demonstrates this commitment through the establishment and ongoing relationship with the Clontarf Foundation originally in the Bunbury and Geraldton areas of WA. During the Reporting Period Qube has extended its partnership with Clontarf nationally across the business.

- 3.19. In addition to financial support, Qube provides indigenous students with work experience opportunities over an extended period of time in order to assist them in becoming employment ready upon completing their schooling.

*Diversity strategy and objectives*

- 3.20. During the Reporting Period, the Nomination and Remuneration Committee set measurable objectives for achieving diversity, including gender diversity, and will assess annually both the objectives and Qube's progress in achieving them.

- 3.21. The objectives are designed to achieve the following outcomes:

- a. taking steps to attract and retain 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.

- 3.22. The proposed objectives are consistent with Qube's non-gender specific diversity policy and are directed to promoting diversity (including gender diversity) through equal employment opportunities and non-discriminatory practices etc.

3.23. Strategies

- a. Ensure the diversity policy is regularly reviewed and updated.
- b. Assign management responsibility for the policy and its administration.
- c. Targeted professional development continues to be a focus for Qube.

3.24. Board/Committee level

- a. Review Board/Committees 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. Policy review and evaluation of performance once each year.

3.25. 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 and potential impediments.
- b. Our businesses continue to position themselves to be the employer of choice in the logistics market. We continue to engage with schools and the community to promote career opportunities within the logistics sector, which supports greater interest from candidates in Qube.

- c. Qube has supported many high potential employees in developing leadership skills. Over the last year we have sponsored targeted females to participate in leadership programs that prepare them for executive and senior management positions.
- d. The business has continued to develop its talent sourcing system, including a focus on achieving diverse candidate pools from which roles are filled based on merit, skill and capability.
- e. The introduction of recruitment practices to reach broad groups of people from which candidates can be selected based on skill, merit and capability, and ensuring that selection criteria does not indirectly disadvantage people from certain groups.
- f. In relation to the Board review referred to in paragraph 2.2, the Nomination and Remuneration Committee resolved that if the review determines that another Director should be appointed to the Board to provide further expertise, the Committee will actively encourage female candidates with the requisite skills and experience to apply for the role, whilst ensuring that ultimately the most suitably qualified candidate is selected on a non-discriminatory basis consistent with Qube's Diversity Policy.

#### *Conflicts of interest*

- 3.26. All directors are required to disclose any actual or potential conflict of interest at the time of their appointment and are required to keep these disclosures up to date.
- 3.27. Directors who have a conflict of interest in relation to a particular item of business being considered by the Board must absent themselves from the Board meeting before commencement of discussion on the topic.

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

- 3.28. 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 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.
- 3.29. Qube provides regular regulatory and legal compliance training to senior management on the policy, as well informal briefing sessions on 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 at: <http://www.qube.com.au/about/corporate-governance>.

## **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 govern its responsibilities and composition requirements.
- 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 was satisfied from September 2012.
- 4.3. 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. 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 external 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.

- 4.4. 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.
- 4.5. 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 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 policy also provides guidelines for the management of external announcements and specifies Qube's authorised spokespeople.
- 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.
- 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.
- 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. The Company Secretaries must report to the Board on Qube's compliance with the policy and the Board reviews the policy at appropriate times to ensure it is effective and remains consistent with relevant laws and ASX requirements.

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

- 6.1. Qube is committed to the delivery of timely and relevant information to its shareholders and to the broader investment community. 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 required.
- 6.2. Qube's website also provides a broad range of information about Qube and is updated regularly. All Qube announcements are available on the website.
- 6.3. The Board encourages full participation by shareholders at the AGM to ensure accountability and transparency. Written questions may be put to external auditor ahead of, and the auditor will attend, the AGM 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 is responsible for the oversight of Qube's risk management and control 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 Qube's risk management and control framework at least

annually, to satisfy itself that the framework continues to be sound. 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. The Audit and Risk Management Committee conducted its review of Qube's risk management framework for the Reporting Period with a particular focus on cyber security. A cyber risk review 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 as a result of this review and an update on cyber security has been made a standing item for meetings of the Committee.
- 7.3. As required by the Board, management has implemented a policy framework 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 which span Qube's diverse activities, including setting financial controls, conducting business audits, investment and acquisition overview, and ensuring high standards in corporate communications and external affairs.
- 7.4. Responsibility for control and risk management is delegated to the appropriate level of management within Qube with the Audit and Risk Management Committee and Safety, Health and Environment Committee having ultimate accountability to the Board for the risk management and control framework. 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.

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

- 7.5. Qube does not currently have its own internal audit function, however the Audit and Risk Management Committee implemented such a function through the appointment of an external service provider during the Reporting Period. The service provider, a large accountancy firm, was appointed to initially prepare a three-year internal audit plan focusing on key risk areas of the business. The internal auditor will now work with the Committee and Qube's senior executives to implement action items arising from the internal audit process.
- 7.6. Qube employs a risk management framework for evaluating and continually improving the effectiveness of its 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.

## *Management assurance*

- 7.7. 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 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.
- 7.8. 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.
- 7.9. 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.

## **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. The duties of the Nomination and Remuneration Committee have been outlined under Principle 2 - Structure the Board to add value.
- 8.4. Qube's approach to non-executive director, Managing Director and senior executive remuneration is set out in the Remuneration Report.
- 8.5. Qube's remuneration framework is designed 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.
- 8.6. 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.
- 8.7. 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.

- 8.8. 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.
- 8.9. Qube has a clawback policy which allows Qube to reduce any STI Plan 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.

## APPENDIX

### Qube Board Skills Matrix - as at 30 June 2017

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>