



Qube is set to “Thrive”

Company/ASX Code	Qube Holdings Limited/ QUB
AGM date	24 November 2022
Time and location	10.30am AEDT, PriceWaterhouseCoopers (PwC), Level 15, One International Towers Sydney, Barangaroo, Sydney
Registry	Computershare
Type of meeting	Hybrid - http://www.meetnow.global/MN9VRUV
Poll or show of hands	Poll on all items
Monitor	Peter Gregory assisted by Malcolm Moore
Pre AGM Meeting?	Yes with Chair Allan Davies, Rem Chair Jackie McArthur, GM Safety, Health and Sustainability Belinda Flynn, and Corporate Counsel & Company Secretary Adam Jacobs

Monitor Shareholding: The individual/s involved in the preparation of this voting intention have a shareholding in this company.

Summary of issues for meeting

Path to decarbonisation. Qube believes, as one of its 5 priorities that support the achievement of their purpose, in “supporting the planet that supports us all”.

In FY22 Qube reduced its scope 1 and 2 emissions by 2% and its carbon intensity by 8.9%.

The company is actively working to minimise its emissions and to date has taken action including installed LED lighting in warehouses and terminals, strengthened waste management and recycling, installed solar panels on its facilities, moved to renewable power sources where available, and includes sustainability in capital expenditure evaluations.

Moving forward Qube’s actions include upgrading 95% of its prime mover fleet to be Euro 5,6 (European vehicle emission standards) and making 50% of light vehicles hybrid or electric by 2027, moving to 100% renewable electricity by 2030, expanding the use of LED lighting and solar across infrastructure, and partnering with customers to drive technologies to reduce carbon emissions.

Qube’s business is the handling and moving of freight on behalf of its customers. As such most of its energy usage is mobile and required at point of use. Thus 95% of the Qube’s emissions are generated from diesel. The company recognises this is a challenge. But, given that it is not an energy producer Qube cannot solve it without the technology advances of others. Having said that, Qube is actively engaged with alternative energy providers that can help reduce its emissions and currently has 20 evaluation projects (including hydrogen, electric and biodiesel) under way.

Qube business direction post Moorebank Logistics Park (MLP). On 15 December 2021 the sale by Qube of the warehouse and property assets MLP was completed. Qube will retain the logistics part of MLP. This includes the recently completed IMEX (import export rail shuttle) terminal which is currently operating in manual mode and which will transition to fully automatic this year and a

joint venture intermodal terminal that is under construction and which will be owned and operated by Qube (65%), Logos (25%) and National intermodal Corporation (10%).

As noted below in the Investor Day summary it has been a long journey to complete the project and to achieve the sale of these non-logistics aspects of MLP. Now Qube is refocusing on its core logistics business.

Financially it has been a good outcome for Qube shareholders with a \$400 million share buy-back (8% of issued capital), a significant reduction in debt and a special dividend 0.7c.

At the pre-AGM we asked if Qube would undertake a project of this scope again and were advised that it was possible but would only occur as a joint venture from the outset.

The Property Division has now been discontinued with the operation of MLP included in the Logistics and Infrastructure Division.

Proposed Voting Summary

No.	Resolution description	
1	Re-election of Allan Davies	For
2	Re-election of Alan Miles	Against
3	Re-election of Stephen Mann	For
4	Election of Lindsay Ward	For
5	Adoption of the Remuneration Report	For
6	Approval of the Issue of Securities under Qube's Equity Plan Rules	For
7	Approval of Award of Performance Rights under the LTI Plan to the Managing Director	For
8	Approval of the grant of STI Rights to the Managing Director	For
9	Approval of Grant of Financial Assistance	For

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

Summary of ASA Position

Consideration of accounts and reports - No vote required

Underlying Financial performance

In spite of headwinds of shipping disruptions, extreme weather events, lockdowns and labour shortages, Qube delivered a strong financial performance for FY22 with revenue from ongoing activities increasing by 27.7% and underlying net profit increasing by 30%.

All parts of the business contributed with, in particular, strong organic growth in the Logistics and Infrastructure business unit; growth in grain related activities from strong harvests and the acquisition of Newcastle Agri Terminal; and the commencement of the BlueScope contract. A

continuing focus on improving operational performance and operational efficiency is fundamental to revenue and underlying earnings growth.

Qube Investor Day

The ASA was invited to attend Qube's first investor briefing day. [Qube Investor Day Presentation](#)

This provided a valuable insight to the business with these takeaways:

- While Qube listed on the ASX in 2011, the foundation of Qube, 15 years ago was a consortium that provided a platform of container logistics, automotive and general stevedoring. It grew by bolt on acquisitions; securing strategic assets; expanding its customer base and services provided to its customers; and by identifying emerging opportunities and providing customers with value adding solutions.
- Since the inception of this business in 2007 it has evolved around a disciplined, patient approach, that is respected and valued, and is focused on its vision statement of being “the leading provider of integrated logistics solutions focussed on import, export and select domestic supply chains in Australia, New Zealand and select international locations.”
- Accretive acquisitions that are consistent with Qube's strategy, financial hurdles and risk profile have underpinned the company's success and growth. Frequently these are negotiated bilaterally in a non-competitive process and sometimes taking many years to evolve into a transaction. Often the management of the vendor company continues to be connected with Qube.
- In delivering services for its customers Qube's assets include 81 locomotives, 8000 containers, 1,336 prime movers and over 1100 lifting machines to move 270 million tonnes per year at more than 160 Qube locations.
- With the geographic spread, operational management is empowered and agile. Each is guided by Qube culture and operating principles and overseen by the monthly review of the KPIs and P&L of each of its 270 profit centres. Front line managers are assisted by Qube's multi-level support structures. Productivity improvement and flexibility to respond to situations are key.
- The Moorebank story commenced with the purchase of 30% of the Moorebank Industrial Property Trust in 2007 followed by a further 36.7% in 2012 and the remaining 33.3% in 2016. In 2017 the building of the Moorebank Logistics Park started and over 5 years warehouse assets were leased as they were completed. In 2021 the property and warehousing assets were monetised with Qube continuing to own, operate and continue the development of the logistics resources at the site. The patient and measured implementation of this major project is indicative of Qube' approach to business.

Governance and culture

Qube's foundation lies in a consortium in which the Digney family played a significant part. As a consequence, Qube has 3 Digney brothers in senior roles – Paul Digney as newly appointed CEO, John Digney as Director, Logistics and Infrastructure and David Digney as Director Logistics Operations. Conscious that this situation is unusual for an ASX listed company, the board has reviewed all relevant policies including Conflict of Interest and Whistle Blower and will ensure, if need be, that the chair will deal directly with any issues this situation causes.

Key Board or senior management changes

Senior management - Qube has a very stable executive team with all but one having been with the company since its inception. Paul Lewis, who was CFO since 2006 has moved to a part time position of Group Investor Relations and Corporate Support. Mark Wratten joined Qube as CFO in May 22. He has significant experience in the logistics sector in Australia, UK and USA and will make a significant contribution to the implementation of Qube's Digital Transformation Program.

Board Composition - Qube, with the recent appointment of Lindsay Ward, is increasing the number of non-executive directors (NED) from 7 to 8.

Consequently, following the AGM there will be 25% of directors who are female. Qube has an objective of 40% female directors by 1 July 2025, requiring a doubling of female directors by that date. The chair is confident this will be achieved.

The tenure of NEDs, assuming that all are elected, will comprise 4 who were appointed in 2011 and 4 who have been appointed since 2019. This gap of 8 years between these two groups is unusual and creates a challenge for Qube in transitioning to a broader spread of experience and new perspectives on the board. The board is aware of this and is working through a process of board renewal.

ASA focus issues

ESG - The [Qube Sustainability Report FY22](#) is comprehensive based around the company's "Thrive – the stuff that matters" program. Thrive is the 5 pillars of Safety, Wellbeing, Planet, Opportunity and Success that is underpinned by Qube's approach to risk management. Throughout the priorities are identified, achievements to date described, and specific plans and measurement for the future clearly laid. This is supported by frequent case studies that give credence to the commitment that Qube has to the sustainability that drives its longterm business success.

Summary

(As at FYE)	2022	2021	2020	2019	2018
NPAT (\$m)	185.7	91.6	87.5	196.16	199.3
UPAT (\$m)	200.7	142.5	104.2	123.2	106.8
Share price (\$)	2.73	3.17	2.91	3.04	2.41
Dividend (cents)	7.0	6.0	5.2	6.7	7.5
Simple TSR (%)	-11.9	10.6	.2	22.8	-6.6
EPS (cents)	7.1 *	4.8	6.2	12.5	12.4
CEO total remuneration, actual (\$m)	3.44	4.18	3.54	5.22	3.19

* From continuing operations

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking) by the share price at the start of the year.

Election or re-election of directors

In determining our voting intentions on these resolutions, we are conscious of ASA's position that a director will not be considered independent after 12 years. Allan Davies was appointed to the board in 2011 and is currently serving as chair. Alan Miles was also appointed to the board in 2011 and is chair of the Safety, Health and Sustainability Committee. If re-elected both of these gentlemen will have served 14 years on the board at the end of their term. At the AGM we will ask both of their intentions to serve the full term, and their plans for transitioning from their respective chair roles.

We will vote for Allan Davies out of concern for the disruption that would result from his sudden departure as chair at this time.

We will vote against Alan Miles to avoid the risk of the board having 4 directors who at the end of their term would not, by ASA, be considered independent. We will ask that, if he is re-elected, he will quickly transition out of the SHS chair role.

Stephen Mann has been a director since 2019 and has had relevant senior executive experience, and we will vote for his re-election.

Lindsay Ward is standing for election to the Qube board. He has good experience within the industry and in relevant customer segments together with a track record in safety, environmental, governance and financial performance. We will vote for his election.

Adoption of Remuneration Report and approval of equity grants to Managing Director/CEO

Qube has a well-structured and disciplined approach with its STI that is well aligned to achievement of financial objectives, the strategic plans that will drive future business success, and which reward the "OneQube" culture. The monetisation of the MLP project of FY22 was a successful achievement for the company and resulted in significant benefit to shareholders – the executive team was rewarded for the completion of this long-term project with a one off STI modifier of 35%. ASA views this as being consistent with shareholder interests.

The FY22 LTI is based on SARs and this has been a point of contention for the ASA. We are pleased to see that in FY23 this will be replaced with a grant of performance rights based on EPSA and relative TSR metrics which is consistent with ASA guidelines. The maximum LTI opportunity is \$1,626,086, which is equivalent to 561,649 rights. This is determined by dividing the CEO's LTI maximum opportunity by the 10-trading day Volume Weighted Average Price (VWAP) of Qube Shares of \$2.90.

We will vote for these resolutions.

Approval of Grant of Financial Assistance

This is a resolution that is used where the assets and liabilities of subsidiaries for various reasons can't be grouped, and where during a transaction, such as Qube's recent acquisitions, the acquirers require security beyond the individual subsidiary engaged in the transaction.

We will vote for this resolution.

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Appendix 1

Remuneration framework detail

These comments refer to the CEO's remuneration plan. The plan for the other members of the executive is the same in principle but vary in some detail.

The FY22 at-risk components remuneration is based on the amount of fixed remuneration. The maximum STI is 98% and LTI is 65% of fixed remuneration.

STI – is paid 50% in cash and 50% in share rights that vest following the release of the subsequent years results. Refer to the table below for the basis of payment at hurdle, target and maximum levels. The STI award is based on a scorecard comprised of:

- Financial (50%) for achievement against the target of underlying budget NPATA.
- Safety, Health and Sustainability (10%) include achievement of specific metrics as well as implementation of agreed SHS priorities and improvements. If a fatality occurs during the year, the SHS component is not awarded. There was a fatality in FY22 so the SHS award is zero for all executives. Note the board has advised that the zero policy will be reviewed for fairness in the FY23 plan.
- Strategy and Growth (30%) is awarded based on the achievement of agreed strategic KPIs that relate to future business growth
- Business and Operations (10%) is awarded based on KPIs defined by the Audit and Risk Committee and the SHS Committee.

The STI is well defined and provides executives with a clear statement of their requirements at the commencement of the period. The actual outcomes by each of these components is shown on p37 and p41 of the Annual Report.

For FY22 Qube included an extraordinary, one off Moorebank Achievement Modifier (MAM) to acknowledge the effort involved, the successful outcome of this complex project and the benefit it provided to shareholders. The MAM comprised a 35% modifier applied to the STI result capped at the maximum STI award.

LTI – was established during the period of the MLP project using Stock Appreciation Rights (SAR) to maintain focus on that growth phase for Qube. SARs are only awarded if, after 3 years the share price is above the Initial Price. A two-year retention period applies.

Note, for FY23 SARS will be replaced with an LTI using EPSA and relative TSR, and LTI at maximum will increase to 106% of fixed rem resulting in the LTI being the largest part of the variable incentive. These changes will be better aligned to ASA Guidelines.

Note Qube will use the EPSA (Earning per share excluding amortisation) to exclude fair value gains and losses, amortisation of intangible assets and impact of acquisitions made in the final year of the performance period to recognise the acquisitive and long term nature of the business.

The CEO has skin in the game with a holding of 2 million shares and 5.7 million unvested options and rights.

Qube CEO Remuneration FY22

CEO rem. Framework for FY22	FY22 CEO remuneration Plan					
	Hurdle		Target		Maximum	
	\$m	% of Total	\$m	% of Total	\$m	% of Total
Fixed Remuneration	1490	74%	1,490	42%	1,490	38%
STI - Cash	260.5	13%	521	15%	725	18.5%
STI - Equity	260.5	13%	521	15%	725	18.5%
Moorebank Modifier						
Total STI	521	26%	1042	30%	1450	37%
LTI	0	0%	980	28%	980	25%
Total	2011	100%	3,500	100%	3,920	100%

Actual FY22			
Excl MLP Modifier		Incl MLP Modifier	
\$m	% of Total	\$m	% of Total
1,490	48%	1,490	43%
472	15%	472	14%
472	15%	472	14%
		331	10%
944	30%	1275	37%
676	22%	676	20%
3110	100%	3441	100%

STI % of target achievement
 STI % of at target payment

90%	100%	115%
50%	100%	140%

% of target	% of maximum
98%	85.20%
91%	65%

For every 1% of below target achievement, the STI payment reduces by 5%. There is no STI payment below 90% of target achievement

For every 1% of above target achievement, the STI payment increases by 2.67%. The over target payment is capped at 15% over target.