



### Navigated impact of Covid-19 in a sound position

<b>Company/ASX Code</b>	QUBE/QUB
<b>AGM date</b>	Tuesday 26 November 2020
<b>Time and location</b>	10-30am AEDT Virtual via Lumi
<b>Registry</b>	Computershare
<b>Webcast</b>	Yes
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Ian Graves assisted by Peter Gregory
<b>Pre AGM Meeting?</b>	Yes, with Chair Allan Davies, Chair Nomination & Remuneration Committee Peter Dexter, General Manager Safety, Health & Sustainability Belinda Flynn, and General Counsel and Company Secretary William Hara.

Please note any potential conflict as follows: The individuals (or their associates) involved in the preparation of this voting intention have shareholdings in this company.

<b>Item 1</b>	<b>Consideration of accounts and reports</b>
<b>ASA Vote</b>	No vote required

### Financial performance

Despite the challenges of bushfire, flood and COVID during FY20 Qube achieved a sound result demonstrating the underlying strength and resilience of the business. Qube estimate that the COVID-19 pandemic reduced NPATA by over \$21 million. Several regional and automotive ports were severely affected by reduced volume significantly affecting revenue and across the business Qube also incurred additional costs from significant changes in their operating practices. Qube received \$13.5 million in JobKeeper as “pass through” payments to keep regional ports operational and minimise job losses.

In April Qube announced a capital raising of a 1 for 6.35 fully underwritten accelerated non-renounceable pro rata entitlement offer to raise approx. \$500 million - \$264 million from institutional investors and \$236 million from retail investors. While not the PAITREO method preferred by ASA, it did deliver a non-dilutive outcome for participating retail shareholders with a take up rate of approximately 83%. An offer of additional shares was oversubscribed and had to be scaled back.

Given the continued economic uncertainty, Qube’s significant investment pipeline and recent capital raising the final dividend was reduced to 2.3 cents a share fully franked to total 5.2 cents for the year. This down from 5.7 cents for FY19 (excluding 1.0 cent special dividend). However, for FY20 Qube delivered a positive total shareholder return of .2% compared to negative 6.7% for the ASX200.

## **Governance and culture**

Qube has provided a comprehensive Sustainability Report that underpins their approach to doing business; It describes Qube's culture as 'involving and preserving an entrepreneurial spirit within a strong ethical framework to engender both a "can do" attitude and a socially responsible approach in all areas of business activities.' The focus in FY20 has been on building clear targets and KPI's that are shared and measured throughout the organization. [https://qube.com.au/wp-content/uploads/2020/09/Qube\\_Sustainability\\_Report\\_2020.pdf](https://qube.com.au/wp-content/uploads/2020/09/Qube_Sustainability_Report_2020.pdf)

Qube was awarded an "excellent" infrastructure sustainability writing for the first stage of the Moorebank Logistics Park. <https://qube.com.au/wp-content/uploads/2020/07/ISCA-Design-Rating-MR.pdf>

Qube has a track record of continued innovation and through establishing a Group Innovation committee the company will grow and improve this capability. An innovation example - the introduction of robotics technology in forestry operations will deliver benefits of improved employee safety and productivity gains.

During FY20 Qube created a new cyber security management committee chaired by the COO to review threat, risks and raise awareness and develop continuous improvements across the digital and cyber environments. Following a detailed briefing on cyber management ASA is confident Qube take this very seriously.

## **Key events**

Success in securing new business from Bluescope Steel and Shell, the sale of Minto and progress with the monetization of Moorebank, and Woolworths leasing of two major fully automated warehouses have been widely reported in the media

## **Board and senior management**

Sue Palmer and Peter Dexter are not seeking reelection at the AGM. With the two new directors seeking election the board will comprise 25% female non-executive directors against its target of 40%. In addition, the board will have 3 NEDs that were appointed in 2011 The board is aware of ASA's views on gender diversity and tenure period for directors to still be regarded as independent.

It is noted that, apart from the new directors joining the board, that no directors have any involvement with other listed companies, ensuring full focus on Qube.

Qube publishes a board skills matrix in Corporate Governance statement (p 25-28) which shows the capabilities of each director against the skills and experience required by Qube.

<https://qube.com.au/wp-content/uploads/2020/09/Corporate-Governance-Statement-FY20.pdf>

Greg Pauline, Director Infrastructure and Property has resigned from Qube and it is not proposed to refill that position at this time.

## Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	87.5	196.16	199.3	77.3	82.0
UPAT (\$m)	104.2	123.2	106.8	102.2	86.5
Share price (\$)	2.91	3.04	2.41	2.66	2.21
Dividend (cents)	5.2	6.7	7.5	5.5	5.5
TSR (%)	.2	22.8	-6.6	19.8	-3.0
EPS (cents)	6.2	12.5	12.4	5.3	7.2
CEO total remuneration, actual (\$m)	3.54	5.22	3.19	3.23	1.67

For FY20, the CEO's total actual remuneration was **38 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Note - For May 2020, the Full-time adult average weekly total earnings (annualised) was \$91,983 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings").

<b>Resolution 1</b>	<b>Election of M/s Jacqueline McArthur as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Ms. McArthur was appointed to the board by the Directors taking effect from 17 August 2020. She has extensive senior experience at major corporations and has a skill set that is in line with Qube's Board skills matrix. In particular, she will bring, given her work in supply chain, a strong customer perspective to Qube and with the breadth of her experiences with other companies will new perspectives to the board.

Ms. McArthur is a Non-Executive Director of Inghams (as well as Chair of its Risk and Sustainability Committee), Tassal and Invocare and so will have sufficient capacity to focus on her responsibilities as an independent non-executive director of Qube

Since joining the board Ms. McArthur has acquired 15,137 shares in Qube.

ASA supports her election and will vote all undirected proxies in favour of this resolution.

<b>Resolution 2</b>	<b>Election of M/s Nicole Hollows as a Director</b>
<b>ASA Vote</b>	<b>Undecided</b>

### Summary of ASA Position

Ms. Hollows was appointed by the board of directors taking effect from 19 October 2020.

As a senior contributor in infrastructure and resources industries Ms Hollow's experiences align with the requirements outlined in the Qube director skills matrix. In particular, she will bring, given her work in the mining industry, a strong bulk handling customer perspective to Qube and with the breadth of her experiences with other companies will make a positive contribution to the board.

Ms. Hollows is currently an independent non-executive Chairman of Jameson Resources Limited and also an independent non-executive director of Downer EDI Limited. She is the Chair of the Salvation Army Brisbane Red Shield Appeal Committee, an advisory committee member of the Salvation Army Queensland Advisory Council and a member of the CEO Strategy Advisory Committee to Executive Dean QUT Business School and Chief Executive Women Membership Committee.

She appears to have substantial other responsibilities and interests and ASA is concerned that she may not be sufficiently focused on the role of independent non-executive director of Qube. ASA will question this at the AGM before determining how to vote on this resolution.

<b>Resolution 3</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

QUB's remuneration strategy is stated to reward exceptional results at the maximum opportunity with remuneration in the upper quartile.

It should be noted that as part of Qube's initiatives to reduce costs during Covid-19 in the last quarter of FY20 the Board reduced non-executive director fees by 50%, the MD reduced his FAR by 50% and the other KMP reduced the FAR by approximately 25% by taking either annual leave or leave without pay whilst still working. Total cost savings from this measure exceeded \$5 million.

The JobKeeper payments did not contribute to the MD or other KMP achieving their financial targets.

The remuneration mix for the MD is fixed annual remuneration (FAR) 30%, short-term incentive (STI) 35%, long-term incentive (LTI) 35% with the STI paid 50% in cash with a 1-year deferral and 50% in shares at the election of the employee. The LTI is paid in share appreciation rights subject to vesting after 3 years. After vesting, these shares are subject to a 2-year holding lock.

The Board took into account the impact of Covid-19 when evaluating the MD and KMP's financial KPI's and exercised its discretion to reduce the financial KPI score which applied to from what would have been the outcome as NPAT was lower in FY20 than FY19.

The STI performance scorecards contains a mix of hurdles. Financial 30% (Group Budget NPATA and Budgeted EBITA for operating divisions 10-20%) Safety (40% weighting of Target 5-10% and Health and Safety 60%) Other nonfinancial linked to strategy and & growth of 20 to 22.5%,

The MD achieved 50% of his maximum STI opportunity. the other KMP's achieved 98% of their Financial KPI's at Target and between 36% and 63% of their maximum.

The MD elected not to take any STI shares in FY 20. ASA has been assured by Qube that we should not read anything into this as his present holding is 9.7m shares.

Qube's LTI plan is the share appreciation rights (SARs) plan and is designed to retain and reward executives for effectively delivering Qube's strategy, including delivering underlying earnings growth and the successful integration, operation and development of Qube's assets. SARs are said to be aligned with the interests of shareholders because there is no value if the share price doesn't exceed the initial price at the end of an approximate three-year period. The value of any share appreciation is delivered to the participant is allocated in shares issued at the Vesting Price which are subject to trading restriction for a further two years. The initial price for FY20 (SAR) is \$2.76, which was the volume weighted average price for QUB shares taken 15 days either side of the FY20 preliminary final result announcement. SARs' value has to be calculated using fair value which incorporates volatility and ends up making the estimated outcome complex for shareholders to estimate how the reward responds to various share prices without doing the maths. If share price remains at current price of \$2.99 in year 3, an uplift of 11% since the result, each SAR would be valued at 23c. If share price increases from 10% pa for three years to \$3.67 in year 3, each SAR would be valued at 91c. We would prefer a more simple plan and additional hurdles were applied before vesting.

On balance, we will be voting all undirected proxies in favour of the resolution.

CEO rem. Framework for FY2020	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.335	30%	1.335	25%
STI - Cash	.781	17.5	.935	17.5
STI – Deferred <sup>1</sup>	.781	17.5	.935	17.5
LTI <sup>2</sup>	1.577	36%	2.129	40%
Total	4.474	100.0%	5.334	100

<sup>1</sup> The deferral period is 1 year, and the participant can elect to take all or part of any STI payment in shares

<sup>2</sup> Share appreciation rights increase with the share price and therefor the value received by the MD is not able to be calculated. To enable the framework to provide the value from the Company perspective the is the value of the shares used for the calculation of the SARs.

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. \*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

<b>Resolution 4</b>	<b>Approval of FY21 award of SAR’s under the Qube long term Incentive (SAR) Plan to Maurice James</b>
<b>ASA Vote</b>	<b>For</b>

**Summary of ASA Position**

This grant under the LTI of 3,538,448 SAR’s (share appreciation rights), based on the LTI opportunity of \$1.577m

ASA supports this resolution awarding of the rights and will vote all undirected proxies in favour of this resolution.

<b>Resolution 5</b>	<b>Approval of the issue of Securities under the Qube Long Term Incentive (SAR) Plan.</b>
<b>ASA Vote</b>	<b>For</b>

**Summary of ASA Position**

The purpose of this resolution is to comply with the ASX listing rules and to provide the company with the flexibility to raise further funds up to 15% of its issued capital and ensure that any securities issued under the LTI (SAR) Plan do not count towards the calculation of this limit. ASA supports this resolution and will be voting all undirected proxies in favour of it.

<b>Resolution 6</b>	<b>Amendments to constitution</b>
<b>ASA Vote</b>	<b>For</b>

**Summary of ASA Position**

The proposed amendments are largely procedural to bring the constitution up to date with existing laws, Listing Rules, and common practices.

Of significance is the inclusion of a flexible provision for Qube to be able to have General Meeting as virtual and hybrid meetings. The chair has assured ASA that “The Board intends to hold subsequent Annual General Meetings at a venue where shareholders can attend if they wish”. Given that we conclude that Qube is only considering hybrid meetings where shareholders can either attend virtually or in person.

On that basis ASA supports this resolution and will vote all undirected proxies in favour.

<b>Resolution 7</b>	<b>Proportional takeovers</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Without the reinsertion of this clause in the constitution a potential acquirer may be able to gain control of the company through only bidding for a proportion of a shareholder's interest, thus leaving current shareholders in total with a minority interest in the company.

The ASA supports full takeovers and will vote all undirected proxies in favour of this resolution.

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