



# A STRONG, SUSTAINABLE FUTURE

QANTAS ANNUAL REVIEW 2015

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# CHAIRMAN'S REPORT

Qantas performed strongly in 2014/2015 to achieve its best result since before the Global Financial Crisis, enabling the Group to both strengthen its balance sheet and resume shareholder returns. On behalf of the Board, I would like to thank all Qantas Group employees for their hard work and commitment in turning the business' performance around and laying the foundations for future growth.

## Strong Performance

Alan Joyce and his leadership team deserve great credit for the progress the Group made with its \$2 billion Qantas Transformation program in 2014/2015. The program realised \$894 million in benefits, ahead of targets.

There were tailwinds in the operating environment – including lower fuel prices and a weaker Australian dollar – which benefitted the Group.

However, it was the implementation of the Group's strategy that had most bearing on the result. The Group reduced costs, grew revenue and continued to improve the experience for Qantas and Jetstar customers. Each of the Group's businesses made a good contribution to the overall performance and returned its cost of capital. Operating cash flow in 2014/2015 was a healthy \$2 billion.

## Proposed Capital Return

Qantas returned to an optimal capital structure in 2014/2015, having reduced debt, increased liquidity and improved Group-wide return on invested capital to 16 per cent.

As a result, the Board has proposed a \$505 million capital return to shareholders and related share consolidation, subject to approval by shareholders at the Annual General Meeting in October 2015.

Shareholders have shown patience and loyalty through a period of necessary transformation for Qantas. The Board has been committed to resuming a form of shareholder returns at the appropriate time and we are pleased that the Group's performance and financial position enable us to do so now.

## Board Changes

The renewal of the Qantas Board continued in 2014/2015. We welcomed a new Director in Todd Sampson, one of Australia's foremost brand and marketing experts, while Garry Hounsell retired after a decade on the Board.

I thank Garry for his outstanding service and wise counsel at an important and challenging time in Qantas' history.

## Australian & Global Outlook

Market conditions globally and in Australia are complex, with steady growth in some regions and a weaker outlook in others.

Australia's economy continues to transition from the peak of the mining boom, affecting demand in resources-intensive states, while demand is stronger in east coast states and other industry sectors. The Group is managing its assets and capacity in response to this change.

Internationally, the North American and Asia-Pacific markets have strengthened, with growth opportunities for both Qantas and Jetstar. The Group has limited capital invested in Europe but extensive access to European markets through the Emirates partnership. Overall, the Group's diverse brands, revenue streams and customer base are significant competitive advantages to build on in 2015/2016.

Once again, I pay tribute to the Group's employees for their contribution to this result and their dedication to building a strong future for Qantas.

August 2015



“The Group reduced costs, grew revenue and continued to improve the experience for Qantas and Jetstar customers.”

**LEIGH CLIFFORD AO**  
CHAIRMAN AND INDEPENDENT  
NON-EXECUTIVE DIRECTOR

# CEO'S REPORT

Qantas' underlying profit before tax of \$975 million was a turnaround of \$1.6 billion compared with 2013/2014 – including the best second-half performance in our history. I'm incredibly proud of our people, who have driven the Qantas Transformation program forward with passion, skill and determination. Without their hard work this outstanding result would not have been possible.

## Laying Strong Foundations

Since announcing the Qantas Transformation program in December 2013, we have unlocked \$1.1 billion in cumulative transformation benefits. These are permanent improvements in our cost base and ability to generate revenue.

We had to make tough decisions as part of what is the biggest and fastest transition in our history. But because we made and implemented those decisions early, we have strong foundations to build on today.

The diversity and quality of the Qantas Group – with Australia's best airline and loyalty brands – remains our greatest strategic advantage. What's different today is that we are smarter and faster in the way we make decisions, foster innovation and serve customers.

## Putting Customers First

Customers have always been at the heart of the Group's strategy. We've invested in aircraft, lounges, service innovations and training for our people, who have continued to earn record customer satisfaction.

Today we're looking to the next frontier of customer service. Speeding up our adoption of new technology is a priority, but what's truly exciting is the opportunity we have to use the relationships we have with our customers – and the insights they entrust to us – to shape service and create new businesses.

## Next Generation Long Haul Fleet

Qantas' rapid progress with transformation – and the financial discipline we've applied – means we can look to the future and a new generation of long-haul aircraft. The announcement that the Boeing 787-9 Dreamliner will join the Qantas International fleet from 2017 is exciting and energising for all of us.

Throughout Qantas' history, new fleet types have symbolised renewal and ambition – from the Boeing 707 and 747 to the Airbus A380. The iconic Qantas Dreamliner will signify a new era of

global opportunities, technology and passenger comfort. And like all Qantas aircraft, it will be a proud emblem of Australia wherever it flies.

## A Sustainable Future

The goal of the Qantas Transformation program is to build a strong, sustainable business for the long-term. And today more than ever, sustainability in the broadest sense of the word is central to our strategy, our values and our aspirations for the future. It unites our commitment to safety; to innovation; to service; to social responsibility; and to minimising our environmental footprint. This year's Annual Review reflects and reports on that commitment to embed sustainability in everything we do.

In November 2015, Qantas marks 95 years of continuous operations. It's a privilege to lead this great Australian company and its wonderful people as we shape Qantas' future in the 21st century.

August 2015



“We've invested in aircraft, lounges, service innovations, and training for our people, who have continued to earn record customer satisfaction.”

ALAN JOYCE  
CHIEF EXECUTIVE OFFICER

# FINANCIAL OVERVIEW<sup>1</sup>

## A Strong Result

Qantas reported an underlying profit before tax of \$975 million and a statutory profit after tax of \$560 million for 2014/2015.

### HIGHLIGHTS

Underlying profit before tax<sup>2</sup> **\$975 MILLION**

Statutory profit after tax **\$560 MILLION**

Return on invested capital **16 PER CENT**

Operating cash flow **\$2 BILLION**

Net free cash flow **\$1.1 BILLION**

Transformation benefits realised **\$894 MILLION**

Net debt reduction **\$1 BILLION**

Statutory earnings per share (EPS) **25.4 CENTS**

The underlying result was a turnaround of \$1.6 billion compared with 2013/2014, including Qantas' best ever second half performance, with all segments of the Qantas Group profitable and returning their cost of capital for the year.

The largest driver of the improved result was progress with the Qantas Transformation program, which unlocked \$894 million in transformation benefits during the year and saw Qantas meet its target of paying down more than \$1 billion of net debt<sup>3</sup>. As a result, Qantas has reached its optimal capital structure – enabling it to resume shareholder returns.

## Group Performance

All segments of the Qantas Group reported strong profits with record results for Jetstar, Qantas Loyalty and Qantas Freight<sup>4</sup> on an underlying earnings before interest and tax (EBIT) basis. Combined Group domestic underlying EBIT – Qantas and Jetstar – was more than \$600 million and Qantas International was profitable on a full-year basis for the first time since before the Global Financial Crisis.

## Financial Position

The Group's leverage metrics are now within an investment-grade target range, with debt-to-EBITDA of 2.9x, compared with 5.1x in 2013/2014. The Group retains access to diverse sources of funding and strong liquidity, including \$2.9 billion

in cash, \$1 billion in available undrawn facilities and a pool of unencumbered aircraft totalling more than US\$3 billion (at market values).

## Proposed Capital Return

A proposed capital return of \$505 million, equivalent to 23 cents per share, is proposed to be paid to shareholders in early November 2015. The cash payment is subject to shareholder approval at the Qantas Annual General Meeting on 23 October 2015 of both the capital return and a related share consolidation, which is designed to provide shareholders with an earnings per share outcome similar to an equivalent-sized share buy-back.



<sup>1</sup> Refer to the Review of Operations section in the Qantas Annual Report 2015 ([link](#)) for definition and explanation of non-statutory measures.

Unless otherwise stated, amounts are reported on an underlying basis.

<sup>2</sup> Underlying Profit Before Tax (PBT) is a non-statutory measure and is the primary reporting measure used by the Qantas Group's chief operating decision-making bodies (being the Chief Executive Officer, Group Management Committee and the Board of Directors) for the purpose of assessing the performance of the Group.

<sup>3</sup> \$1.1 billion since 2012/2013. Net debt including present value of operating lease obligations.

<sup>4</sup> Since separate segmentation of Freight result in 2007/2008.

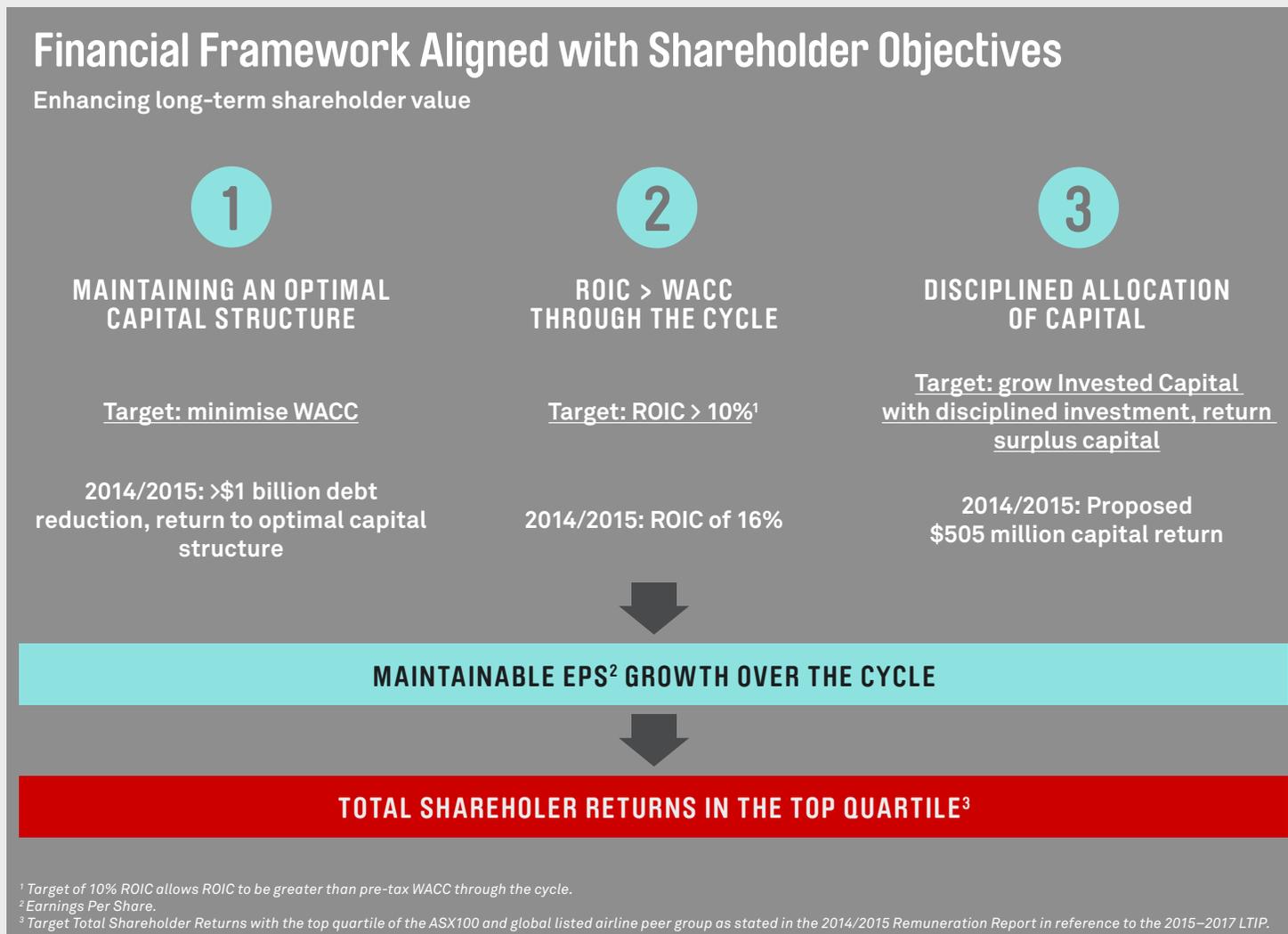
# FINANCIAL OVERVIEW (CONTINUED)

## The Financial Framework for a Stronger Qantas Group

At the 2015 Qantas Investor Day ([link](#)), we outlined the financial framework that guides the Group’s thinking on shareholder value creation, our optimal capital structure, and capital allocation.

The three pillars of the financial framework are supported by measureable targets, aligned with those of our shareholders. Our overarching objective is maintainable earnings per share growth over the cycle, to deliver total shareholder returns (TSR) in the top quartile of the ASX100 and a peer group of global listed airlines<sup>3</sup>.

Maintaining an optimal capital structure, consistent with investment grade-level leverage metrics, will minimise Qantas’ cost of capital. Delivering return on invested capital above our weighted average cost of capital will ensure we can continue to reinvest in our business for sustainable returns. And by growing the Group’s invested capital over time, and returning surplus capital to shareholders, we will continue to create long-term value for our shareholders.



# A NEW APPROACH TO SUSTAINABILITY

The Qantas Group is on a journey to make sustainability central to everything we do.

In some ways, sustainability has always been part of our business – like our unwavering commitment to safety as our first priority.

In other areas, we know we have more to do.

As we expand the role we play to create opportunities, promote diversity and advance social progress in the Australian community, we're transforming our business so that we're better able to respond to challenges and pursue opportunities for the long term.



# A NEW APPROACH TO SUSTAINABILITY (CONTINUED)

A common definition of sustainability is that satisfying the needs of current generations should not compromise the ability of future generations to satisfy their own needs.

From our perspective that means making decisions today that ensure business resilience and create long-term value for the Qantas Group and our stakeholders. It means demonstrating to our shareholders, customers, employees and the broader community that we understand emerging global environmental and social trends and the risks and opportunities they present for our portfolio of businesses.

In 2015 we committed to strengthen our approach to reporting on long-term issues significant to the Qantas Group, overseen by an executive-led Sustainability and Resilience Council. The council's primary responsibility is to prioritise the sustainability issues most relevant to Qantas and to ensure that these issues are included in our strategic planning and reporting processes.

It means demonstrating to our shareholders, customers, employees and the broader community that we understand emerging global environmental and social trends and the risks and opportunities they present to our business.

## Key Topics & Assessment

We performed an assessment process to identify the most relevant issues for inclusion in this Annual Review and other disclosures.

The range of issues considered as part of the exercise was developed in consultation with informed stakeholders selected from across our value chain, including: investors; aircraft and engine manufacturers; airline and industry peak bodies; government agencies; non-government organisations; and employee and customer representatives.



## Our Values

Qantas' strengthened approach to sustainability is a deliberate response to the increasing materiality of environmental, social and governance risk and opportunity.

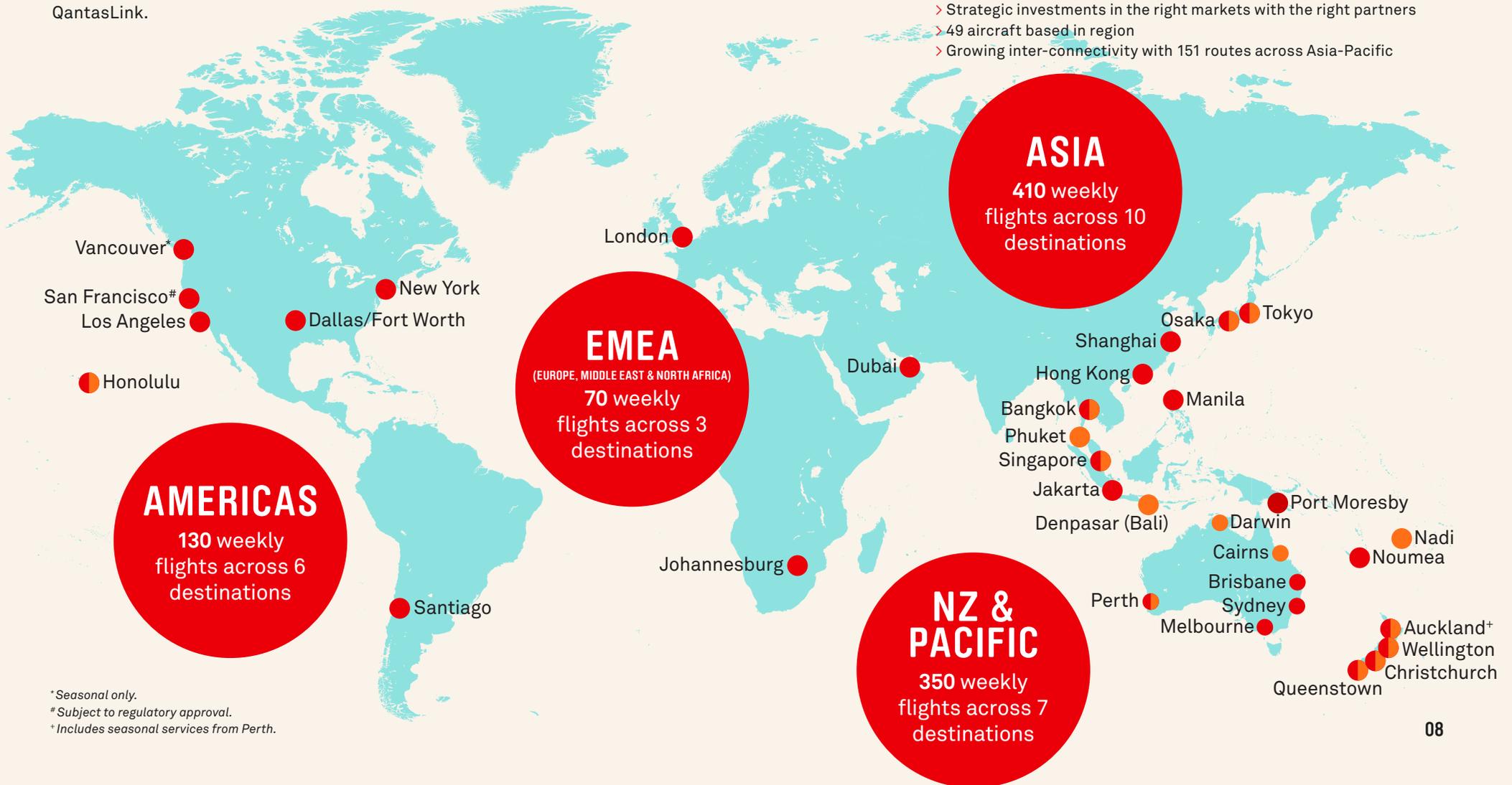
Behind our public reporting, Qantas' ongoing commitment to ethics and integrity continues. This includes our *Qantas Group Business Practices and Values* ([link](#)), our *Reconciliation Action Plan* ([link](#)), and other programs focused on diversity and inclusion.



>> GLOBAL NETWORK

# INTERNATIONAL

Aircraft movements per week across Jetstar (excluding Jetstar-branded airlines in Asia-Pacific), Qantas and QantasLink.



**Pan-Asian footprint with Jetstar-branded airlines**

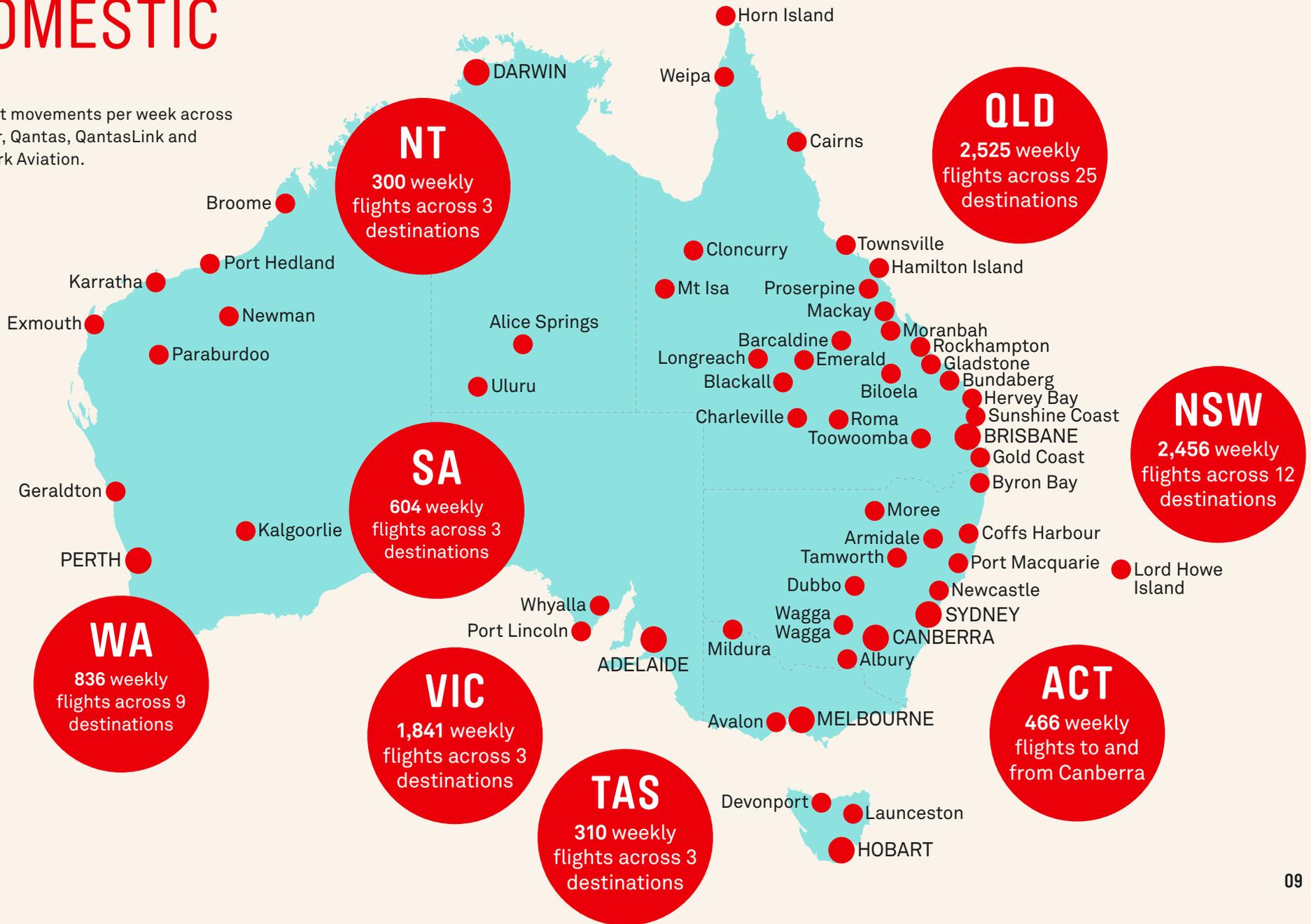
- > Strong, independent airlines (Japan, Singapore, Vietnam)
- > Strategic investments in the right markets with the right partners
- > 49 aircraft based in region
- > Growing inter-connectivity with 151 routes across Asia-Pacific

\* Seasonal only.  
 # Subject to regulatory approval.  
 \* Includes seasonal services from Perth.

>> GLOBAL NETWORK

# DOMESTIC

Aircraft movements per week across Jetstar, Qantas, QantasLink and Network Aviation.



PERFORMANCE & PRIORITIES

# SERVICE & CULTURE



Qantas has always stood for Australian warmth, hospitality and service. As new generations of aircraft and technology expand what's possible, we're investing in the things that matter to our customers and giving our people the tools to provide better service than ever.

>> PERFORMANCE & PRIORITIES

# SERVICE & CULTURE

## The Power of Insight

We use Net Promoter Score (NPS) and other customer insights not just to benchmark our performance, but as a window into what our customers want and need. Feedback from customers goes directly to our frontline employees, informs our strategic decisions and helps us tailor the travel experience.



## Voice of the Customer

### Utilisation of NPS benchmarking and methodology



<sup>1</sup> Net Promoter Score, Qantas Domestic and Qantas International. Based on internal reporting. Record achieved in June 2015.

<sup>2</sup> Qantas compared with Virgin Australia.

## &gt;&gt; PERFORMANCE &amp; PRIORITIES

# SERVICE & CULTURE

## Sustained Investment

The Qantas Group's position in key markets is underpinned by the investments we've made to renew our fleet, lounges and technology. Since 2008 we've taken delivery of more than 150 aircraft to bring our average passenger fleet age down to 7.7 years, opened new premium lounges in key ports around the world and adopted new technology with a focus on time-saving and convenience. Uniquely, we have done this while delivering accelerated business transformation since December 2013.

## Recent highlights and current projects

- New premium lounges in Hong Kong and Los Angeles.
- New domestic lounge in Perth with upgrade of Brisbane lounge precinct in 2015/2016.
- Approaching the halfway stage in refurbishing 28 Airbus A330 aircraft with new interiors including flat beds in business class.
- Refurbishment of 67 domestic Boeing 737-800 aircraft underway.
- 8,000 people to complete third phase of customer service training over next 18 months.



DOMESTIC CUSTOMER  
EXPERIENCE VIDEO



>> PERFORMANCE & PRIORITIES

# SERVICE & CULTURE

## Digital Transformation

Digital transformation cuts across every part of the Qantas Group as we look to enhance the travel experience for our customers and give them greater control of their journey.

We've strengthened social media customer service with extended hours 365 days a year, launched a range of Qantas apps for mobile devices and refreshed inflight entertainment with over 200 hours of new content each month. We've also re-designed our inflight magazine and expanded our digital channels, including launching *AWOL*, a new title inspiring young Australians to travel the world.



In February 2015 Qantas announced the world's first inflight virtual reality experience – a partnership with Samsung. First class customers on select Airbus A380 aircraft and in our Sydney and Melbourne first class lounges can immerse themselves in 360-degree virtual environments. The technology also enables customers to watch inflight entertainment in virtual settings, from their own home theatre to a cinema or even a seat on the moon.

## Giving Customers Control

We've transformed our mobile presence to give customers more information, options and entertainment.

### Auto Check-in

More than 700,000 people have checked in via SMS since we rolled out our Auto Check-in option in early 2015.



### Mobile travel companion

Qantas apps provide flight information to customers on the day of travel, including for Apple Watch users, and help us manage disruptions.

### Q Streaming

Customers can stream our inflight entertainment library direct to a tablet device on select aircraft types.



### Red app

Customised tool enabling Qantas crew to access and store customer information and help tailor the journey for premium passengers.

### PressReader

Allows customers to download and store free magazines to read on their mobile device in flight.

>> PERFORMANCE & PRIORITIES

# SERVICE & CULTURE

## Service Performance & Brand Perceptions

We're proud of the improved customer satisfaction and brand perception ratings we received in 2014/2015.

In the corporate travel segment, we're not only providing the high standards of service and duty of care that our customers expect, we're also engaging with them on our approach to issues that matter to their own businesses, ranging from safety and risk to business resilience and fuel efficiency. This approach has led to sustainability workshops and research projects undertaken with Harvard University and the University of Queensland. The findings from these studies are already informing the development of new products.

### Domestic



#### Perceived Best Domestic Airline for Business Travel

Qantas continues to own this domestic market brand position<sup>1</sup>



#### Provides a Competitive Product

Qantas continues to be the predominant first preference for Australian domestic business travel<sup>1</sup>

<sup>1</sup> Source: Qantas Key Indicator Study. As at June 2015.  
<sup>2</sup> Source: Qantas International Operational NPS. As at July 2015.

### International



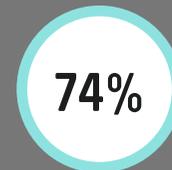
#### Provides Exceptional Customer Service

Perceptions of providing exceptional customer service continue to improve and achieved a new record at 74%<sup>2</sup>



#### Provides a Competitive Product

Perceptions of providing a competitive product continue to improve and achieved a new record at 68%<sup>2</sup>



#### Is a Premium Full Service Airline

Perceptions of being a premium full service airline continue to improve and achieved a new record at 74%<sup>2</sup>

Jetstar leads on low-prices fares perception, underpinned by its lowest fare guarantee<sup>3</sup>



<sup>3</sup> Source: Brand Tracking Research (House of Brand), April–June 2015.  
<sup>4</sup> Tigerair Australia.

>> PERFORMANCE & PRIORITIES

# SERVICE & CULTURE

## Engaging our People

Engaging, supporting and empowering our people flows directly into the standard of service we provide for our customers. Group-wide employee engagement was 75 per cent, in line with 2013 levels, a strong result given the scale of transformation over the past two years, with positive indicators for pride in the Qantas and Jetstar brands and belief in business objectives.

Our focus in 2015/2016 is to lift engagement and unite our people behind shared goals through two dedicated training programs – The Next Step Together and Creating Great – leadership and talent development initiatives and transparent internal communication. Leadership development is a focus area with external Harvard and GE-led training programs complementing our internal frameworks.

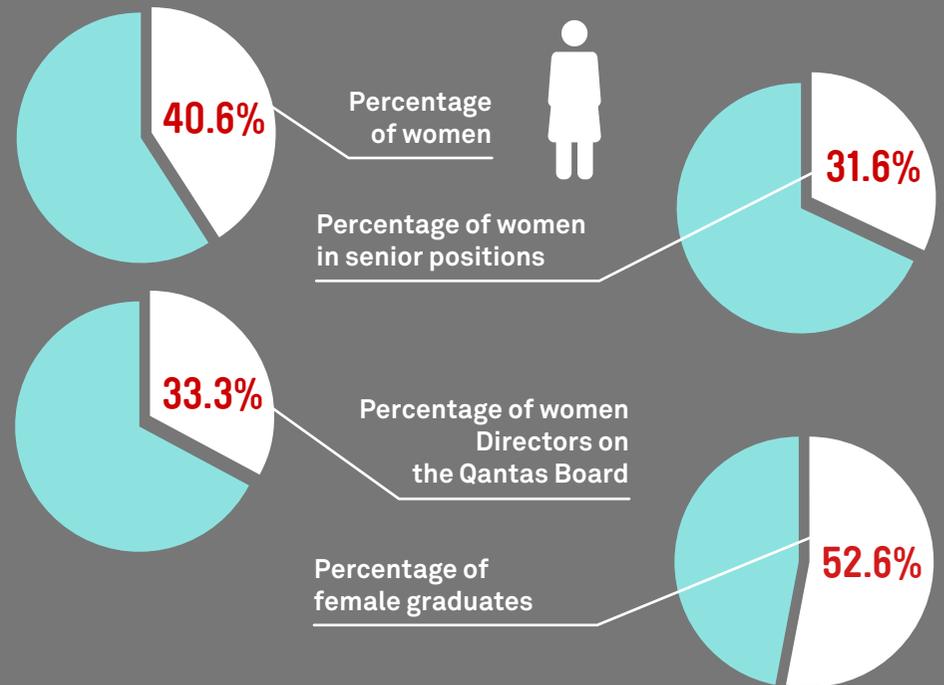
Engagement with employees on the Qantas Transformation program has been positive and constructive. Nineteen employee agreements have been agreed with an 18-month wage freeze. A one-off bonus equivalent to 5 per cent of base salary will be paid to all employees who have signed up to agreements that include the wage freeze.

## A Diverse Workforce

The Qantas Group is a diverse workforce that reflects contemporary, multicultural Australia. We celebrate and promote this diversity as a business strength.

The Group's diversity policies (link) and initiatives are governed by an executive-level Diversity Council and aligned with our strategic goals and brand values.

Diversity priorities in 2014/2015 included gender equality, Indigenous employment and training through a partnership with CareerTrackers, and workplace flexibility, with flexible working arrangements being introduced in corporate areas and enhanced in operational areas.



317

Aboriginal and Torres Strait Islander employees



156

Countries of origin



49

Languages spoken



94

Nationalities

## &gt;&gt; PERFORMANCE &amp; PRIORITIES

## SAFETY &amp; SECURITY

The safety and security of Qantas Group customers and employees is always our first priority.

Qantas was one of the first airlines to introduce an integrated safety management system and that system continues to guide the Group's approach to safety today. It is continuously reviewed and updated to take into account regulatory and technology changes, lessons from within the Group or across the industry, and improvements in processes.

The success of our safety management system relies on a strong, healthy safety culture and the ability to work through major change while maintaining and lifting safety standards. These qualities have been central to the successful delivery of the Group's biggest transformation program since privatisation.



## &gt;&gt; PERFORMANCE &amp; PRIORITIES

# SAFETY & SECURITY

## Continuous Improvement

The scope of safety and security at the Qantas Group is as broad as our business itself, and continues to evolve. We are playing a lead role in the industry's efforts to develop new security policies, processes and technologies with the potential to improve both security outcomes and the passenger experience. In 2014/2015, we invested approximately \$260 million in security operations and development initiatives.

Cyber-security is an area of growing focus. We have developed a proactive assurance strategy, including seeking independent external assessment of cyber-security systems, investing in state-of-the-art technology to protect against cyber-risks, and working closely with government agencies and industry partners on emerging developments in the field.

Our business resilience framework – managed by a dedicated team within the Office of the CEO – gives us a sophisticated mechanism for managing crises while maintaining business as usual. We continually test, review and improve crisis management policies and processes, with regular exercises involving directors, executives, managers, partners and regulators.

## Industry Partnerships

While the industry's safety record is extremely strong, recent tragic incidents have heightened scrutiny of aviation safety. Aviation safety is a global responsibility and international bodies like International Air Transport Association (IATA) and International Civil Aviation Organization (ICAO), partner and competitor airlines, and national regulators are all crucial stakeholders in the Group's safety management system. As aviation grows and changes, we are committed to playing a constructive role in industry-wide measures to make flying even safer.



>> PERFORMANCE & PRIORITIES

# SAFETY & SECURITY

## Workplace Health & Safety

While operational safety remained strong, our performance against key workplace safety indicators declined in 2014/2015, prompting the establishment of a comprehensive program of initiatives, across all Group businesses, aimed at improving these results.

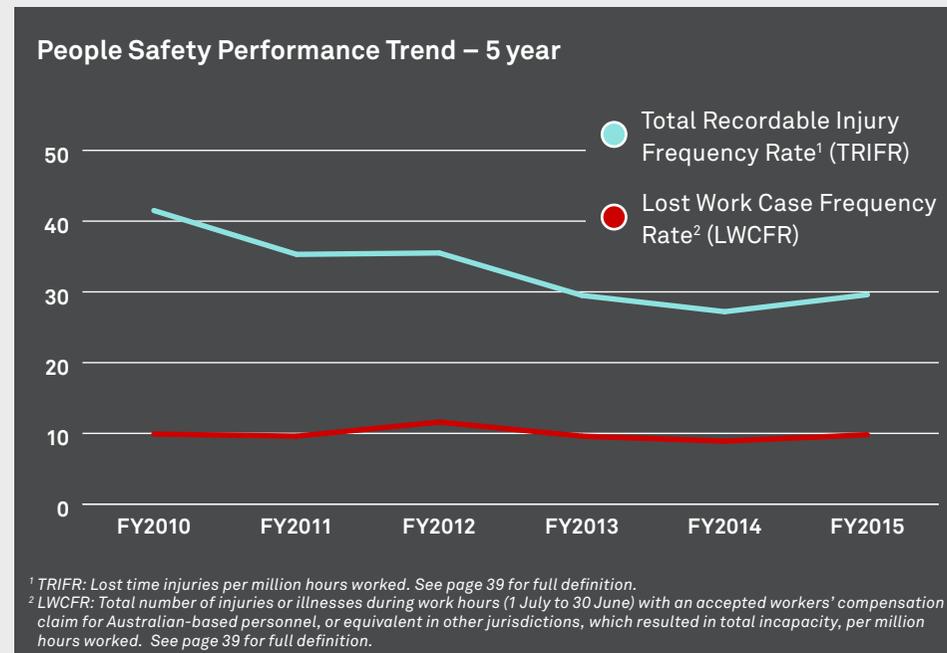
This is an ongoing priority for the Board and Group Management Committee and our senior leaders have made a personal commitment to ensure all our people go home safely at the end of each day.

We are implementing a long-term strategy to achieve a significant and enduring improvement in workplace safety performance over the next three years – recognising that such initiatives take time to deliver sustainable benefits.

A program of targeted initiatives to address key workplace safety risks and trends is also being developed, focusing on a proactive approach to preventing injuries. This program will consider our culture and structure as well as controls to improve the ergonomics of the way employees work and use equipment.

Our people provide valuable insight into how we can improve safety in our business. We are proud of our strong, ‘just culture’ of reporting and our dedication to learning from our experiences. And we strive to maintain an environment that encourages trust and confidence in our people to report hazards and incidents and suggest safety improvements.

Personal health and wellbeing-focused awareness and training are now ingrained in our internal engagement programs, with the onus on leadership and communication by managers to ensure that employees know what resources are available to them, including on-site expert physiotherapy assessments, treatments and pre-work group exercises to improve suppleness and strength.



## Operational Safety – Leadership and Collaboration

The safety of our customers, employees and aircraft is our highest priority, and we remain an industry-leading airline for operational safety. We use our position and experience to encourage collaboration among not just Qantas Group airlines but across the industry more broadly.

Qantas is the current chair of the International Air Transport Association (IATA) Safety Group and the oneworld Safety Group, as well as participating in a number of industry-wide safety working groups. For example, we have provided recommendations to the International Civil Aviation Organisation on the use of enhanced technology to increase air traffic controllers' ability to track individual aircraft.

>> PERFORMANCE & PRIORITIES

# GROUP STRATEGY

Our strategy is to build the Qantas Group's competitive advantages and create long-term shareholder value by maximising the strength of our integrated portfolio of businesses and brands.

The breadth of the Group model – with Qantas, Jetstar and Qantas Loyalty – allows us to serve the widest range of customers, gives us greater resilience to external volatility, and enables us to pursue growth opportunities in a range of markets.

We are driving a permanent shift in our cost base and competitive position through the \$2 billion Qantas Transformation program, laying foundations for sustainable growth within a disciplined financial framework, tailoring service to our customers' needs, and uniting our people behind shared goals for the future.

Click [here](#) to view the 2014/2015 Qantas Group investor presentation.

>> PERFORMANCE & PRIORITIES

# GROUP STRATEGY

## Leading Domestic Position

Qantas and Jetstar held a 63 per cent capacity share<sup>1</sup> of the Australian domestic market, but an 86 per cent earnings share<sup>2</sup>, reflecting the success of our dual brand strategy.

Domestic market conditions moderated in 2014/2015, with supply and demand better aligned. Passenger loads and yields also improved.

In 2014/2015:

- Qantas Domestic's superior network offering across capital cities and regional Australia enabled it to maintain a clear revenue premium over the competition and hold an 80 per cent share of the corporate travel segment<sup>3</sup>.
- Jetstar's scale, cost and brand advantage saw it continue to lead the price-sensitive segment, with a 15 per cent advantage in revenue per available seat kilometre<sup>4</sup> relative to the competition.
- Transformation reduced Qantas Domestic's cost gap, with a comparable unit cost improvement of 4 per cent<sup>5</sup>.

- A comprehensive dual-brand network review identified opportunities for growth, new routes and schedule improvements across both Qantas Domestic and Jetstar, to be implemented during 2015/2016.

While the slowdown in the mining sector has driven a broader rebalancing in the Australian economy, the Group has been able to adjust capacity in mining-intensive regions – like Western Australia – and redeploy assets to other regions where demand is stronger.

**QANTAS<sup>6</sup>  
2014/2015 DOMESTIC  
ON-TIME DEPARTURES**

**88.3%**

**Up from 87.5%  
in 2013/2014<sup>1</sup>**

**JETSTAR  
2014/2015 DOMESTIC  
ON-TIME DEPARTURES**

**82%**

**Up from 78.8%  
in 2013/2014<sup>1</sup>**

<sup>1</sup> BITRE data.

<sup>2</sup> EBIT Share. Rest of market EBIT includes Virgin Domestic Underlying EBIT as reported for 2014/2015 and Tigerair Australia 2H15 Underlying EBIT as reported (breakeven assumed in 1H15).

<sup>3</sup> Share of market corporate account revenue, large corporate accounts.

<sup>4</sup> RASK adjusted for the impact of differences in average sector length. Source: BITRE, published company accounts and Jetstar's internal estimates. Figure refers to Jetstar Australia operations vs. Tigerair Australia.

<sup>5</sup> The 4% improvement in comparable unit cost is calculated as Underlying EBIT less passenger revenue and fuel adjusted for changes in bond rates and foreign exchange rates per ASK. If adjusted for the impact of the carbon tax repeal, comparable unit cost improved 1%.

<sup>6</sup> Qantas mainline operations, does not include QantasLink.



## &gt;&gt; PERFORMANCE &amp; PRIORITIES

## GROUP STRATEGY

**Strong International Position**

In the international market, the Group continued to strengthen its competitive position and global scale through cost base transformation, service renewal, organic growth and strategic partnerships.

After the volatile 2009–2014 period, when the process of turning around Qantas International began, market conditions have eased. Today Qantas International is well-placed to build a sustainable, long-term advantage from our strong home market.

The Emirates partnership enables Qantas to serve Europe with limited invested capital, while focusing assets on US routes and high-growth Asian routes. And thanks to greater fleet utilisation and a more agile approach to route decision-making, Qantas has been able to lift both permanent and seasonal capacity around the Asia-Pacific region.

Our partnership with American Airlines extends our leading position on trans-Pacific routes and gives us comprehensive access to the US domestic market. It's a partnership we are now seeking to expand\*.

*\*subject to regulatory approval.*



In 2014/2015 Qantas:

- Introduced the A380 on the Dallas/Fort Worth route, upgrading the route from a Boeing 747.
- Increased capacity to Los Angeles and Santiago.
- Returned to the Perth–Singapore market.
- Returned to Vancouver with seasonal winter and summer services.
- Announced plans to double capacity to Tokyo, including the launch of new Sydney–Haneda and Brisbane–Narita routes.
- Announced plans to return to the Sydney–San Francisco route as part of the proposed expansion of our relationship with American Airlines\*.
- Announced plans to expand in China under a joint venture with long-standing partner China Eastern.

Extending our dual-brand model into the international market, Jetstar International serves long-haul leisure destinations from Australia with an all-Dreamliner fleet (from September 2015), while the network of Jetstar-branded airlines across Asia-Pacific gives the Group exposure to the growth of leisure travel in the world's largest aviation region through minority investments with strong partners.

Jetstar today is the largest low-cost carrier in Australia, New Zealand and Japan and the second-largest in Singapore and Vietnam.

In 2014/2015 Jetstar Japan continued to grow across domestic and international routes, with 20 aircraft, while Jetstar's New Zealand business is expanding into regional markets.

Following a negative decision by regulators in Hong Kong, Qantas will make no further investment in the proposed Jetstar Hong Kong airline.

JETSTAR  
JAPAN  
VIDEO



>> PERFORMANCE & PRIORITIES

# GROUP STRATEGY

## Growing Loyalty

Qantas Loyalty generates stable, non-cyclical returns for the Group, secures and deepens customer loyalty to Qantas and Jetstar, and unlocks growth opportunities through new business ventures.

Over the past 10 years Qantas Loyalty has moved from a traditional frequent flyer business to a much more sophisticated group of brands and businesses. Today Qantas Loyalty is made up of its core loyalty programs (Qantas Frequent Flyer for consumers and Aquire for small businesses) innovations that support them (like the Qantas Cash travel money card) and break-out ventures like Red Planet, an integrated media, data and analytics business.

Qantas Loyalty is targeting further, innovation-led growth in 2015/2016 and beyond as it continues to strengthen the core frequent flyer business and expand into new areas.

## Market-leading Assets and Capabilities



### QFF Program

- Product innovation e.g. Qantas Cash
- Reinforcing communities e.g. Qantas epiQure, Qantas Golf



### Data Analytics

- 27 years of demographic and behavioural data
- Analytics capability, strengthened by Taylor Fry acquisition

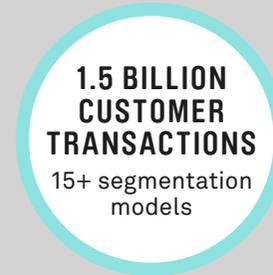


### Brand

- Iconic, trusted Australian brand

INNOVATION

Underpinned by an innovation capability and culture



Source: Qantas Loyalty analysis.  
 Note: All figures are as at April 2015 unless otherwise stated.  
 ¹ As at June 2015.  
 ² ~50% as at February 2014. Source: Experian.



## &gt;&gt; PERFORMANCE &amp; PRIORITIES

## A SMARTER, FITTER QANTAS

The three-year, \$2 billion Qantas Transformation program, launched in December 2013, accelerated our existing change agenda. Our goal was not just to navigate tough short-term conditions, but to permanently increase Qantas' productivity and competitiveness and embed a culture of transformation across the business. By 30 June 2015 we had unlocked \$1.1 billion in cumulative benefits and achieved our scheduled program targets while lifting customer satisfaction to record levels.

Transformation has been the driving force behind our financial turnaround – and it's the key to our future success and growth.

>> PERFORMANCE & PRIORITIES

# A SMARTER, FITTER QANTAS

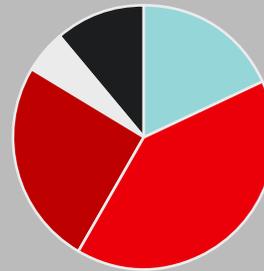
In the first 18 months of Qantas Transformation we completed the closure of our Boeing 747 maintenance base in Avalon, redundancies equivalent to 4,000 roles, the accelerated retirement of our Boeing 747-400 and Boeing 767 fleets, and major network and fleet utilisation changes. In the next phase of transformation we will continue to pursue consolidation and productivity initiatives while increasing our focus on technology and supply chain measures.

We said from the outset that transformation had to create opportunities for our people and lead to better service for our customers. Qantas' employees have risen to the challenge, helping design and deliver initiatives that both reduce costs and improve service as we cut down management layers, speed up decision-making and encourage innovation. As a result, the Qantas Group is not just a smarter and fitter business, but also a better place to work.

## The Transformation Journey

### FIRST 18 MONTHS OF TRANSFORMATION

Benefits realised by 2014/2015

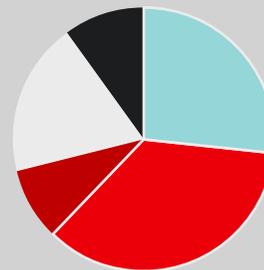


- **Consolidation:** non-operational staff reduction; B747 base closure; new line maintenance model; centralised office campus
- **Productivity:** Jetstar's 'Lowest seat cost' program; fuel optimisation
- **Right-sizing:** Qantas International and Domestic utilisation (Phase I)

● Right-sizing ● Productivity ● Consolidation ● Technology ● Supplier

### NEXT WAVE OF TRANSFORMATION

Benefits realised from 2015/2016 onwards



- **Consolidation:** contact centres
- **Productivity:** catering centres; Jetstar's 'Lowest seat cost' program; fuel optimisation
- **Right-sizing:** Qantas International and Domestic utilisation (dual brand network optimisation) (Phase II)
- **Technology/Supplier:** 'Spend Aware' supplier spend program; revenue management; application simplification

>> PERFORMANCE & PRIORITIES

# A SMARTER, FITTER QANTAS

## Collaboration and Partnership

Successful transformation relies on open internal collaboration and strong external partnerships. We're breaking down silos and barriers to help departments work together on common goals.

Our engineering and scheduling teams are collaborating to increase utilisation of our fleet (see right). Our customer experience and catering teams are combining to provide food to our Economy class passengers at a lower cost. And our business-wide 'Target Zero' initiative is bringing together the full operational supply chain to speed up the turnaround of our Boeing 737-800 aircraft.

Click [here](#) for more detail on how we have increased aircraft utilisation at Qantas International.

## International 2014/2015 Fleet Utilisation<sup>1</sup>

		Average hours/day	% change to FY12 <sup>2</sup>
	A380	13.9	14%
	B747-400/400ER	12.7	19%
	A330-300	15	12%
	B737-800	12.6	7%
<b>Network<sup>3</sup></b>		<b>13.6</b>	<b>15%</b>

<sup>1</sup> Based on 2014/2015 forecast block hours per aircraft per day.

<sup>2</sup> 2014/2015 compared to 2011/2012.

<sup>3</sup> Includes B767.

>> PERFORMANCE & PRIORITIES

# SOCIAL RESPONSIBILITY & GOVERNANCE



We believe the Qantas Group should always play a responsible and progressive role in the community, at home in Australia, across our global network, and throughout our supply chain. It's what we've always done as the national carrier and it's what our customers and stakeholders expect of us as a major employer and iconic Australian brand.

Qantas sponsors  
the Bangarra  
Dance Theatre.  
Photo credit  
Edward Mulvihill

## &gt;&gt; PERFORMANCE &amp; PRIORITIES

# SOCIAL RESPONSIBILITY & GOVERNANCE

## Community Strategy & Partnerships

Qantas' community strategy champions the spirit of Australia through three distinct pillars:

- Our long standing commitment to the journey of Reconciliation.
- Nurturing and showcasing the best of Australia.
- Engaging our workforce and our customers.

We reinforce our brand purpose through annual community investment of over \$3 million and, with over 30 flagship community partners, we're proud to be a leader in this space.

Qantas partners with organisations that champion positive change, enrich our community and celebrate diversity, including Make-A-Wish, e-motion21, Mardi Gras and UNICEF.

We also continue to engage our customers in charitable giving through the Qantas/UNICEF Change for Good program and Jetstar's StarKids initiative. Since its inception the Change for Good program has raised in excess of \$30 million, while StarKids has raised over \$4 million.



*Qantas Ambassador  
Adam Goodes at the  
launch of the QantasLink  
Recognise campaign in 2014.*

In the arts, we are committed to unearthing and supporting outstanding Australian talent through partnerships with the Australian Ballet, MONA and The National Gallery of Australia.

Click [here](#) for more information on Qantas' work in the community.

## &gt;&gt; PERFORMANCE &amp; PRIORITIES

# SOCIAL RESPONSIBILITY & GOVERNANCE

## Empowering the First Australians

In July 2015 we published an updated Reconciliation Action Plan (RAP), achieving Elevate status for the first time – the highest level accredited by Reconciliation Australia.

Qantas' key RAP strategy pillars for 2015–2018 include:

- Providing long-term Indigenous careers.
- Developing cultural competency.
- Creating an Australian customer experience.
- Supporting Indigenous economic development.
- Leading reconciliation collaboration.

We are focused on creating training opportunities for Indigenous Australians to unlock economic opportunities.

Under a new partnership with CareerTrackers we will provide more than 250 traineeships for young Indigenous people over the next 10 years.



*Qantas CEO Alan Joyce with CareerTracker CEO Michael Combs and CareerTracker interns.*

We know that building the skills and capacity of Indigenous businesses is the best way to close the economic gap between Indigenous and non-Indigenous Australians – with the potential to add more than 1 per cent to Australian GDP by 2031. We're determined to play our part as Australia works towards this national priority.

At the same time, we continue to use the power of our brand and the scale of our network to tell stories of Indigenous culture, achievements and aspirations. This extends to partnerships with the Bangarra Dance Studio, Qantas Ambassador Adam Goodes, and the campaign for constitutional recognition of Aboriginal and Torres Strait Islander people.

Have a look at our new RAP [here](#).

“Qantas offers career paths that inspire young Aboriginal and Torres Strait Islanders to live out their dreams whether they be on the ground or in the sky.”

**MICHAEL COMBS**  
CAREERTRACKERS CEO

## &gt;&gt; PERFORMANCE &amp; PRIORITIES

# SOCIAL RESPONSIBILITY & GOVERNANCE

## Honouring Those Who Serve

In 2014/2015 we formed a new agreement with the Department of Veterans Affairs to support the Centenary of ANZAC, including operating a special flight to Turkey for the commemorative events at Gallipoli. Qantas' founders served in the First World War, as did many forebears of our employees today. We're honoured to be involved in helping Australians remember the sacrifice of those who served 100 years ago.

## Speaking Up for Diversity

Our partnerships are closely aligned with our work to promote diversity and equality in our workforce and the broader community. This includes a new partnership with the Sydney Mardi Gras and Qantas' support for the campaign for marriage equality in Australia – a change that would reflect the wishes of a majority of Australians and bring Australia into line with other advanced democracies.



*Widows of WWI veterans flew with Qantas to Turkey in April 2015.*

>> PERFORMANCE & PRIORITIES

# SOCIAL RESPONSIBILITY & GOVERNANCE

## Robust Governance

Social responsibility and ethical operations are fundamental to our strength as a business and the health of our brand. We know that it's vital to protect our brand and operations through robust governance, policies and processes.

For a full overview of Qantas' company structure, corporate governance and standard disclosures, click [here](#).

**\$3.6 billion**  
IN WAGES & PAYMENTS TO 30,000 EMPLOYEES

## Anti-Corruption Framework

Unethical business practices such as corruption pose major risks for all businesses. Qantas continues to prioritise the development of a rigorous anti-corruption framework.

In 2014/2015 we:

- Assessed legal and reputational risks for directors and officers of the Group.
- Established a cross-functional, executive-led steering group responsible for developing anti-corruption strategy and policy.
- Set up a network of ethics and compliance practitioners from leading Australian companies across a range of business sectors, to share knowledge and initiatives.
- Developed an initial corruption control assurance program.
- Centralised our gifts register.
- In consultation with key stakeholders, revised supporting documents including the code of conduct and ethics; guidelines for giving and receiving gifts, entertainment and hospitality; and a compliance guide for managers.

## Sustainable Supply Chain

The Qantas Group's supplier code of conduct ([link](#)), first published in 2013/2014, outlines our expectations of suppliers to ensure that they comply with our non-negotiable business principles.

We have developed workplace health and safety procedures to provide suppliers with an overview of their responsibilities in relation to the environment, safety and occupational health at a Qantas site.

The code of conduct also provides clear guidance on what we expect from our suppliers and their supply chain in meeting commitments to safety, environmental management, human rights, corporate governance and ethics, business resilience, community, diversity and animal welfare.

**12,000+ SUPPLIERS**

**TARGET: \$1.75 MILLION INDIGENOUS SUPPLIER SPEND\***



\*Qantas Reconciliation Action Plan target to direct \$1.75 million supply chain spend to Aboriginal and Torres Strait Islander suppliers between 2016 and 2018.

## &gt;&gt; PERFORMANCE &amp; PRIORITIES

# SOCIAL RESPONSIBILITY & GOVERNANCE

## Risk Management

Based on supplier industry and location we have assessed the relative risk in our supply chain and we continue to prioritise identifying and addressing social risk.

To ensure our high standards are met in practice, and where appropriate, we require independent third party auditors carry out extensive on-site assessments which audit workplace practices including adherence to living wage requirements, maximum working hours, acceptable living conditions and corporal punishment. Where mitigations are required, they are monitored until complete. If we identify a risk, we will not transact with suppliers until all material issues have been resolved.

In 2015/2016 further audits will be conducted for all new suppliers as well as for a number of existing suppliers (both onshore and offshore).

We engage with our **oneworld** partners in sharing information to support corporate social responsibility, including working towards an alliance-wide membership of the Supplier Ethical Data Exchange (SEDEX). The audits shared on this platform flag areas of concern in labour standards, health and safety, environment and business integrity.



## Supporting Australian Suppliers

Qantas continues to challenge the notion of traditional airline meal service by delivering restaurant-style experiences in the sky.

We're committed to showcasing the diversity and quality of Australian produce that's been locally grown and produced, as well as Australian suppliers of all sizes.

Our investment in quality food has helped hundreds of Australian producers grow, develop and find new markets.

As a founding member of Supply Nation, Qantas continues to support supplier diversity and identify opportunities for Indigenous businesses to provide services to Qantas. In 2014/2015 we committed to spend \$1.75 million with Indigenous suppliers between 2016 and 2018.

## &gt;&gt; PERFORMANCE &amp; PRIORITIES

## ENVIRONMENTAL LEADERSHIP

The Qantas Group believes climate change is a shared global challenge for governments, businesses and individuals, and we are committed to playing our part in the aviation industry's response.

We accept and support the long-standing scientific consensus that human activity has accelerated climate change and that rising global temperatures have significant environmental, economic and social impacts.

At the same time, we acknowledge our own impact on the environment and we have been working for many years to increase fuel-efficiency – and therefore reduce emissions – by investing in new aircraft, finding more efficient ways of operating, and working with manufacturers, regulators and other industry partners.



## &gt;&gt; PERFORMANCE &amp; PRIORITIES

## ENVIRONMENTAL LEADERSHIP



### Fuel Efficiency

Since 2009 the Group's fuel efficiency has improved by 5 per cent<sup>1</sup>. While this is below our target of an improvement of 1.5 per cent per year, we expect our figures to improve with continued fleet renewal and ongoing fuel burn reduction initiatives.

There are many variables affecting an airline's reported fuel efficiency that make it difficult to directly compare one airline against another. These include the nature of the airline's flying (short, medium or long haul) and passenger load factors.

As part of the Qantas Transformation program, we have accelerated our existing fuel efficiency and optimisation program, which helped reduce total carbon emissions by 2.1 per cent during 2014/2015. And we're maximising the benefits of our young fleet, which is more fuel and carbon-efficient than that of most other airlines of comparable size.

### Biofuel Outlook

Over the longer term, we believe that biofuels are the industry's biggest opportunity to achieve major reductions in carbon emissions. The industry's challenge is to create a market that can generate biofuels on a commercial scale and at a competitive price.

Qantas has led industry research towards a commercially viable aviation biofuel market in Australia.

*The Jetstar Dreamliner is delivering cost savings and a better experience for customers, and uses 20 per cent less fuel than similar size aircraft types<sup>2</sup>.*

<sup>1</sup> Source: Qantas operational data.

<sup>2</sup> Boeing data.

>> PERFORMANCE & PRIORITIES

# ENVIRONMENTAL LEADERSHIP

## Working with Customers & Communities

Qantas and Jetstar were among the first airlines in the world to introduce a voluntary carbon offsetting program – Fly Carbon Neutral – in 2009. It is now the largest program of its kind in the world, with around 7 per cent of customers choosing to offset. Qantas does not profit from the program and passes on all funds to the purchase of verified carbon offsets, an annual contribution of more than \$1.2 million.

In 2014/2015 we launched a new offsetting program for our major corporate customers – the Qantas Future Planet Partnership – allowing them to shape their offset portfolio to their own social and environmental goals.

We also continued to expand the range of verified offset projects we support through carbon offsetting, including:

- The North Kimberley Fire Abatement Project, which is reviving traditional Indigenous fire management techniques.
- The April Salumei Project in Papua New Guinea, protecting virgin native rainforest on which 163 local communities depend.

In addition to our carbon offset programs, we're proud to promote and support Australia's best sustainable-tourism operators – enabling customers to use Qantas Points to book unique experiences with Earthwatch, the Tasmanian Walking Company and Lirrawi Tourism.

Further information can be found [here](#).

## Eco-Efficiency

We are well on track to meet and exceed our electricity, water and waste to landfill targets.

In 2014/2015 we commenced replacing fluorescent tube lighting with energy efficient LED lights in our airports, hangars, ramp areas, warehouses and flight simulators nationally. This project will reduce our energy consumption by more than 13 million kilowatt hours and save more than \$2 million per year on energy costs.

On World Environment Day (5 June), we launched an improved onboard recycling program on Qantas domestic services, which means that all recyclable waste on our Boeing 737 and Airbus A330 aircraft is now separated and recycled. Other new waste and recycling initiatives will be launched in 2015/2016.

## International Action

Airlines are relatively small but high-profile contributors to global greenhouse gas emissions, accounting for around 2 per cent of the total\*. With more than 3 billion people travelling by air each year, a vast supply chain and some of the world's most iconic brands, the aviation industry has a unique opportunity to positively influence and shape the global response to climate change.

Through the International Air Transport Association (IATA) and the International Civil Aviation Organisation – the UN aviation body – airlines are undertaking detailed work to develop a mandatory, global, sector-wide carbon offset mechanism to be agreed by 2016 and implemented by 2020. Qantas is a technical advisor to this process.

A global framework is not a substitute for the technology, infrastructure and operational measures that will ultimately produce fundamental change in the industry's emissions footprint. Instead it will complement these measures and fill any 'emissions gap' as the industry works towards carbon-neutral growth from 2020 onwards.

Click [here](#) for IATA's targets.

Airlines resolved in 2009 to work towards three shared goals for short-term, medium-term and long-term action on aviation emissions:

### FUEL EFFICIENCY IMPROVEMENT

An average annual improvement in fuel efficiency of 1.5 per cent per year through to 2020

### CARBON-NEUTRAL GROWTH

Carbon-neutral growth from 2020, with no net increase in emissions

### AIRLINE EMISSIONS REDUCTION

A 50 per cent net reduction in global airline emissions by 2050

\* IATA estimate.

>> PERFORMANCE & PRIORITIES

# ENVIRONMENTAL LEADERSHIP

## National Government Policy

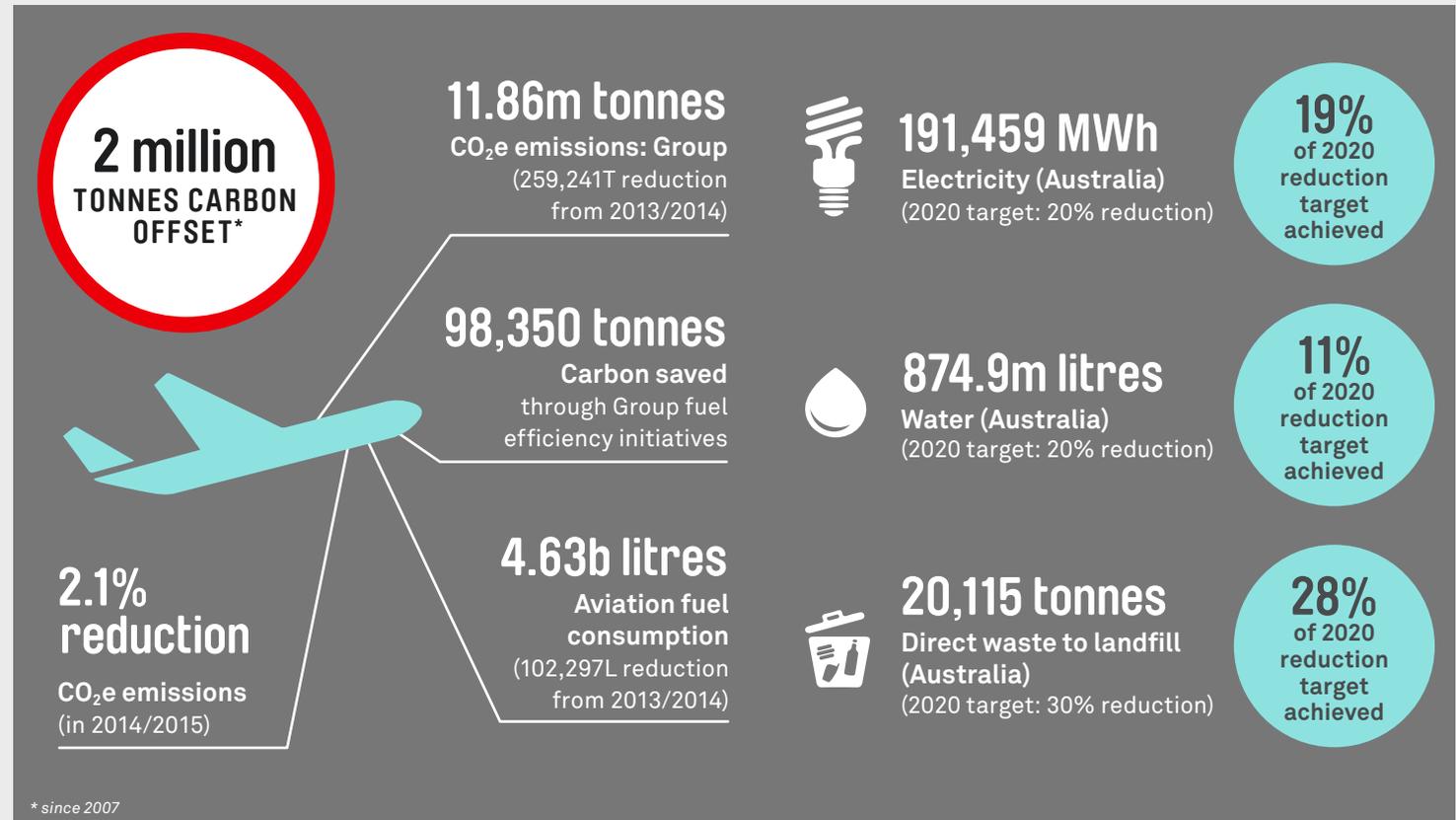
The Qantas Group is committed to working with governments on policies that encourage innovation and reduce emissions to meet international targets and community expectations.

We believe such policies will provide a stable, long-term framework for investment decisions to maximise the impact and efficiency of private sector action, while preserving Australia's competitiveness in global markets.

In the Australian context, we support the federal government's emission reductions goals. We are working on a number of projects that could qualify for support from the Emissions Reduction Fund, and we are closely involved in consultation on supporting and supplementary policies.

## Reporting & Recognition

Qantas won the 2015 Australian Business Award for Sustainability and is represented on global indices for environmental performance.



# GROUP STRATEGY DRIVES SUSTAINABLE OUTCOMES

For the reporting period (1 July 2014–30 June 2015), the Qantas Group (including wholly owned and associated entities) incorporated the principles of the Global Reporting Initiative (GRI). The 2015 Annual Review discloses aspects that have

been prioritised, validated and reviewed by an extensive range of key internal stakeholders. For a description of our stakeholder engagement process please refer to ‘A New Approach to Sustainability’ on [page 6](#) of this report.

<b>GOVERNANCE</b>	Corporate governance is core to ensuring the creation, protection and enhancement of shareholder value.		The Qantas Group provides a holistic review of the Group’s governance structures in the Review of Operations in the Qantas Annual Report 2015.				
<b>STAKEHOLDERS</b>	We are committed to communicating effectively with our stakeholders.		The Qantas Annual Review 2015 provides an overview of our commitment to engaging with a broad group of informed stakeholders across our value chain in Key Topics & Materiality Assessment on <a href="#">page 6</a> .				
<b>MATERIAL ISSUES</b>	<b>FINANCIAL OVERVIEW</b>	<b>SAFETY &amp; SECURITY</b>	<b>BRAND &amp; CUSTOMER</b>	<b>PEOPLE &amp; CULTURE</b>	<b>ENERGY USE &amp; EMISSIONS</b>	<b>SUPPLY CHAIN</b>	<b>SOCIAL RESPONSIBILITY</b>
	Financial Overview, page 4	Passenger safety, page 16	Voice of the Customer, page 10	Engaging our People, page 14	Environmental Leadership, page 28	Sustainable Supply Chain, page 27	Commitment to Community, page 25
	Smarter, Leaner Qantas, page 22	Employee Health and Safety, page 16	Digital Transformation, page 12	A Diverse Workforce, page 14			Commitment to Reconciliation, page 25
			Service Performance and Brand Perceptions, page 13				
<b>FOCUS</b>	<ul style="list-style-type: none"> <li>– Financial framework for a stronger Qantas</li> <li>– Optimal capital structure</li> <li>– Qantas Transformation program through to 2017</li> </ul>	<ul style="list-style-type: none"> <li>– Safety is our first priority</li> <li>– Continuous Improvement</li> <li>– Safety reporting</li> </ul>	<ul style="list-style-type: none"> <li>– Net promoter score (NPS)</li> <li>– On-time performance</li> <li>– Customer feedback</li> <li>– Customer experience initiatives</li> </ul>	<ul style="list-style-type: none"> <li>– Talent retention and development initiatives</li> <li>– Continuous training</li> <li>– Communication</li> <li>– Diversity</li> </ul>	<ul style="list-style-type: none"> <li>– Fuel &amp; Emissions</li> <li>– Biofuel Outlook</li> <li>– Working with Customers &amp; Communities</li> <li>– International Action</li> <li>– National Government Policy</li> <li>– Reporting &amp; Recognition</li> </ul>	<ul style="list-style-type: none"> <li>– Supplier requirements</li> <li>– Sustainable procurement procedure</li> <li>– Sustainable sourcing</li> <li>– Sustainability assessment</li> <li>– Supplier relationship management</li> </ul>	<ul style="list-style-type: none"> <li>– Commitment to Reconciliation</li> <li>– Commitment to Community</li> <li>– Honouring Australians Who Served, page 26</li> <li>– Speaking Up for Diversity, page 26</li> </ul>

# GROUP STRATEGY DRIVES SUSTAINABLE OUTCOMES (CONTINUED)

<b>GOVERNANCE</b>	Corporate governance is core to ensuring the creation, protection and enhancement of shareholder value.		The Qantas Group provides a holistic review of the Group's governance structures in the Review of Operations in the Qantas Annual Report 2015.				
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<b>MEASURES</b>	<b>FINANCIAL OVERVIEW</b>	<b>SAFETY &amp; SECURITY</b>	<b>BRAND &amp; CUSTOMER</b>	<b>PEOPLE &amp; CULTURE</b>	<b>ENERGY USE &amp; EMISSIONS</b>	<b>SUPPLY CHAIN</b>	<b>SOCIAL RESPONSIBILITY</b>
	<ul style="list-style-type: none"> <li>- Underlying PBT</li> <li>- Return on invested capital (ROIC %)</li> <li>- Net free cash flow</li> <li>- Optimal capital structure</li> <li>- Average Aircraft Age – Scheduled Passenger Fleet</li> </ul>	<ul style="list-style-type: none"> <li>- Total recordable injury frequency rate</li> <li>- Lost work case frequency rate</li> <li>- Duration rate</li> </ul>	<ul style="list-style-type: none"> <li>- On-time performance</li> <li>- Domestic NPS Movement</li> </ul>	<ul style="list-style-type: none"> <li>- Gender diversity</li> <li>- Age diversity</li> <li>- Indigenous employment</li> <li>- Number of full-time equivalents (FTE)</li> <li>- Percentage of part-time and casual employees</li> <li>- Employee engagement scores</li> <li>- Updated Reconciliation Action Plan</li> </ul>	<ul style="list-style-type: none"> <li>- Aviation fuel and carbon emissions</li> <li>- Aviation fuel and carbon efficiency</li> <li>- Electricity, water and waste</li> <li>- Diesel, natural gas</li> </ul>	<ul style="list-style-type: none"> <li>- Number of Suppliers</li> <li>- Total Supplier Spend</li> <li>- Total Indigenous Supplier Spend</li> </ul>	<ul style="list-style-type: none"> <li>- Total community investment</li> <li>- Proportion of total community investment donated to Aboriginal and Torres Strait Islander initiatives</li> <li>- Total UNICEF donations facilitated through Change for Good program</li> <li>- Total World Vision donations facilitated through StarKids program</li> </ul>

# OUR BUSINESS



Founded in the Queensland outback in 1920, Qantas has grown to be Australia's largest domestic and international airline. Registered originally as the Queensland and Northern Territory Aerial Services Limited (QANTAS), Qantas is widely regarded as the world's leading long distance airline and one of the strongest brands in Australia.



The Jetstar Group is a network of airlines focused on offering all day, every day low fares to leisure-based markets. The Group consists of Jetstar Airways in Australia and New Zealand (wholly owned by the Qantas Group); Jetstar Asia based in Singapore (49 per cent Qantas Group shareholding); Jetstar Pacific based in Vietnam (majority owned by Vietnam Airlines with the Qantas Group holding 30%); and Jetstar Japan, a partnership between Japan Airlines, Mitsubishi Corporation and Century Tokyo Leasing Corporation and the Qantas Group.



QantasLink is the Qantas Group's regional carrier, operating over 2000 flights each week to 56 metropolitan, regional and international destinations across Australia and to Port Moresby in Papua New Guinea.



With 10 million Frequent Flyer members earning Qantas Points through hundreds of partners, Qantas Loyalty's goal is to recognise and reward our members while creating value for our partners. Qantas Loyalty brands and services includes Qantas Frequent Flyer, Acquire, Accumulate, Loyalty Solutions, Red Planet and Taylor Fry.



Qantas Freight Enterprises is Australia's largest independent air freight services business, employing over 1,300 people in Australia and across the world.

# QANTAS PERFORMANCE METRICS

		GRI INDICATOR	UNIT	2014/2015	2013/2014	2012/2013	NOTES
<b>FINANCIAL OVERVIEW</b>							
Underlying PBT		EC1	\$M	975	(646)	192	1
ROIC		EC1	%	16.2	1.5	NA	2
Net Free Cash Flow		EC1	\$M	1,104	–	372	3
Optimal Capital Structure	FFO/Net Debt	NA	%	46	17	35	4
	Debt/Adjusted EBITDA	NA	x	2.9	5.1	3.6	5
Average Aircraft Age – Scheduled Passenger Fleet		NA	Years	7.7	7.7	7.9	6
<b>SAFETY AND HEALTH</b>							
Total Recordable Injury Frequency Rate		LA6	TRIFR	29.6	27.2	29.5	7
Lost Work Case Frequency Rate		LA6	LWCFR	9.8	8.9	9.6	8
Duration Rate		LA6	DR	60.3	49.2	52.1	9
<b>SOCIAL RESPONSIBILITY</b>							
Total community investment		EC1	\$M	3.3	4.6	7.9	10
Proportion of Aboriginal and Torres Strait Islander investment		EC1	%	22.5	15.0	14.7	11
Total UNICEF donations facilitated through Change for Good program		EC1	\$M	1.4	1.4	1.5	12
Total World Vision donations facilitated through StarKids program		EC1	\$M	1.6	1.2	0.9	13
<b>CUSTOMER</b>							
On-time Performance		NA	%	83.4	81.6	78.9	14
Movement in Domestic NPS percentage		PR-5	Score Movement	5	7	10	15

## Footnotes to GRI performance indicators

Scope includes Qantas Airways Limited and controlled entities, including Qantas International, Qantas Domestic, QantasLink, Network Aviation, Jetstar International, Jetstar Domestic and Jetstar Asia unless stated otherwise.

<sup>1</sup> EC1: Underlying Profit Before Tax (PBT) is a non-statutory measure, and is the primary reporting measure used by the Qantas Group's chief operating decision-making bodies, being the Chief Executive Officer (CEO), the Executive Committee and the Board of Directors. For the purpose of assessing the performance of the Group, Underlying PBT is derived by adjusting Statutory PBT for the impacts of ineffectiveness and non-designated derivatives relating to other reporting periods and certain other items which are not included in Underlying PBT.

For the reconciliation of Underlying PBT to Statutory PBT refer to Note 3 to the Financial Statements in the Qantas Annual Report 2015.

<sup>2</sup> EC1: Return on Invested Capital (ROIC %) is a non-statutory measure and is the financial return measure of the Group. ROIC is calculated as Return on Invested Capital EBIT (ROIC EBIT) divided by Average Invested Capital. ROIC EBIT is derived by adjusting Underlying EBIT to exclude non-cancellable operating lease rentals and include notional depreciation for these aircraft to account for them as if they were owned aircraft. Invested Capital includes the net assets of the business other than cash, debt, other financial assets and liabilities, tax balances and includes the capitalised value of operating leased aircraft assets. Average Invested Capital is equal to the 12 month average of the monthly Invested Capital.

<sup>3</sup> EC1: Net Free Cash Flow is a measure of financial performance calculated as operating cash flows net of investing cash flows.

Scope: The Consolidated Financial Statements for the year ended 30 June 2015 comprise Qantas and its controlled entities and the Qantas Group's interest in investments accounted for under the equity method.

<sup>4</sup> Funds From Operations/net debt. Calculated using Standard & Poor's (S&P) methodology.

<sup>5</sup> Debt/Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation. Calculated using Moody's methodology.

<sup>6</sup> Average Fleet Age – Scheduled Passenger Fleet is calculated by determining the average age of the Group's scheduled passenger fleet based on manufacturing dates. Scope: The scheduled passenger fleet of the Qantas Group, including both owned and leased aircraft. The Qantas Group's scheduled passenger fleet does not include dedicated freighters and Network Aviation fleet.

<sup>7</sup> LA6: Total Recordable Injury Frequency Rate (TRIFR): Lost time injuries per million hours worked. The total number of injuries or illnesses during work hours (1 July to 30 June) with an accepted workers' compensation claim for Australian-based personnel, or equivalent in other jurisdictions, per million hours worked. Journey and slip port injuries are excluded from this calculation. This metric includes embedded contractors that work exclusively for the Qantas Group and perform work that is considered core business. When considering lost time, Qantas Group injury metrics are calculated using medically certified calendar days, including partial days, for which the injured worker is unable to fulfil the duties for which they are employed regardless of roster (partial days are counted as one full day).

<sup>8</sup> LA6: Lost Work Case Frequency Rate (LWCFR): GRI metric encompassing rates of injury, occupational diseases, lost days, absenteeism, and total number of work related fatalities is reported as the Qantas Group lost work case frequency rate. This is described as the total number of injuries or illnesses during work hours (1 July to 30 June) with an accepted workers' compensation claim for Australian-based personnel, or equivalent in other jurisdictions, which resulted in total incapacity, per million hours worked. Total incapacity is defined as any injury or illness that results in an injured worker being unfit for work. Journey and slip port injuries

# QANTAS PERFORMANCE METRICS (CONTINUED)

	GRI INDICATOR	UNIT	2014/2015	2013/2014	2012/2013	NOTES
<b>PEOPLE</b>						
Number of full-time equivalent employees	LA1	#	28,622	30,751	33,265	16
Percentage of part-time employees	LA1	%	16.8	16.9	15.5	17
Percentage of women	LA13	%	40.6	40.9	41.2	17
Percentage of women in senior positions	LA13	%	31.6	32.0	31.3	17
Percentage of women Directors on the Qantas Board	LA13	%	33.3	33.3	22.2	17
Number of women Directors on the Qantas Board	LA13	#	3	3	2	17
Percentage of female graduates recruited	LA13	%	N/A	52.3	57.1	17
Percentage of temporary or casual employees	LA13	%	7.5	–	–	17
Number of Indigenous Australian employees	LA13	#	317	330	354	17
<b>EMPLOYEES BY AGE GROUP (PERMANENT EMPLOYEES)</b>						
16–24 Years	LA13	%	4.9	5.5	4.6	17
25–34 Years	LA13	%	20.6	20.5	19.9	17
35–44 Years	LA13	%	27.5	28.2	29.7	17
45–54 Years	LA13	%	31.4	30.7	30.8	17
55–64 Years	LA13	%	14.5	13.9	13.8	17
65 Years +	LA13	%	1.1	1.2	1.2	17

are excluded from this calculation. This metric includes embedded contractors (as described above) and employees of wholly owned entities of the Qantas Group. When considering lost time, Qantas Group injury metrics are calculated using medically certified calendar days, including partial days, for which the injured worker is unable to fulfil the duties for which they are employed regardless of roster (partial days are counted as one full day).

- 9 LA6: Duration rate indicates the average number of lost days per injury/illness with an accepted workers' compensation claim for Australian-based personnel, or equivalent in other jurisdictions, resulting in partial incapacity or total incapacity. Partial incapacity means any injury/illness that resulted in an injured/ill worker being fit for work but at a reduced capacity. When considering lost time, Qantas Group injury metrics are calculated using medically certified calendar days, including partial days, for which the injured worker is unable to fulfil the duties for which they are employed (partial days are counted as one full day). Journey and slip port injuries are excluded from this calculation. This metric includes embedded contractors and employees of wholly owned entities of the Qantas Group.
- 10 EC1: Total Qantas Community Partnerships investment excluding donations facilitated through other areas of the business and voluntary logistical support provided to the Australian Government in times of crisis. Material deviation has occurred due to the exclusion of donations and investment facilitated outside of the Community Partnerships business unit, along with a review of community partnerships as a result of business transformation targets.
- 11 EC1: Proportion of total community investment donated to benefit Aboriginal and Torres Strait Islander communities. During 2015 Qantas donated 22.5% of total community investment to benefit Aboriginal and Torres Strait Islander communities. The London Benchmarking Group's Australia and New Zealand index average for 2014 is 5%.
- 12 EC1: Total UNICEF donations facilitated through Qantas' Change for Good program. In May 2015 Qantas Community Partnerships completed a London Benchmarking Group impact assessment workshop with UNICEF. Qantas and UNICEF are now co-developing key metrics to track the social and business impacts from Change for Good in 2015/2016.
- 13 EC1: Total World Vision donations facilitated through Jetstar's StarKids program.
- 14 On-time Performance as measured by the percentage of flights departing within 15 minutes of scheduled departure for Total Group operations including Qantas International, Qantas Domestic, QantasLink, Jetstar International and Jetstar Domestic. Source: BITRE.
- 15 PR5: Average Net Promoter Score (NPS), an internal measure, movement for Qantas Domestic over the course of the reporting period. NPS is a global brand benchmarking model of customer advocacy. Increases in NPS over time indicate an increase in customers who advocate on behalf of a brand to family and friends. NPS is embedded into the customer service operations of Qantas and Jetstar and enables continuous feedback from customers to improve our service strategy and delivery.
- 16 LA1: Total number of employees of wholly owned entities of the Qantas Group as by employment type, full-time or part-time.
- 17 LA13: Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity is limited to total workforce of wholly owned entities of Qantas Airways Limited broken down by gender, age group and indigenous employees as well as women in the following positions: Non-Executive Directors and Senior Management Positions. Gender diversity indicators are consistent with diversity policy and targets, measured as at 30 June 2015. Indigenous employees refer to team members who have identified as Aboriginal or Torres Strait Islander. Due to the challenging operating environment and accelerated Qantas Transformation program no graduates were recruited during the reporting period. The Qantas Group commenced measurement of temporary or casual employees in the reporting year.

# QANTAS PERFORMANCE METRICS (CONTINUED)

	GRI INDICATOR	UNIT	2014/2015	2013/2014	2012/2013	NOTES
<b>ENVIRONMENT</b>						
Aviation fuel consumption	EN3	'000 Litres	4,635,760	4,738,057	4,834,093	18
Electricity (Australia)	EN3	MWh	191,459	213,406	222,667	19
Natural Gas (Australia)	EN3	GJ	316,198	246,166	270,937	19
Diesel (Australia)	EN3	Litres	7,199,289	7,680,579	7,807,186	19
Fuel per 100 RTKs (Group)	EN5	Litres	37.9	38.8	38.8	20
Water (Australia)	EN8	'000 Litres	874,929	892,470	901,917	21
CO <sub>2</sub> e emissions – Scope 1	EN15	Tonnes	11,707,259	11,938,500	12,422,703	22
CO <sub>2</sub> e emissions – Scope 2	EN16	Tonnes	155,826	183,826	209,799	23
CO <sub>2</sub> e emissions – Total	EN16	Tonnes	11,863,085	12,122,326	12,632,502	24
CO <sub>2</sub> e per 100 RTKs (Group)	EN18	Kilograms	97	101	100	25
Change in emissions (year on year)	EN19	%	-2.1	-4.0	-0.9	26
Direct waste to landfill (Australia)	EN23	Tonnes	20,115	22,328	22,563	27

18 EN3: The total volume of aviation kerosene consumed by the Qantas Group's flying businesses from 1 July to 30 June.

Scope: Aviation fuel consumption includes Qantas, Jetstar, QantasLink, Network Aviation, Jetconnect and Qantas Freight, for both domestic and international operations. Aviation fuel consumption does not include consumption by Jetstar Asia or codeshare partners.

The 2013/2014 aviation fuel consumption figure has been restated due to fuel variances identified in International Freight emissions.

19 EN3: The total amount of electricity consumed as measured in megawatt hours (MWh), Natural Gas measured in gigajoules (GJ) and Diesel measured in litres (L) where separately billed to Qantas wholly owned entities within Australia for the period 1 July to 30 June.

20 EN5: Fuel per 100 Revenue Tonne Kilometres (RTK). RTK quantifies the amount of revenue generating payload carried, for the distance flown. Total number of tonnes of paying passenger, freight and mail carried, multiplied by the number of kilometres flown.

Scope: Fuel per 100 Revenue Tonne Kilometres (RTK) includes Qantas, Jetstar, QantasLink, Jetconnect and Qantas Freight for both domestic and international operations and excludes Network Aviation.

21 EN8: Total municipal water supplies withdrawn at metred Australian locations, measured in kilolitres ('000 L) where water is separately billed to Qantas wholly owned entities for the period 1 July to 30 June.

22 EN15: Direct greenhouse gas emissions (Scope 1) measured in tonnes. Scope 1 emissions include aviation fuel and aircraft engine oil from international and domestic operations as well as ground fuel (unleaded petrol and diesel) from airport operations in Australia. The Qantas Group applies the NGA Factors conversions and methodology for the calculation of CO<sub>2</sub>e.

The 2013/2014 Scope 1 and 2 emissions have been restated due to fuel variances identified in International Freight emissions.

Scope: All activities under the control of the Qantas Group.

23 EN16: Total indirect greenhouse gas emissions measured in tonnes. Scope 2 emissions include electricity use from Australian facilities. The Qantas Group applies the NGA Factors conversions and methodology for the calculation of CO<sub>2</sub>e.

The 2013/2014 Scope 1 and 2 emissions have been restated due to fuel variances identified in International Freight emissions.

Scope: All activities under the control of the Qantas Group.

24 EN16: Total direct and indirect greenhouse gas emissions measured in tonnes. The Qantas Group applies the NGA Factors conversions and methodology for the calculation of CO<sub>2</sub>e.

Scope: All activities under the control of the Qantas Group.

25 EN18: Greenhouse gas emissions intensity measured in kilograms of CO<sub>2</sub>e per 100 revenue tonne kilometres (RTK) converted to CO<sub>2</sub>e tonnes by the NGA Factors.

Scope: All activities under the control of the Qantas Group.

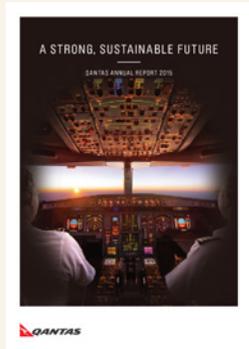
26 EN19: Percentage change in total greenhouse gas emissions (CO<sub>2</sub>e) compared with the previous financial year.

The 2013/2014 change in emissions figure has been restated due to fuel variances identified in International Freight emissions.

Scope: All activities under the control of the Qantas Group.

27 EN23: Total waste generated measured in tonnes, where this waste is delivered from Qantas premises directly to a landfill site and where the Qantas Group is responsible for the waste removal and is separately billed to Qantas wholly owned entities by a waste service provider.

# DOWNLOADS & LINKS



## Full Qantas Annual Report 2015

[Qantas Annual Report 2015 \(PDF 3.9Mb\)](#)

## Links to Other Resources

- [Qantas Group Business Practices and Values \(PDF 2.2Mb\)](#)
- [Qantas Investor Page](#)
- [Qantas Community Page](#)
- [Qantas Environment Page](#)
- [Qantas Newsroom](#)

