Annual Review

2017 / 2018

More for members

RACQ

President's Report

More than a third of all Queenslanders now choose to belong to RACQ: for help at the roadside or home, to protect or assist them financially or, increasingly, to help them enjoy life.

It is an enormous responsibility with which to be entrusted, and we acknowledge the trust of past and present members in our organisation allowing us to play a part in so many facets of their lives. Equally, we recognise that the participation of members has effectively underwritten the organisation's progress and prosperity – and continues to do so. There is no better example of that than our 50,000 Gold 50 members, who have loyally supported the Club for half a century or more.

It is so important that RACQ remains relevant for Queenslanders and we have seen strong strides in that direction in the past year.

The RACQ Board's clear mandate to Group CEO Ian Gillespie and his team is to constantly strive to deliver the maximum possible value to members in return for that support, and we congratulate the Group executive team on the significant strides made this year. Focussing on how we can best help members using the strength of RACQ's trusted position in Queensland has resulted in the successful launch of RACQ Bank and an even wider range of everyday benefits.

The $154+ million in value returned to members in savings and related benefits – against a consolidated group surplus of $64.4 million – is indicative of a very successful year, as is RACQ's ability to make an annual investment of some $7 million in the wellbeing of Queenslanders through a range of sponsorships.

We know members and staff share the pride in our annual sponsorship of $5.7 million in the state's three community helicopter rescue services. Such sponsorships are in addition to the support provided via a range of RACQ business activities, including the Animal Welfare League of Queensland through our pet insurance and RACQ Bank's sponsorship of the Premier's Reading Challenge.

We're also sharing the financial expertise of the RACQ Bank team with young Queenslanders through our new financial literacy program. That program is being presented by our education department, which also delivers our community road safety programs through teams based in Brisbane, Rockhampton and Townsville.

These direct RACQ sponsorships and activities are additional to the good work the RACQ Foundation carries out. In 2017/18, the Foundation approved almost $430,000 in funding to 21 organisations serving their local communities from Proserpine to Warwick and west to Longreach, that have been variously impacted by the effects of cyclones, floods and drought.

As with philanthropy, the Club's ability to advocate effectively to government and industry on behalf of members also relies on members giving us both the licence and financial means to do so.

In the consumer sphere, three years of RACQ advocacy bore fruit in the past year with the State Government adopting our recommendation for more uniformity and transparency in information on fuel price boards. Motorists will benefit further from the Government's subsequent decision to legislate in this financial year for mandatory real-time fuel price reporting, as advocated by the Club.

Also on the advocacy front, our constructive engagement with the Queensland Government contributed to its banning of the entrapment techniques that unethical tow truck operators were employing to extort motorists unwittingly parking in private parking lots.

Better funding of roads for enhanced safety and efficiency remained central to our advocacy efforts in 2017/18. The confirmation of almost $2 billion in Federal and State funding for four major upgrades on the M1 motorway, and a further $800 million towards completing the dual carriageway on the Cooroy to Curra stretch of the Bruce Highway, were significant outcomes in the Club's ongoing battle for better, safer roads for all users.

We continued to expand our advocacy to help ensure community interests are not forgotten or overridden in an era in which the traditional car ownership model is being challenged.

In our policy research and through engagement with government and industry on the implications of changes in the mobility landscape, RACQ is fortunate to be able to exchange knowledge with many motoring organisations facing the same issues – the Australian Automobile Association (AAA), the Global Mobility Alliance (GMA) and the Federation Internationale de l'Automobile (FIA).

For the present though, our members still look to RACQ to help make their vehicle ownership safe, affordable and fit for purpose. We continued to deliver that assistance last year through our involvement in the Australian New Car Assessment Program (ANCAP), the Used Car Safety Ratings (UCSR) program and Australia's Best Cars program.

For members with specific motoring-related problems or queries, RACQ's motoring advisory team was again there to help. In 2017/18 they responded to almost 15,000 member requests for information on matters ranging from vehicle purchase and repairs to traffic law.

Strong membership growth, sound finances and more value delivered to members in even more ways, including banking… these are among the key indicators of a successful reporting year for the RACQ Group.

But the increasing scale and diversity of activities under the RACQ brand also brings challenges, including governance. We have aimed to ensure that the Group Board has a clear line of sight across an expanding range of enterprises. To that end, as of 1 July 2018, a 'directors in common' model has been adopted, with all RACQ Limited directors now also holding a place on the RACQ Insurance Limited Board and the Members Banking Group Limited (RACQ Bank) Board. They join other directors on those subsidiary boards who have been appointed for their expertise in these complex, highly regulated industries.

The parent board maintains the zonal representation of members, that is integral to our mutuality model, while also allowing for up to three non-zonal directors to provide additional depth of expertise in the governance of our significantly diversified business. This year, we welcomed Leona Murphy, former chief strategy officer of the Insurance Australia Group, as the first such appointee to the RACQ Limited Board.

To facilitate the appointment of non-zonal directors, representation in the South East Zone has reduced, and the North and Far North Zones have been merged.

Your board continues to take a progressive approach to ensuring the structure and framework of governance in the Group, including the boards and committees, are maintained at high standards and aligned with RACQ's vision and values. In this reporting period a number of initiatives were implemented that have enhanced the efficiency of the boards and that of their stewardship and monitoring functions.

Important standing board agenda items for the RACQ directors– risk management and compliance – have been the subject of scrutiny in the past year in the light of the Financial Services Royal Commission and its revelations of serious misconduct in the banking and insurance industries.

At RACQ we believe that being a good corporate citizen extends beyond sponsorships to having the systems *and* ethos in place to best ensure our focus remains on putting members' interests first.

Given our strong commitment to the member ownership model, the board has continued to encourage an active role for RACQ within Australia's Business Council of Cooperatives and Mutuals (BCCM), of which our Group CEO is a director. BCCM provides a valuable ideas exchange and lobbying voice for enterprises such as ours with primarily social objectives.

A recent visit to some of our roadside assistance contractors in south-west Queensland allowed me to see firsthand what a great contribution these hardworking people make to delivering on our promise to be there when members need us. The broader contribution these small businesses make to their local communities is perfectly aligned with the service ethos consistently demonstrated by our staff, contractors and agents across the state.

In thanking the entire RACQ team led by Ian Gillespie for their collective and individual contributions towards a very successful year, I also acknowledge the generous support of my fellow directors in the first year of my presidency. I express special appreciation to my predecessor, Nigel Alexander, who leaves the board after having made such a significant contribution to the growth and progress of our organisation as a director over the past 18 years.

Bronwyn Morris

Bronwyn Morris
President and Chairman

Group CEO's Report

Without question, 2017-18 has been the most transformative year in RACQ history.

The creation of RACQ Bank, the implementation of the Combined Australian Roadside System (CARS), the development of new 'One RACQ' full-service branches and a suite of new products and services are just some of the achievements that have made this a defining year for this proud Queensland organisation.

As a mutual, RACQ is owned and run for the benefit of its members. Providing more for members isn't just a tagline – it's at the very core of everything we do as a Club. In the past year, we have put even greater effort into understanding exactly what Queenslanders' value in an organisation such as ours, so that RACQ can be even more relevant in members' lives today and in the future.

The beauty of the mutual business model is perfectly illustrated in the total $154.9 million in member value returned to members last year, while returning an annual surplus of $64.4 million – to be reinvested in the development and delivery of member services and in benefitting the communities in which our members live.

In the last year, RACQ was again able to help Queenslanders affected by natural disasters in their times of need through the RACQ Foundation, which approved a total of $428,942 in funding for organisations servicing their local community.

In line with our stated purpose of making a positive difference in the lives of our members, we have well and truly moved towards offering lifestyle or financial services as our most regular interaction with members, whilst still being there to rescue them when problems arise.

The launch of RACQ Bank in late 2017 was just the first step and, given its scale and complexity, has not been without its challenges. Culturally the fit has been excellent, with former QTMB staff adding fresh vitality to our organisation while relishing the wider horizons of a more diverse work environment.

But we recognise further investment – particularly in technology – is necessary if we are to compete fully in such areas as the transactional utility of our online banking platforms. The bank's loss of $8.5 million for the year is primarily attributable to the considerable costs of integration and making its administrative and retail systems technologically competitive.

An updated internet banking platform, the bank's first mobile app, rebranded retail branches and our first full-service RACQ branch at North Lakes were all delivered during the year. This is a significant investment, but one that was planned and is driving improved member experience. This investment will continue with some exciting enhanced digital platforms coming throughout the 2018/19 financial year, as we lift the service offering to what RACQ members expect from our brand.

Not surprisingly, growth in the bank's business beyond its traditional teaching profession constituency has been modest in year one as we work to build its brand awareness among the broader membership. But with record growth in home loans written compared with business generated from its previous base, the long-term view we're taking of the bank's prospects is very positive. In fact, we have seen loan growth of more than nine percent since RACQ's brand was put on the bank.

To sustain success, we must keep rapidly evolving in a way that maintains the strong loyalty of members, both in terms of what we offer and our customer service. Our approach includes utilising technologies to enhance our traditional approach to service, to make life easier – not more complicated or stressful – for members.

This philosophy has also guided the ongoing transformation of our assistance and insurance businesses. RACQ's status as Queensland's largest motor vehicle insurer does not make us immune to increased market competition, nor to the rising tide of consumer expectations.

In 2017/18, RACQ Insurance helped Queenslanders get back on their feet by settling $535 million worth of

claims. Supported by the absence of significant weather events, our insurance business recorded a positive result of $107.5 million. Our insurance team has worked hard to transform claims handling, focussing on the process from policyholders' perspective to minimise inconvenience, cost and stress with the launch of a 24/7 online claims facility, in-house assessment of household claims, a one-step process for auto glass claims and the roll-out of our premium valet service to motor vehicle insurance customers.

It has been a similar transformation story in roadside assistance. Our most traditional service has been strengthened commercially, allowing RACQ to remain competitive through reducing product costs and delivering a broad suite of assistance options that can be tailored to individual motorist's specific needs – from standard mechanical 'first aid' for vehicles to personalised assistance for members and their families on road trips.

Even as we embrace a vision of facilitating members' personal mobility beyond just the privately-owned, traditionally-powered motor vehicle, RACQ has continued to invest in people and technology to ensure we best satisfy continuing strong demand for roadside assistance now and into the foreseeable future.

In the past year, we launched our CARS roadside assistance system, a common platform for RACQ and its Western Australian, South Australian and Tasmanian auto club partners. We acknowledge the hard work of our staff and the patience of members as the new system went live and was bedded down. Benefits of the new system are already being realised, such as more streamlined incident management and the convenience of on-road EFTPOS for battery sales.

Members' needs and expectations have also been at the forefront of developing and offering new product lines, such as health insurance, a more comprehensive pet insurance policy, an improved insurance offering for classic car owners, roadside assistance for RV's, the introduction of RACQ Financial Planning and a revised home assistance product offering. Product bundling has also been introduced for the first time across the banking, assistance and insurance product lines.

Against a background of record high fuel prices, perhaps the greatest benefit we've delivered to members is the four-cent-a-litre fuel discount negotiated with Puma Petroleum, available through its Puma, Matilda and Choice outlets. Over the financial year, more than 350,000 members showed their cards at Puma outlets across Queensland, saving more than $3 million on their collective fuel bill.

The addition of the fuel discount to our suite of offers, ranging from movie tickets and special travel deals to e-gift cards, helped drive the proportion of members using a money-saving RACQ benefit from 18 to 32 percent over the year.

Members can log in online to their member accounts at any time to check just how much their membership has saved them. Those with one or more RACQ product holdings will most likely find the single largest financial benefit still lies in the wide range of loyalty and other discounts RACQ offers members.

RACQ's retail footprint through branches and agencies, which was further enhanced by the bank network, highlights a key point of difference from many organisations. RACQ remains committed to providing face-to-face service to members and is continuing to work to ensure we deliver the increasing range of products and services to our members under the one roof in all locations. We are pleased to announce that we opened three full-service stores in the year at North Lakes, Edward Street Brisbane and Chermside. We will continue to provide a sustainable retail footprint offering the complete suite of our assistance, banking and insurance products under one roof.

As Group CEO, I have taken great personal satisfaction in the past year from seeing how enthusiastically RACQ staff have embraced our broader vision for the Club and continue to take pride in working for an organisation whose fundamental purpose is simply to look after our members, albeit in an increasing variety of ways.

My sincere thanks go to our RACQ people for their dedication to members and in making such a challenging year so successful. My thanks also to the many RACQ agent and contractor teams that deliver on our service promise across Queensland. Finally, I also express my strong appreciation to Club President Bronwyn Morris and her board for their guidance and support for senior management in what can truly be considered a watershed year in the evolution of RACQ into a truly multi-faceted mutual organisation.

I believe that the lessons learned and the outcomes achieved this year have positioned RACQ well to handle the fast-changing business environment and to deliver on our strategy.

Ian Gillespie
Group Chief Executive Officer

FY 18 *YEAR IN REVIEW*

MEMBERS

90.6%
Member satisfaction

94.5%
Member trust

68.8
Net promoter score

50,582
Members have been with RACQ for 50 years or more

ADVOCACY AND COMMUNITY

2756
Queenslanders saved by RACQ-sponsored rescue helicopters

$7.84m
Distributed by RACQ Foundation to Queensland community groups since 2011

$700,000+
Raised for Mater Chicks in Pink from the RACQ International Women's Day Fun Run

$154+ m
Value returned to members, including

$125.94m
RACQ products and services

$5.76m
Helicopter sponsorship

$15.32m
RACQ retail partners

$4.85m
Ticketing and entertainment

$3m
Puma Energy fuel discounts

346,662
People through the gates of the RACQ-sponsored Ekka

30,000+
School students taught RACQ road safety

120+
Years Ahead presentations delivered to senior drivers

10,000
Estimated people at RACQ MotorFest

60,294
Traffic incident management and quick clearance jobs

SUSTAINABILITY

$1.22 bn
Total revenue

$4.47 bn
Total assets

$1.40 bn
Net assets

$1.48 bn
Lending assets

1.72 m
Members belong to RACQ

1.19 m
Queensland households with at least one RACQ member

HOW WE'VE HELPED

1.31m
Vehicles covered by RACQ Roadside Assistance

849,602
Roadside assistance jobs

93%
RACQ go rate

770
RACQ assistance vehicles on the road

$535m
Provided for members' insurance claims

4000+
Home assistance jobs

11,000+
Queensland pets protected by RACQ Pet Insurance

WORKFORCE

DIVERSITY

61.3%
Female percentage of RACQ's overall workforce

46.5%
Female percentage of overall leaders

30%+
Female board representation

SAFETY

47%
Reduction in our Medical Treatment Injury Frequency Rate

24.5%
Reduction in workers compensation claims costs

SUPPORT

RACQ is committed to enabling all employees to have access to some form of flexibility by December 2020

RACQ has implemented a Domestic and Family Violence Support Procedure including access to special leave

RACQ Directors & Officers

Information on the RACQ directors is set out on the next pages, including qualifications, experience and particular responsibilities.

Bronwyn K Morris (President and Chairman)

BCom, FCA, FAICD

Director, South East Zone, joined the board in 2008.

President and Chairman of RACQ, Director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank) and Club Finance Holdings Limited. Member of the Group Remuneration and Nomination Committee and the Group Audit Committee.

Ms Morris specialised for more than 20 years as a chartered accountant in audit and corporate services. Ms Morris is the Queensland Council President of the Australian Institute of Company Directors. She serves as a director of a number of entities including Collins Food Limited, the Gold Coast 2018 Commonwealth Games Corporation, Watpac Limited and the Menzies Health Institute Queensland.

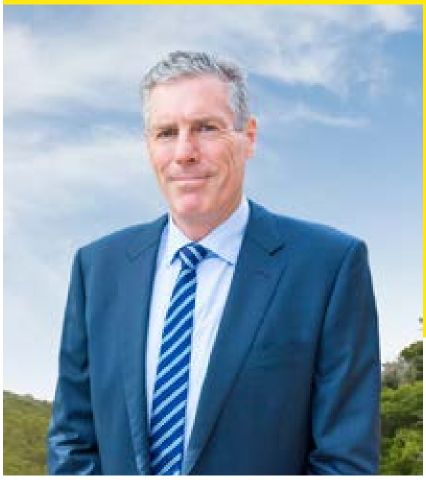
Elizabeth M Jameson (Vice President and Deputy Chairman)

LLB (Hons1), BA, FAICD, MQLS

Director, South East Zone, joined the board in 2008.

Vice President and Deputy Chairman of RACQ, Director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank) and Club Finance Holdings Limited. Chair of the Group Audit Committee and member of the Risk and Compliance Committee and Group Remuneration and Nomination Committee.

Ms Jameson is the principal and founder of corporate governance consultancy Board Matters Pty Ltd and associated firm Board Matters Legal (since 2002). With her prior background as a partner of a national law firm, she is a respected governance specialist, who is consulted widely at a national and international level. In addition, Elizabeth is an experienced director, serving over the past 25 years on the boards of more than 20 other organisations in the private, not-for-profit and public sectors. She is presently also chair of Brisbane Girls Grammar School, chair of Queensland Theatre and an independent member of the Board of Management of the Queensland Police Service.



Nigel W F Alexander

BBus, MAppFin, FCA, FAICD

Director, South East Zone, joined the board in 2000.

Chairman of RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Chair of the Group Remuneration and Nomination Committee.

Mr Alexander is President of the Australian Automobile Association and Region 2 (Asia Pacific) Treasurer of the Federation Internationale De L'Automobile and Chairman of UnitingCare Queensland. He is also a director of QIC Agribusiness Holdings Pty Limited and various private companies. In 2016, he retired as CEO of The North Australian Pastoral Company Pty Limited.
He is an Agribusiness specialist and qualified accountant, having previously worked in corporate finance roles with both Australian and international banks.

Jayne P Arlett

BSc, Pod Med, FASMF, FAAPSM, FAIM, GAICD

Non-Zonal Director, joined the board in 2017.

Director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank) and Club Finance Holdings Limited. Member of the Group Audit Committee and the Bank Audit Committee.

Ms Arlett has a background in national sporting organisations, medicine and the private sector. She has a 30-year career in business and extensive skills in innovation and marketing, particularly in the digital media space. She is a Member of the James Cook University Council, Chair of Discover Sport Limited, Chair of the Friends of the Museum of Tropical Queensland and a director of both Whitsunday Apartments Hamilton Island East Ltd and Whitsunday Apartments Hamilton Island West Ltd. Ms Arlett is a former Chair of the Townsville Fire Limited, former Commissioner for the WNBL and a director of several private companies. She has served on a variety of boards in the private, not-for-profit and government sectors over 20 years.

Campbell J Charlton

BCom, LLB, FCA(Rtd), MAICD

Non-Zonal Director, joined the board in 2014.

Director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank) and Club Finance Holdings Limited. Chair of the Bank Audit Committee and member of the Group Audit Committee.

Mr Charlton has a 35-year career as a Chartered Accountant and Corporate Advisor. He is the Deputy Chancellor of the James Cook University Council, member of the Queensland Government's Commonwealth Games Legacy Advisory Committee, director of North Queensland Cowboys Rugby League Club Limited and a director of Citizens of the Great Barrier Reef Foundation Limited. He is a former Chairman of the Tourism Tropical North Queensland and Advance Cairns Limited and a former member of the Executive Committee of the Australia Papua New Guinea Business Council. He is also a past Chairman of the judging panels of both the Australian Tourism Awards and the Queensland Tourism Awards.

Anthony (Tony) M Gambling

BBus, BEcon, MBA, FCPA, FAIM, FAICD, JP (Qual)

Director, Central Zone, joined the board in 2005.

Director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank) and Club Finance Holdings Limited. Member of the Group Capital and Investment Committee and the Insurance Risk and Compliance Committee.

Mr Gambling is the director of Regional Development for Regional Development Australia Fitzroy and Central West. He is the former General Manager of Mango 4 Office Technology and a former director of companies involved in the commercialisation of emerging technologies. He is a member of the Central Queensland Committee of the Australian Institute of Company Directors and the Queensland Small Medium Enterprise Committee of CPA Australia.

RACQ Directors & Officers *continued*

John F Minz

BCom, Grad Dip Commercial Computing Sen. Fellow FINSIA, FAIM, FAICD

Director, South West Zone, joined the board in 2016.

Chairman of Members Banking Group Limited (RACQ Bank) and Club Finance Holdings Limited. Director of RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Member of the Group Remuneration and Nomination Committee, Risk and Compliance Committee and the Bank Risk and Compliance Committee.

Mr Minz retired as the Chief Executive Officer of Heritage Bank in November 2015, after 23 years with the Bank.

Mr Minz is Chairman of the Darling Downs and West Moreton PHN and President of Toowoomba Together Incorporated, a community charity created to help eliminate domestic and family violence. He is also Chairman of the charity Australia's CEO Challenge and a member of the Toowoomba Regional Committee of the Australian Institute of Company Directors.

Karl D Morris

BCom, MSAA, FAICD, FFin

Director, South East Zone, joined the board in 2010.

Director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank) and Club Finance Holdings Limited. Chair of the Group Capital and Investment Committee.

Karl Morris is Executive Chairman of Ord Minnett Limited with a career spanning over 30 years in financial services and wealth management. He is a Commerce graduate of Griffith University and holds diplomas from the Stockbrokers and Financial Advisers Association of Australia, Institute of Company Directors and FINSIA.

Karl has recently been appointed the Chairman of the Brisbane Broncos and is the Chairman and a Master Member of the Stockbrokers and Financial Advisers Association of Australia, Chairman of QSuper, director of Gallipoli Medical Research, Board Member of JP Morgan Australia Advisory Council, Board Member of the Financial Sector Advisory Council, Board Member of Archdiocese of Brisbane Catholic Foundation, Chair of Mary MacKillop Brisbane Catholic School Access Fund, Chair of Griffith University Foundation Board and Governor of the University of Notre Dame Australia.

Leona C Murphy

BCom, GAICD

Non-Zonal Director, joined the board in May 2018.

Director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank) and Club Finance Holdings Limited. Chair of the Risk and Compliance Committee and member of the Group Remuneration and Nomination Committee and Insurance Risk and Compliance Committee.

Ms Murphy is an experienced senior executive with 24 years' experience in insurance and financial services. She has had C-Suite roles in top 20 ASX listed insurance organisations for 10 years, most recently as Chief Strategy Officer at IAG.

She is currently a director of Liberty Financial Limited, director of New Zealand's Accident Compensation Commission, independent director of Stone & Chalk and is the Chair of the Royal Brisbane & Women's Hospital Foundation. Ms Murphy has been Co-Chair of the United Nation Environment's Principles for Sustainable Insurance Initiative and was recognised as one of Australia's Top 100 Women of Influence in the 2015 Australian Financial Review and Westpac Awards for her work in Global Resilience.

Officers

Group Chief Executive Officer

Ian A Gillespie

BA, Dip Laws(BAB), FCEOI, FAICD, FAIM

Mr Gillespie has been CEO of the RACQ Group since 2006. He is a director of RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, Members Banking Group Limited (RACQ Bank), Club Finance Holdings Limited, RACQ Foundation Pty Ltd, RACQ Operations Pty Ltd and several other RACQ Group and related entities. He is also a director of the Confederation of Australian Motor Sport, the Business Council of Cooperatives and Mutuals (BCCM), Chairman of Australian Motoring Services Pty Ltd and Vice-Chair of the Global Mobility Alliance. Mr Gillespie has more than 35 years' experience at general management and chief executive level in a broad range of industries in Australia and internationally.

Mr Gillespie is supported by a Group Executive Team covering advocacy and communication, assistance, banking, finance, governance, insurance, legal and risk, people, sales and marketing, strategy and technology.

Company Secretary

Bradley D Bowes

PhD, FGIA, FCIS, MAICD

Mr Bowes is company secretary for all the legal entities within the RACQ Group and heads the Group Secretariat with responsibility for group-wide corporate governance matters, including managing all matters associated with the efficient operation of the various boards and committees and of each annual general meeting. Mr Bowes is a chartered company secretary with more than 20 years' experience in senior management and similar governance roles in both private enterprise and the public sector across a range of industries.

Group executive team

The RACQ Group is organised along its main operating divisions, each of which is headed by a member of the Group Executive Team (GEX), who are direct reports to the Group CEO.

Group Chief Executive Officer – Ian Gillespie
BA, Dip Laws(BAB), FCEOI, FAICD, FAIM

Chief Executive Officer Bank – Michelle Bagnall (commenced 5 February 2018)
BBus, MBA, SA Fin, GAICD

Chief Information Officer – Gregory Booker
MBA, MMgmnt, MAICD

Group Company Secretary – Bradley Bowes
PhD, FGIA, FCIS, MAICD

Chief Risk Officer and General Counsel – Darryn Hammond
BSci(Hons), LLB, Grad Dip Corp Gov, MQLS, FGIA, FCIS

Group Chief Financial Officer – Michael Lonergan
BBus, FCPA, Grad Dip App Fin

Chief Strategy Officer – Mark Mugnaioni
BBus(Mgt), LLB(Hons), LLM, Grad Dip(LegalPrac), GradCert(AppFin), FAICD, FAIM

Chief Executive Officer Insurance – John Myler
BCom & Marketing, Grad Dip. Insurance, Fellow ANZIIF, MAICD

Chief People Officer - Heidi Suominen
BBus(HR Mgt), Grad Dip Training and Development, GAICD

Chief Executive Officer Bank – Steve Targett (resigned 9 February 2018)
MAIEx(Diploma), Series 3 US Futures, MAICD

Chief Executive Officer Assistance – Glenn Toms
BBus, Grad Dip Fin & Inv, FFin, FAIM, GAICD

Chief Communication Officer - Paul Turner
GAICD

Chief Sales and Marketing Officer – Christopher Walsh
BCom(Acc.), GAICD, FIML

Detailed profiles of each GEX member are available at racq.com.au/about/racq/group-executive-team.

Retired Director

Stephen J Maitland

OAM, RFD, BEc, MBus, LLM, GCURP, FAICD, FCPA , FCIS, SFFin

Director, South East Zone, 2008 - 2017

Mr Maitland was an RACQ director representing the South East Zone from 2008 to 2017

Directors' Report

The directors present their report together with the consolidated financial report of the Group comprising The Royal Automobile Club of Queensland Limited (RACQ) and its controlled entities, for the year ended 30 June 2018 and the auditor's report thereon.

DIRECTORS

The following persons were directors of RACQ during the whole of the financial year and until the date of this report, except where otherwise indicated:

Bronwyn K Morris (President and Chairman)

Elizabeth M Jameson (Vice President and Deputy Chairman)

Nigel W F Alexander

Jayne P Arlett

Campbell J Charlton

Anthony M Gambling

Stephen J Maitland
(retired 21 November 2017)

John F Minz

Karl D Morris

Leona C Murphy
(appointed 29 May 2018)

More information on RACQ directors is set out on pages 8-11.

DIRECTORS' MEETINGS

The number of RACQ board and committee meetings as well as each RACQ director's attendance at those meetings during the financial year, are set out on page 14.

COMPANY SECRETARY

The company secretary is detailed in the Directors and Officers section on page 11.

OFFICERS

The persons who were officers of RACQ during the financial year are detailed in the RACQ Directors and Officers section on page 11.

PRINCIPAL ACTIVITIES, STRATEGY AND OBJECTIVES

The principal activities of RACQ during the year included the provision of motoring, insurance, assistance, banking, lifestyle and advocacy services.

RACQ's purpose is to make a positive difference to the lives of its members now and into the future. It is underpinned by its mission of being a multi-dimensional membership organisation offering Queenslanders multiple reasons for joining and multiple ways to benefit from being part of the RACQ community. To achieve this, RACQ will:

- Provide and endeavour to enhance member value in a compelling way across products and services

- Where appropriate, continue to leverage the RACQ brand for new products and services that provide value to members

- Streamline the digital member experience by investing in cutting edge and value-adding technologies

- Focus on sustainability and efficiencies to ensure that RACQ delivers the best outcomes for its members now and into the future

The 'RACQ Group Strategic Plan and Budget' details the strategy, priorities, targets and activities that are being undertaken to deliver on its strategic objectives. The strategy is built around the following framework:

- *Maximising member value and community relationships* - ensure the members are at the centre of everything it does

- *Positioning for the future* - prepare the foundations for continuing success, with the right capabilities, capacities and assets

- *Strengthening and connecting its core value propositions and underlying business models within: Banking, Insurance and Assistance* - optimise the Group to sustainably meet its purpose

RACQ will continue to build upon its strength, relevance and member advocacy. One key element to this will be leveraging its successful entry into the Banking sector through the merger with Members Banking Group Limited, trading as RACQ Bank.

RACQ monitors its performance against the strategic business plan and budget through detailed financial analysis including profit and loss, balance sheet, cash flows and capital expenditure reporting. Key performance parameters including member satisfaction, retention and acquisition, products per members, policy growth and key financial ratios are used to measure performance throughout the financial year.

The President's Report and the Group Chief Executive Officer's Report provide further details on how the Group's activities assist in achieving RACQ's objectives.

REVIEW OF OPERATIONS (OPERATING AND FINANCIAL REVIEW)

Information about the Group's financial position and financial results is included in the consolidated Financial Statements. Further details can be found in the President's Report and Group Chief Executive Officer's Report.

The reviews detail membership, assistance products and services, banking, insurance, advocacy, travel, touring and community activities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In accordance with the court-approved Scheme of Arrangement, the QT Mutual Bank brand was removed and replaced with the RACQ Bank brand between late September and mid-October 2017. All existing RACQ Bank customers were communicated with directly and advised of the changes. All necessary approvals with the various regulators for the name change were granted.

Other than as referred to in the Review of Operations, there were no other significant changes in the affairs of RACQ during the year.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of RACQ, to affect significantly the operations of RACQ, the results of those operations, or the state of affairs of RACQ, in future financial years.

DIRECTORS' INTERESTS

Since the previous financial year, no director of RACQ has received or become entitled to receive a benefit (other than a benefit included in the total remuneration received or receivable by RACQ directors as shown in the notes to the accounts) by reason of a contract made by RACQ or a related corporation with a director or with a company in which he or she has a substantial financial interest.

Directors may obtain roadside assistance, insurance services, banking services and other services from the RACQ Group on the same terms and conditions as those obtained by all employees.

INDEMNIFICATION AND INSURANCE

RACQ has entered into standard form deeds with directors and officers to indemnify them to the extent permitted by law against all liabilities that may arise from their position in RACQ or a controlled entity of RACQ. The deed stipulates that RACQ will meet the full amount of any such liabilities, including losses, costs, charges, damages and expenses.

RACQ holds a Directors' and Officers' Liability Insurance policy on behalf of current and former directors and officers of RACQ and its controlled entities. The directors have not included details in this report of the nature of the liabilities covered, the limit of liabilities covered, or the amount of premium paid in respect of the Directors' and Officers' Liability Insurance contract, as such disclosure is prohibited under the terms of the contract.

MEMBERS' GUARANTEE

RACQ is a company limited by guarantee and has no share capital. In the event of winding up, all classes of members are liable to the amount of $2.00 per member. RACQ has 1,815,452 guaranteeing members resulting in a total contribution of $3,630,904 upon winding up.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is set on page 13 of the Statutory Reports and forms part of Directors' Report for the year ended 30 June 2018.

ROUNDING OFF

RACQ is a company of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Therefore, in accordance with that instrument, amounts in the consolidated Financial Report have been rounded off to the nearest one thousand dollars, unless otherwise indicated.

CORPORATE GOVERNANCE

RACQ's 2018 Corporate Governance Statement is available in the Corporate Governance section on RACQ's website (racq.com/corporategovernance).

Signed in accordance with a resolution of the RACQ Directors.

Bronwyn Morris

Bronwyn Morris
President and Chairman
24 September 2018

RACQ Board and Committee Meetings

	RACQ Board		Group Audit Committee		Group Capital and Investment Committee[1]		Group Remuneration and Nomination Committee[2]		Risk and Compliance Committee[3]	
	A	H	A	H	A	H	A	H	A	H
Nigel Alexander	8	8					6	6		
Jayne Arlett	8	8	4	5	2	2				
Campbell Charlton	8	8	5	5	2	2			1	2
Anthony Gambling	8	8			4	4				
Elizabeth Jameson	8	8	5	5			6	6		
Stephen Maitland (retired 21 November 2017)	3	3	3	3					2	2
John Minz	8	8					6	6	2	2
Bronwyn Morris	8	8	5	5			6	6		
Karl Morris	8	8			4	4			1	2
Leona Murphy (appointed 29 May 2018)	2	2					1	1		

A - meetings attended during the financial year.
H - meetings held during the financial year while the director held office for which the director was eligible to attend.

[1] Name changed from 'Group Investment Committee' to 'Group Capital and Investment Committee' on 27 March 2018.
[2] Name changed from 'Group Governance and Remuneration Committee' to 'Group Remuneration and Nomination Committee' on 21 November 2017.
[3] Committee disbanded with effect from 1 January 2018 and re-formed with effect from 10 September 2018. Material risk and compliance matters were addressed by the RACQ board during ths period.

The Royal Automotive Club
of Queensland Limited
ACN 009 660 575
ABN 72 009 660 575