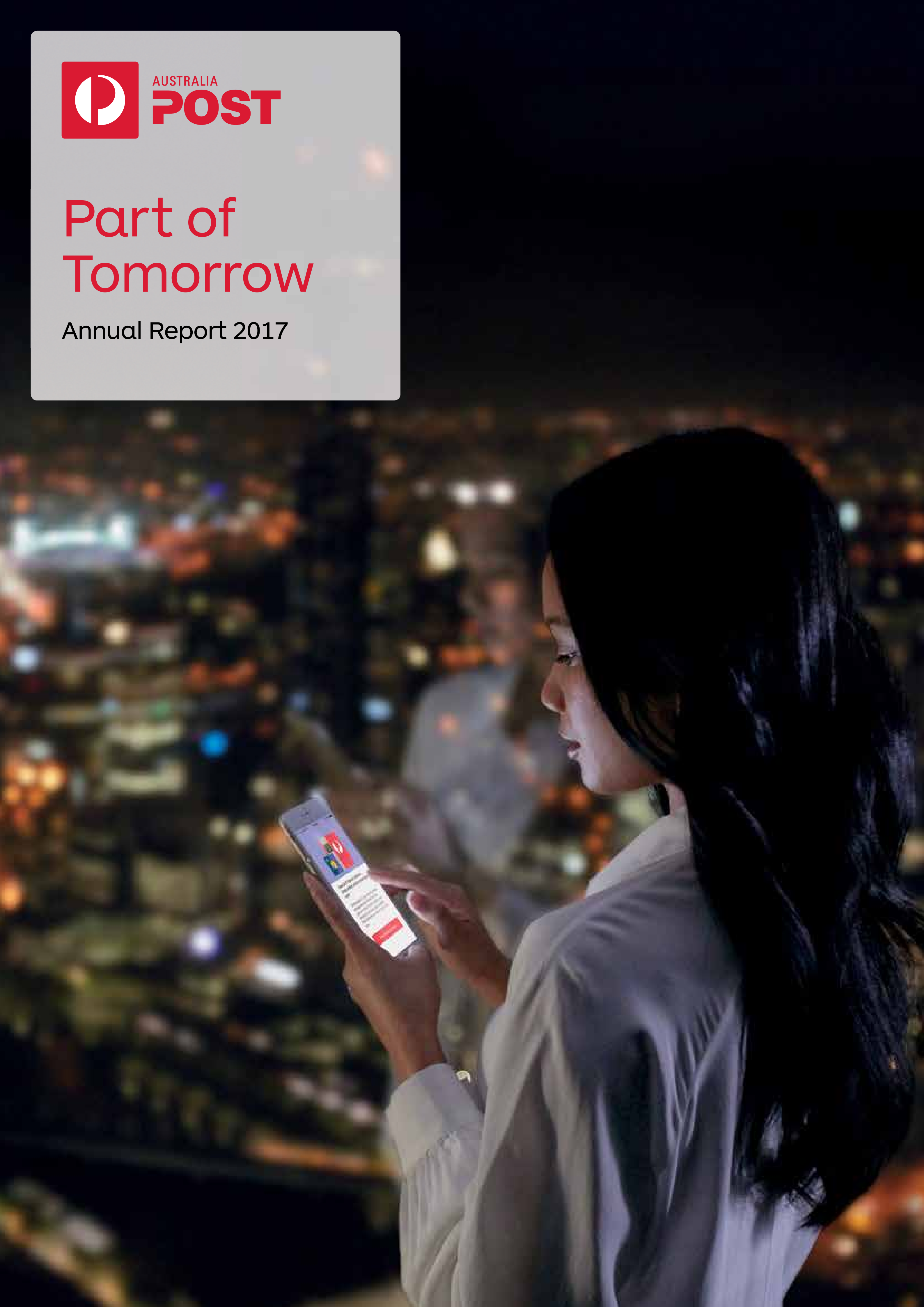
AUSTRALIA POST

Part of Tomorrow

Annual Report 2017



Performance highlights 2017

Our business performance

Profit after tax $95.4 million

Profit after tax up 162.1% despite 11.8% addressed letter volume decline

5.6% domestic parcel growth

Investment in Aramex and creation of Aramex Global Solutions Joint Venture

Our people

4 percentage point increase in employee engagement

Gender pay equity

34% of parcels delivered by posties

7% increase in Licensee payments

74% 'yes' vote for Australia Post Enterprise Agreement 2017

Our customers Our communities

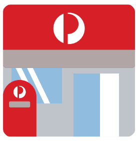
Exceeded all community service obligations (CSOs) including delivering 98.7% of letters on time or early

$6.8 million contributed in community investment

Launched MyPost Business

Launched our third Reconciliation Action Plan 2017-2020

Our customer network



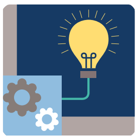
MyPost registrations up by 146% in 2016/17

Reduced carding rate to 10.7% from 15.5%

MyPost Delivery choices now offered for 27% of deliveries

Agreement with Woolworths to install Parcel Lockers at 150 of their locations

Our innovation Our expertise



Digital iD™ mobile App launched

9 Regional Pitchfest events held around Australia

3 Hack Dayz and 5 internal incubation program cohorts

Our environment

22.3% reduction in carbon emissions since 2010

More than 14,000 tonnes of materials recycled or reused in 2016/17

About Australia Post

We're proud of our history and heritage, which started in 1809 when former convict, Isaac Nichols, founded the first Post Office in New South Wales. More than two centuries later, we still have the same social purpose and commitment to connecting people, businesses and communities that inspired Isaac to start out by sorting mail from his home. This very same purpose of helping people stay in touch remains at the core of who we are and today we provide services to more Australians than any other company. We deliver to more than 11.7 million addresses across Australia and to more than 190 countries around the world.

Our business has changed rapidly in the last decade. In 2008, Australian letter volumes reached an all-time peak. Since then, the number of addressed letters has declined by 50.6 per cent per letterbox. The shift to digital communication and online transactions has significantly impacted our letters service, but it's also created many new opportunities.

More people buying and selling online means there are more parcels than ever to be delivered. And with so many transactions being moved online, there's an increasing demand to make sure these interactions are secure, quick and convenient. So, while we're experiencing historic low volumes in our letters business, we are now competing in the global parcels and trusted eCommerce services markets.

Operating as the Australian Postal Corporation, we are one of the country's most trusted brands, also comprised of StarTrack, Decipha, SecurePay, MailPlus, Mail Call and POLi. We largely operate in Australia, with headquarters in Melbourne and offices and facilities across the country employing more than 34,000 people across our integrated delivery, logistics, retail and eCommerce network. Adding Licensed Post Office operators, Community Postal Agents and thousands of delivery contractors means more than 50,000 people are directly involved in our operations.

Australia Post is a Government Business Enterprise (GBE) operating under the *Australian Postal Corporation Act 1989* (APC Act).

The corporation is completely self-funded and we make the best use of our assets and resources for two clear purposes which are detailed in the APC Act:

- to earn a profit (used to pay dividends to the Commonwealth, and for reinvestment in the business); and
- to deliver a community service.

As required under the APC Act, we continue to balance our commercial objectives with delivering our community service obligations.

About this report

This is the seventh year we've incorporated sustainability reporting into our Annual Report. The report is prepared in accordance with legislative requirements, the Global Reporting Initiative (GRI) Standards Core option and the IIRC Integrated Reporting framework. It summarises our financial, social and environmental activities from 1 July 2016 until 30 June 2017, including how we fulfil the 10 principles agreed as a signatory to the United Nations Global Compact (UNGC), and how we are advancing the UN Sustainable Development Goals (UN SDGs). Our approaches to addressing the UNGC and the SDGs are summarised in the Appendix on page 46.

This year we've also included a Remuneration Report, disclosing our remuneration strategy, philosophy and key components of remuneration and bonuses for our Managing Director and Group CEO, senior executives and Board members.

In actively considering the relationships between our enterprise and how we create value in our areas of impact, we follow the Integrated Reporting Framework. This report is structured according to the six 'capitals' (below).

Australia Post's Annual Report Steering Committee has guided the content of this integrated report. The approach was endorsed by the EGM, Group Services, with final approval of the Annual Report by the Australia Post Board.

The information in this report applies to the Australia Post Group within this reporting period unless otherwise stated.

Any restatements of information provided in previous years due to changes in cost allocations to allow like-for-like comparisons are noted and explained throughout this report. There were no significant changes in the boundary or scope of this report in 2016/17.

Determining what matters most – the materiality process

This Annual Report provides information for our four primary stakeholders:

- our shareholder (the Australian Government)
- our people
- our customers
- the broader community.

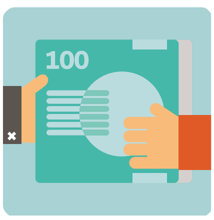
To determine the Annual Report's content and ensure we're reporting on what matters most to our stakeholders, we conduct an annual materiality assessment. Further information is provided in the Appendix on page 46.

The material issues nominated by our internal and external stakeholders are:

Top ten material issues 2017

1. Workforce engagement
2. Customer experience
3. Fair labour practices
4. Transparency and disclosure
5. Viable parcel business
6. Operating profitability
7. Corporate Governance
8. Employee safety, health and wellbeing
9. Changing competitive landscape
10. Pay and benefits

Our business performance
Financial Capital

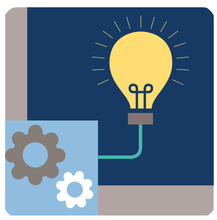


Our people
Human Capital

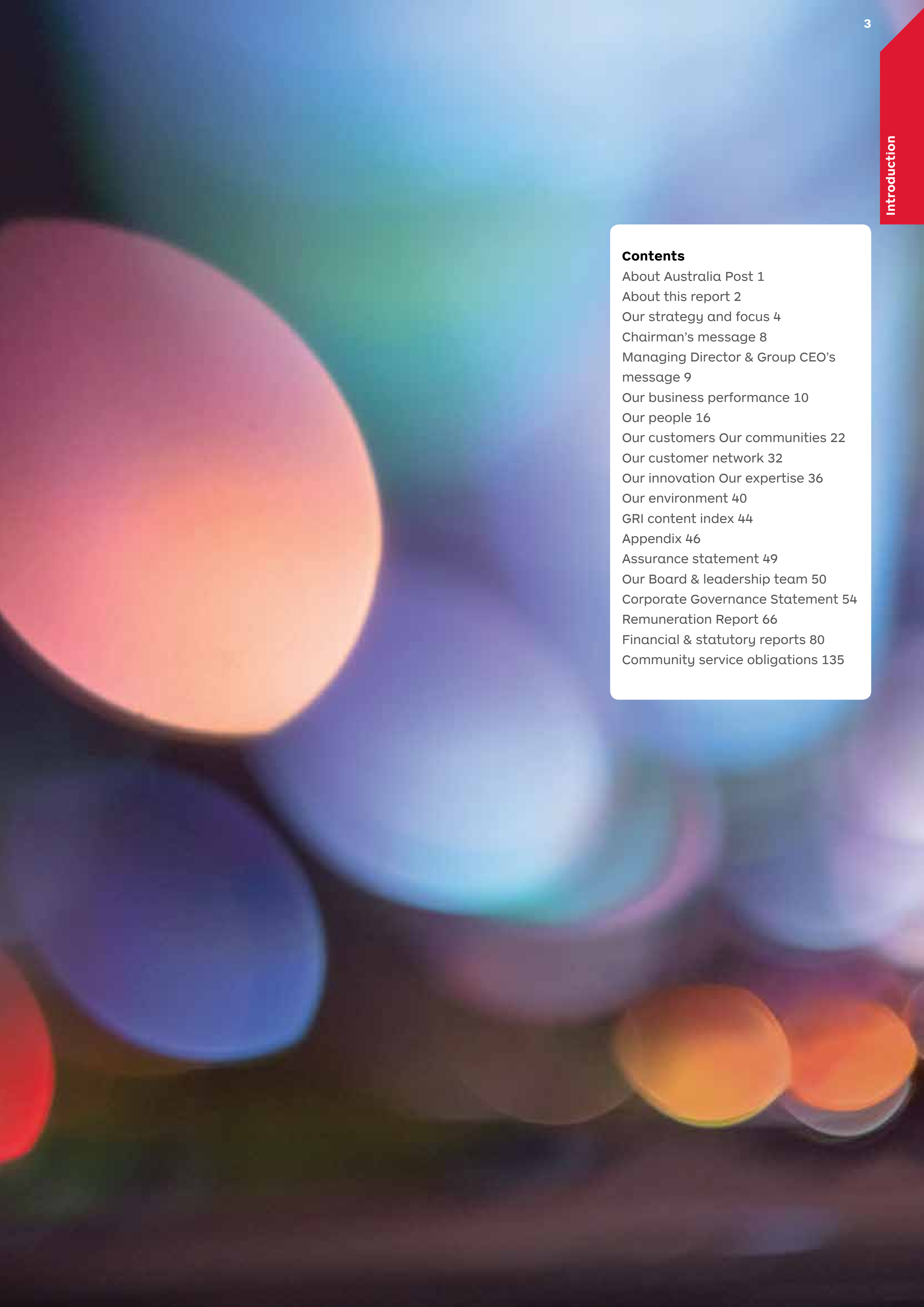
Our customers
Our communities
Social Capital

Our customer network
Physical Capital

Our innovation
Our expertise
Intellectual Capital



Our environment
Natural Capital



Contents

Our strategy and focus

We're the country's leading delivery business. We provide Australians with unrivalled access to world class products and services to enable our nation to prosper. For 208 years we've connected people, businesses and communities and, for generations, this involved over the counter services at the Post Office and delivering letters.

While the internet, smart phones and other digital technology are causing an irreversible decline in the letter service, they're also providing greater opportunities for individuals, business owners and entrepreneurs anywhere in Australia to grow businesses online.

We'll secure our future by realising our Part of Tomorrow strategy, which is about delivering eCommerce experiences to everyone, everywhere.

This all starts with our people. They are the face of Australia Post, delivering our services throughout communities around the country, and the health, safety and wellbeing of our people are our most important cultural priorities. We strongly believe that happy people results in happy customers and ultimately a happy shareholder and community.

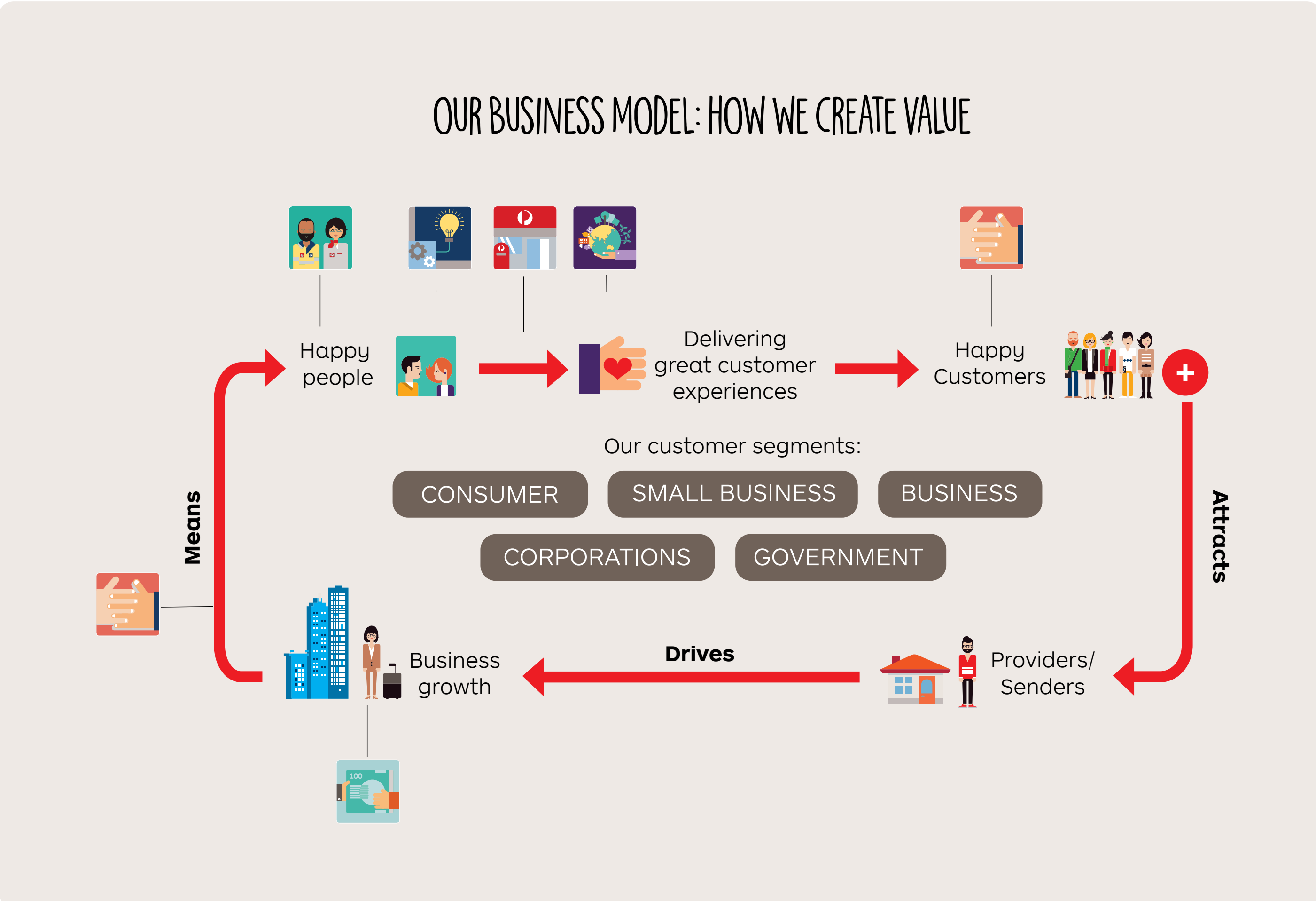
Key to ensuring our people feel supported is that they have access to the technology they need to do their job. Ensuring we have the right technology platforms in place not only makes it easier for our people to perform their roles but it means we can optimise our unrivalled delivery network and leverage our online and in-store network.

Optimising our delivery network is key to maintaining market share in a fiercely competitive parcel delivery market and is crucial to our growth ambition in order to fund future investments. We will maintain market share by keeping our customers happy and delivering experiences that encourage customer advocacy and loyalty. Providing customers with a wide choice of delivery options to reduce the incidence of 'carding' will help us achieve this.

Our services business, which leverages our online and in-store network to deliver an expanding range of digital products and trusted services to our customers, is crucial to the reinvention of our business as a major eCommerce services provider. Our long-term sustainability requires us to build a diverse pipeline of new products, services and business models in order to identify new sources of value for our customers and shareholder.

How we create value

Our operations create value for our customers, shareholder and diverse stakeholders through the six capitals outlined on page 2 and reported here. As a Government Business Enterprise (GBE) we contribute to Australia's economic growth and reinvest in the community to advance our enterprise purpose: *Helping our people, customers and communities deliver a better future.* ***Everyone, Everywhere, Everyday.***



Our ability to create value starts with ensuring our people are happy and healthy. This means they can perform their roles to their full potential and enables us to sustain an efficient and effective network, delivering products and services that our customers love. When we do this our customers become our best advocates and our business grows and performs well. As a result our shareholder is satisfied and we can reinvest back in our business and the Australian community, making our people more proud of Australia Post. It starts with happy people and ends with happy people.

Our strategy and focus

How we create value

Our capitals	Key inputs	Key activities in FY2017	Key results
Our business performance: Contributing to Australia's economic growth and prosperity	• $440.9 million cash from operations • $5.5 billion gross assets • $545.4 million cash used in investing • $6,687.6 million expenditure • S&P credit rating • Parcel volume growth	• Diversify growth areas • Create new services • Reform the letters business as letter volume declines • Strategic alliances and international partnerships • Strong corporate governance	• Revenue up 3.7% to $6,807.2 million • Profit after tax up 162.1% to $95.4 million • $50.1 million dividend paid to our shareholder • Credit rating improved to AA – (stable) • Aramex Global Solution Joint Venture implemented
Our people: The skills, productivity, diversity and wellbeing of our people which are critical to our long term success	• Over 50,000 employees, licensees and contractors across Australia • Diverse and engaged people • Trusted employee relations • Proficient technical skills	• Negotiation of the next Australia Post Enterprise Agreement to protect existing benefits and maintain job security • Foster a culture of safety • Promotion of diversity and inclusion • Strengthen relationships with our partner workforce	• Increased employee engagement by 4 percentage points to 61% • 19.4 All Occupational Injury Frequency Rate (AOIFR) • Gender pay equity • 74% yes vote for Australia Post Enterprise Agreement 2017
Our customers, Our communities: Being a trusted and reliable partner for all our stakeholders	• 241 million retail customer visits • 230 million digital customer visits • Trusted brand • Positive relations with diverse stakeholders	• Continuous improvements to enhance customer experience • Proactive engagement with customers and community • Deliver strategic investments in the community to advance social inclusion and digital literacy	• +1.4 point overall improvement in Net Promoter Score since FY16 • Exceeded all community service obligations, including delivering 98.7% of letters on time or early • $6.8 million invested in the community • Launched new digital community engagement platform, What Matters to You, Matters to Us
Our customer network: A modern and competitive network that delivers quality service to our customers	• 11.7 million delivery points • 4,379 Post Offices • More than 15,000 street posting boxes • 7,000 motorbikes • 6,500 delivery vans • 2,600 trucks • 6 airline freighters • 500 facilities • 265 parcel locker locations	• Continuous investment in our assets to deliver quality service to our customers • Adopt efficiency and cost reduction initiatives in letters to align with declining volumes	• Improvements in first time delivery with carding rates down to 10.7% from 15.5% • 2.6 billion addressed letters delivered, down 11.8% • Domestic parcel growth up 5.6%, with more than two million parcels delivered in a single day during Christmas 2016 • Woolworths parcel locker partnership • Successful trials of new electric delivery vehicle
Our innovation, Our expertise: An agile and competitive organisation that meets the needs and expectations of customers	• Strategic partnerships and collaborations with customers and entrepreneurs	• Reimagine the home, logistics, and trusted services of the future • Support entrepreneurs to develop and materialise innovative ideas	• Digital iD™ mobile App launched • Regional Pitchfest program • Digital Transformation Agency partnership • Myer co-hackathon event to test ideas for customer experience improvements • 3 Hack Dayz and 5 internal incubation program cohorts
Our environment: Reducing the environmental footprint of our operations	• Property asset electricity consumption consumption of 190,000 MWh • Licensee network consumption of 28,540 MWh • Self-generation of 1,500 MWh • 40 million litres of fuel used by our own fleet • 80 million litres of fuel used by contractor road fleet	• Develop energy efficiency initiatives • Identify opportunities to reduce waste • Support our customers to solve environmental problems such as diverting products from landfill	• Reduced carbon emissions by 23% compared to 2010 levels • Increased electricity efficiency by 2,568MWh saving 2,669 tonnes of carbon and $493,000 • Capacity to generate more than 2,364MWh of electricity annually, saving 2,000 tonnes of carbon from our 48 sites with solar • More than 14,000 tonnes of materials recycled or reused

Delivering a better future

We are actively delivering on our Corporate Responsibility commitment to increase the social and economic inclusion and wellbeing of all Australians, minimise our environmental impact, and help customers and communities prosper in a digital world.

Our refreshed approach to Corporate Responsibility is inspired by the notion of Creating Shared Value. It seeks to meet changing societal needs and reduce operational risks while increasing transparency and efficiencies. It's all about being true to our enterprise purpose and bringing it to life.

Engaging our people on sustainability

Our Corporate Responsibility strategy is underpinned by an employee sustainability outreach program that includes our Green Team and a new Lunch 'n' Learn series for our people.

Our say2action employee engagement survey found that 67 per cent of our people believe Australia Post is a socially and environmentally responsible organisation, up from 58 per cent in 2016.

Connecting to a global agenda

Our approach to Corporate Responsibility is aligned to the principles of the United Nations (UN) Global Compact and informed by the UN Sustainable Development Goals (SDGs). The SDGs are 17 common goals to put the world on a sustainable path to 2030 and address its massive economic, social and environmental challenges.

In 2017, our Managing Director & Group CEO, Ahmed Fahour, committed Australia Post to playing a domestic leadership role in advancing the SDGs, negotiated in part by our shareholder – the Australian Government. Mr Fahour was one of the first Australian business leaders to publicly sign up to a CEO Statement of Support for the SDGs, an initiative of the UN Global Compact Network Australia of which we have been a member since 2010.

In 2016 we mapped our business strategy against the SDGs and prioritised six in terms of the current and potential impact of our business operations. We review these on an ongoing basis and we have prioritised the goals listed below.

SUSTAINABLE DEVELOPMENT GOALS

Our priority SDGs

Australia Post corporate responsibility strategy

Chairman's message

"This was a significant year in the transformation of Australia Post as we continued to invest in creating an eCommerce delivery and services company founded on outstanding customer and community service."

John Stanhope AM
Chairman

Australia's leading eCommerce company

Once again, Australia Post delivered against all of our key commercial and community objectives in 2016/17. Through the hard work of our people, our profit improved and we either met, or exceeded, all of the performance standards that underpin our community service obligations.

This year we began to reap the rewards of our long-term strategy of investing heavily in our eCommerce capabilities. As more Australians shopped online, our parcel volumes grew strongly and we cemented our position as Australia's pre-eminent provider of business-to-consumer deliveries.

Customer-centricity was an important unifying theme of our change program in 2016/17 – and it continues to be as we always strive to offer our customers a great experience. Our newly established Chief Customer Office role brought a sharp focus to this activity, making a range of process changes that improved the parcel delivery experience. Importantly, this customer-centric approach was embraced by our people, working across the Australia Post Group (including StarTrack) as our greatest competitive advantage.

Under the Ultimate Customer Network initiative, we also started to develop the blueprint for our future network, with a focus on streamlining our operational assets and creating a more seamless delivery experience for consumers.

The other significant strategic development this year was the 10 per cent investment we made in the global logistics company, Aramex; and the related joint-venture we established (Aramex Global Solutions) to provide logistics capabilities in Asia. With cross-border eCommerce growing strongly, the alliance with Aramex gives us the capability to support Australian businesses and consumers to tap into the booming growth markets of Asia.

Managing letters decline

The community's use of letters continued to decline at an accelerating pace this year, with the volume of letters down 11.8 per cent on the previous year. On a cumulative basis, the volume of letters we deliver, per letterbox, has now more than halved (down 50.6 per cent) since Australia's all-time mail peak in 2007/08.

This rapid rate of decline underscores the critical importance of the reforms we introduced to the letters service in January 2016 – and the operational changes we have been implementing in our delivery network ever since.

By reforming the letters business we have been able to significantly reduce the size of the loss that we incur in delivering the service nationwide, while enabling us to maintain community services and continue to invest in our future as an eCommerce company.

Sustainable development

This year we committed to taking a leadership role in advancing the UN Sustainable Development Goals (SDGs), having last year mapped our business strategy against the SDGs. This is another indication of our commitment to balancing our financial, social and environmental impacts. This report also contains information on our corporate responsibility approach in accordance with the Integrated Reporting <IR> Framework, the GRI Standards Core option and the UN Global Compact principles.

Thank you

Our retiring Managing Director & Group CEO, Ahmed Fahour, has done an outstanding job of leading Australia Post's transformation into an eCommerce company over the past seven-and-a-half years. Our business has a far brighter future, now, than when he joined in 2010. On behalf of the Board and our people, I want to thank Ahmed sincerely and wish him all the very best for his future.

While we still have many challenges ahead, we have a clearly defined strategy; a talented team; and a strong culture that's focussed on our customers.

With the appointment of our new Managing Director & Group CEO, Christine Holgate, I am very confident we will continue to transform Australia Post and improve our customers' experiences even more.

Of course, little can be achieved without the support of all of the people at Australia Post. So I want to thank you all for your efforts over the past year and I look forward to our future progress.

Managing Director & Group CEO's message

"The emergence of Australia Post as our nation's foremost eCommerce company continued this year, with healthy growth in profitability and parcel volumes."

Ahmed Fahour AO
Managing Director & Group CEO

Our 2016/17 Performance and Highlights

I am delighted to report that the Australia Post Group earned a profit before tax of $126.1 million in 2016/17 (up 207.6 per cent on last year).

Total revenue for the year was $6,807.2 million (up 3.7 per cent on last year). This Group revenue improvement was driven by two main factors: strong growth in parcel volumes, and the full-year impact of the letter reforms that we introduced in January 2016.

Our parcel volumes were up 8.0 per cent on last year, with especially strong growth in express and international parcels. This growth is the result of years of enhancements to our services – as well as our recent focus on creating a more convenient, seamless delivery experience for parcel recipients.

We again met or exceeded all of the performance standards related to our community service obligations. We maintained 4,379 post offices, which is well in excess of our target of 4,000 access points; and we delivered 98.7 per cent of letters on time or early (well ahead of our 94 per cent target).

There were a number of pleasing results this year that really confirmed our transformation into an eCommerce delivery and services company.

For example, as we seek to boost our role in cross-border eCommerce delivery, we made a significant strategic investment in the Dubai-based logistics company Aramex, as well as forming a joint-venture alliance with Aramex to service the growing Asian eCommerce market.

Other pleasing developments this year included: the successful completion of a new enterprise bargaining agreement; major progress with our operational efficiency program in the letters service; the growth of MyPost as a platform where Australians can register their parcel delivery preferences; a 1.4 point uplift in our Net Promoter Score; and the launch of our Digital iD™ solution (an online identity service enabled via a smart phone App).

The Transformation of Post

It has been my great privilege to serve as Managing Director & Group CEO since early 2010. However, I officially stepped down from the position, after the end of the financial year, on 28 July 2017.

In a period marked by dramatic shifts in customer behaviour and the digital disruption of many of our traditional core services, we have successfully made the transition from being a postal business to an eCommerce deliveries and services company.

Most significantly, we implemented very important reforms to sustain the letters service and support our community-based networks; and we invested over $2 billion in building our parcels and digital capabilities, so that we're equipped to deliver the nation's online shopping.

While I am very proud of *what* our team has achieved during this transformational period, I'm even more proud of *how* we achieved that change.

We have invested heavily in training and redeployment for our people, so that they're equipped with the skills required to confidently make the transition with us. Today, our business is safer, more diverse, collaborative and customer-focussed than it was seven years ago. Our staff engagement score is the result of our concerted, long-term focus on the cultural change program that has enabled the broader transformation of Australia Post.

Thank you

I will always be grateful that I had the opportunity to lead this incredible nationwide team – and I wish everyone at Australia Post the very best for the future. I particularly want to thank our Chairman John Stanhope, my fellow directors and the executive team for their advice, support and friendship.

I look forward to seeing the ongoing growth of Australia Post – as it continues to transform and serve the Australian community in new and vital ways.

Our business performance

Challenges and highlights

This year's strong financial result demonstrated our shift to becoming a major eCommerce player is paying dividends. Continued strong growth in the parcels business allowed us to reinvest in customer service initiatives. As we continue to build a leading eCommerce business, these investments will help us create new digital services to enable businesses and governments to serve all Australians.

We now operate in the global parcels and logistics industry alongside large multinational companies. We're also actively competing with operators large and small in the sharing economy that offer eCommerce and digital services. To address the challenges of such a competitive environment, we have formed joint ventures and alliances with Aramex, Alibaba, China Post and Qantas. These partnerships helped contribute to 41.2 per cent growth in international inward parcels, driven mainly by China.

Our alliance with Qantas also saw six new StarTrack-branded freighter aircraft take to the skies, to help meet the expected growth in eCommerce delivery. The completion of a new enterprise agreement, covering around 30,000 of our people, was another highlight. This result – with a 74 per cent 'yes' vote – will give our people certainty and security so that we can continue investing and growing to transform into an eCommerce delivery and services provider.

At the frontline delivery level, the increase in our network capacity put us in a position to cope successfully with our busiest peak period ever during Christmas 2016. The letters business still presents a significant challenge, with our largest ever 12 month volume decline experienced this year.

We need to continue to ensure this business is sustainable, while managing the declining foot traffic in post offices, and we continue to speak with the community on how they may use the letters service in the future.

Financial performance

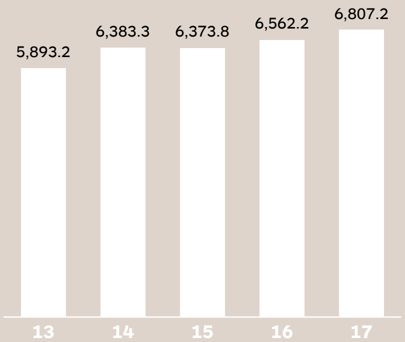
We recorded a profit before tax of $126.1 million in 2016/17, following a profit before tax of $41.0 million the previous year. The profit was built on continued strong performance in our parcels business, boosted by 5.6 per cent domestic volume growth and a 41.2 per cent surge in international inbound volumes. Earnings from parcels were up 4.3 per cent.

We continued to invest in eCommerce growth, online partnerships and further development of our portfolio of Trusted eCommerce solutions. We enabled our customers to enter new marketplaces and established an alliance with Aramex to provide access to cross-border eCommerce markets. Aramex is a leading global provider of comprehensive logistics and transport solutions.

Our total cash investment across strategic projects and asset replacement and acquisitions was $545.4 million.

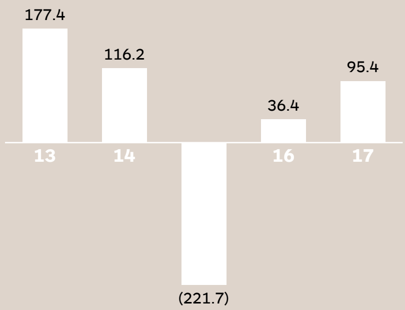
Our business performance

Revenue ($m)



Profit/(loss) before tax ($m)

Profit/(loss) after tax ($m)

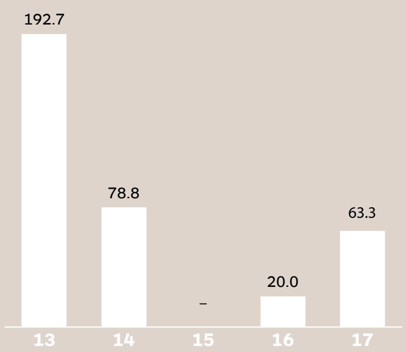


Five-year trends

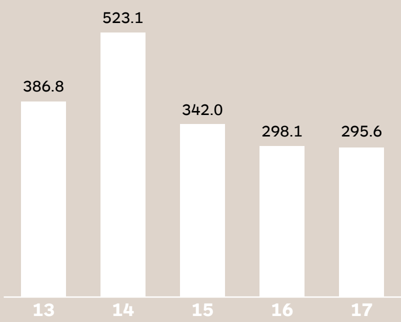
	2013	2014	2015	2016	2017
Mail volumes (m)	4,580.2	4570.2	4,314.2	4,023.5	3,634.1
Revenue ($m)	5,893.2	6,383.3	6,373.8	6,562.2	6,807.2
Profit/(loss) before Tax ($m)[2]	210.7	103.0	(352.1)	41.0	126.1
Profit/(loss) after Tax ($m)[2]	177.4	116.2	(221.7)	36.4	95.4
Profit/(loss) from reserved services[2] ($m)	(198.0)	(242.6)	(283.4)	(14.3)	3.0
Profit/(loss) from regulated mail services[2] ($m)	(280.3)	(303.7)	(407.1)	(114.4)	(102.4)
Return on equity (%)[1,2]	10.5	6.7	(14.9)	2.3	5.9
Return on average operating assets (%)[2]	6.2	3.4	(8.2)	1.8	4.0
Debt to debt plus equity	27.3	28.8	27.2	27.8	24.9
Dividends declared ($m)	192.7	78.8	–	20.0	63.3
Dividends paid ($m)	243.7	142.3	–	–	50.1
Interest cover (times)[2]	7.7	3.6	(10.2)	2.2	3.6
Capital expenditure ($m)	386.8	523.1	342.0	298.1	295.6

1. Return on equity is calculated as Profit/(loss) after tax as a percentage of equity. Equity has been adjusted to remove the impact of the Group's net superannuation liability/asset.
2. Changes to AASB 119 Employee Benefits took effect on 1 July 2013. Year 2013 has been restated for like-for-like comparison. Years prior to 2013 have not been adjusted to reflect the changes as a result of this change in accounting standard.

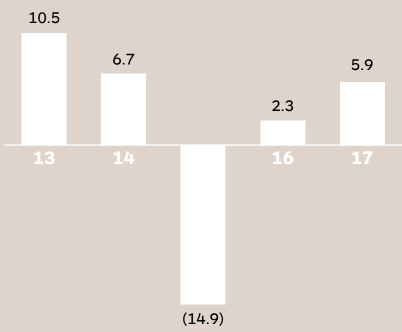
Dividends declared ($m)



Capital expenditure (cash) ($m)



Shareholder return on equity (%)



Trusted eCommerce Services

In making a successful shift to the digital world, we focus on connecting citizens to business and government using a range of channels – both digital and in-person. We create a unique relevance through our network by co-designing solutions that are accessible to Australians across all abilities, ages, socio-economic groups and regions.

We develop creative people, foster innovation and accelerate our product offerings to create and deliver the next wave in eCommerce services to customers, businesses and government.

We've improved convenience for customers by using our systems and expertise to assist customers with banking, bill payments and payment processing. We launched products and services that provide for bill scanning and digital receipts, introduced our change of address platform (COAN) and enhanced a range of payment and identity services, such as Digital iD™.

Small and medium-sized enterprises are the engine room of Australia's economy so it is critical that we enable these businesses to innovate and compete in local and global markets. We have also actively worked on co-creation with customers, such as Myer, to deliver innovative ideas and exciting opportunities.

Our business performance

Government services

Customers increasingly want choice and convenience in using government services across multiple channels. To improve access, we've invested heavily in our digital identity and payments capabilities.

It's more and more critical that we help people connect to important government services such as health and community services. In May 2017, we formed a partnership with the Digital Transformation Agency to integrate our Digital iD™ solution into the government's Digital Identity Framework, which will develop user-friendly solutions for people to access government services online and over the counter.

Parcels

The market in parcel delivery is intensely competitive. We increased our business-to-consumer market share and customer satisfaction with parcel deliveries is industry leading. We've laid the foundations to compete in global eCommerce through our international relationships with the likes of China Post, Alibaba and Aramex.

The Aramex Global Solutions Joint Venture consolidated during the year. We provide last-mile delivery in Australia for volumes generated by the joint-venture. We also extended the capabilities of StarTrack Courier by acquiring the Mail Call courier business from Aramex, which helps us to compete domestically and also positions our business to capture more offshore parcel volumes.

We strengthened our relationship with Alibaba, which includes their online shopping platform Tmall. We signed a memorandum of understanding (MoU) on our overall partnership with AliBaba and another MoU with Alibaba, PricewaterhouseCoopers, and Blackmores regarding blockchain technology to combat food fraud in China.

Our service focus included introducing a five-star rating program for our parcel delivery drivers and a series of initiatives to improve first-time delivery as well as giving consumers greater control of their parcel delivery. More details can be found on page 23.

Letters and mail

While total addressed letter volumes declined by 11.8 per cent in 2016/17 compared to the previous year, the changes we made to the speed of delivery and the Basic Postage Rate (BPR) last year helped to reduce the financial loss and improve the sustainability of our letters service. We're still delivering 2.6 billion letters per year so while the letters business returned a negative result, we can't lose focus of this important part of our business.

As we support our customers in transitioning to digital channels, we also remain dedicated to providing the best mail products and delivery experience. We were pleased to once again exceed the on-time delivery standard set out under our community service obligations, by delivering 98.7 per cent of letters on time or early (against the 94 per cent target).

Addressing our risks

Our Group Risk Management Framework (the GRMF) describes the core strategies and processes that support the business in effectively managing risks, along with also providing clarity to the roles and responsibilities for those managing risks.

The GRMF (which also includes the Group Risk Management Policy) and the Board Risk Appetite Statement has been developed utilising the principles in the International Standards for Risk Management (ISO 31000:2009) & Compliance Management Systems (ISO 19600:2014) and the ASX Corporate Governance Principles (Principle 7 – Recognise and manage risk).

The GRMF is an integral part of our strategic planning processes and decision making.

The Board is ultimately responsible for providing direct oversight and monitoring of our risk management strategies and processes and has established an Audit & Risk Committee to assist the Board to discharge its responsibilities. A summary of the Group's material risks, mitigation and control strategies is also provided to Shareholder Ministers as part of the Chairman's Quarterly Progress Report.

To help us monitor and address specific risks, we established nine enterprise risk categories considered material to the Group. This categorisation facilitates appropriate linkages across all GRMF core components in a dynamic way as existing categories are regularly evaluated and new ones are considered to meet the needs and

expectations of the business and our stakeholders. Our current enterprise risk categories are: Operational, Regulatory, Financial, Market, Third Party Provider, Governance, Strategic, Environmental, and Corporate Social Responsibility.

We support a culture of risk management by ensuring the GRMF is fully integrated and that all business areas are accountable for identifying and managing the risks associated with their activities and strategic objectives. All employees are also responsible for identifying risks and complying with the regulatory obligations, policies and procedures associated with their roles.

Our future

Market indicators show increasing parcel volumes through Asian markets into the future and our joint ventures with China Post and Aramex provide Australian businesses with direct access to the booming Asian consumer market. We continued to offer logistics support to Australian companies doing business in China with end-to-end supply chain solutions. With our ongoing partnership with Alibaba in Australia, we've developed a strong presence in Chinese marketplaces such as popular online shopping platforms like Tmall.com. Our agreement with Woolworths to install Parcel Lockers at 150 of their locations will mean we can offer people even more convenience in how they receive their parcels.

We're also evolving our services to support consumers and small business to shop and transact online safely, securely and in a way that is most convenient for them. We are also doing lots of work to prove our credentials as the partner of choice to support businesses and government to digitise their services.

Our people

Challenges and highlights

Our people are the face of our business and provide customers and the community with the service they want and expect.

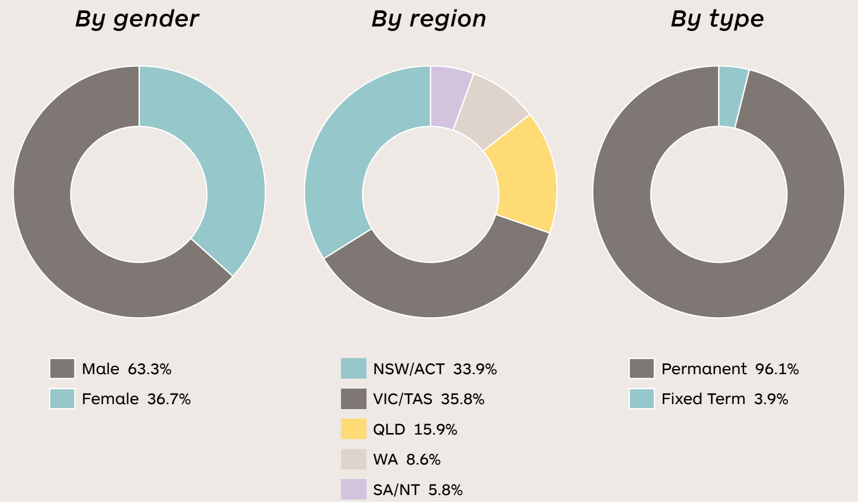
We've been consistent in prioritising investment in our people, so they have the skills for meaningful jobs into the future, despite disruption to our traditional services. We've established a long-term strategic approach to health and wellbeing, aiming to help our people live longer, healthier and happier lives. This complements our strong focus on safety and provides benefits through a more engaged, productive and motivated workforce.

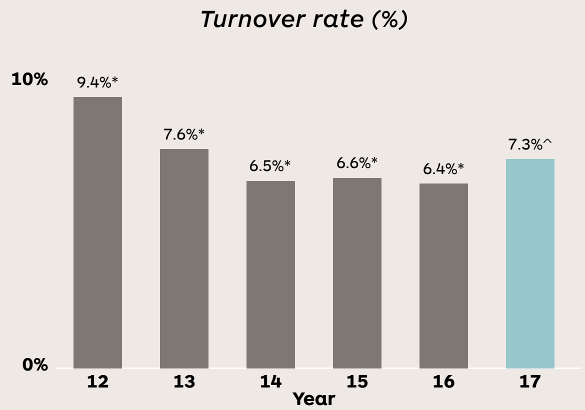
We employ more than 34,000 people across Australia and our partner workforce, including principal delivery contractors and licensees, takes this above 50,000. Our people come from 163 different ethnic backgrounds and speak 65 languages.

Among the key highlights for the year was the achievement of gender pay equity and the successful negotiation of a new Australia Post Enterprise Agreement covering nearly 30,000 of our people.

Our commitment to Diversity & Inclusion saw us launch our third Reconciliation Action Plan 2017-2020 and our second Accessibility Action Plan.

Our workforce profile^





Data based on average headcount for permanent, full-time and part-time employees only (excludes redundancies and fixed term contracts).

*Australia Post only ^Australia Post Group

Our people

Australia Post Enterprise Agreement 2017

The new Australia Post Enterprise Agreement 2017 (EBA2017) was officially approved by the Fair Work Commission in August following resounding support from our nearly 30,000 Award employees – 74 per cent of those who voted in the June postal ballot lodged a 'yes' vote. For the first time, we were required to apply the Federal Government's Workplace Bargaining Policy to our negotiations after the policy was extended to cover Government Business Enterprises in 2014. The policy, which caps pay increases at 2 per cent a year applies to employees at all levels of Australia Post, including executives.

We were able to secure a partial exemption to the policy, allowing us to protect key entitlements included in previous Enterprise Agreements – all of which we know are very important to our people. EBA2017 provides our people with pay increases of 2 per cent a year, for the next three years as well as maintaining key benefits and entitlements. It provides our people certainty and security so that we can continue investing and growing to transform into an eCommerce delivery and services provider.

Safety, health & wellbeing

Safety remains our highest priority and our strategy is about embedding a sustainable safety culture, as demonstrated by our leaders. This safety leadership strategy comprises four programs:

1. Serious injuries and fatalities – reducing exposure to serious injuries and fatalities
2. Life-saving rules – addressing behaviour that causes serious injuries and fatalities
3. Contractor safety – expanding a safety focus to all of our people
4. Mental health – attending to the mental wellbeing of our people.

We've built a culture where everyone 'owns' the safety responsibility at all levels. Initiatives such as 'safety moments' and senior management investigations of serious safety incidents in operational areas have set the tone and have helped achieve five consecutive years of positive progress in the area of safety performance.

We have made progress with safety in our letters and mail business, the highest risk area for our employees and contractors. We used social media as the vehicle for our Dog Safety Campaign in August 2016, which was viewed by more than three million people and we reached nearly one million more people via direct mail.

As we rolled out the sixth annual Safety Time in October 2016, we looked at how to recognise exposures and the impacts of the choices we make to keep ourselves and others safe. We also introduced safety leadership journals and a video competition to raise awareness and reinforce the message about safety during our peak period. However, in 2017 our All Occupational Injury Frequency Rate (AOIFR) and Lost Time Injury Frequency Rate (LTIFR) were slightly higher than the previous year. We remain committed to continually improving our safety performance and these results only serve to refocus our attention.

Following an online health survey of our people in 2016, our *Be well, healthy, happy* program focused on the issues of alcohol consumption, diet and nutrition, mental health and physical health with a calendar of enterprise-wide activities. This included a 4-week Wellness Challenge, free heart health checks, healthy eating sessions with a nutritionist, the 10,000 steps a day challenge in September 2016 and participation in Movember to raise awareness of men's health.

We increased community awareness of the issue of dog safety for our posties with a campaign in August 2016.

*Safety Performance – Australia Post Group**

*Includes Australia Post & StarTrack. Excludes other controlled subsidiaries, Licensees, contractors and members of the public.

	2016	2017
Lost time injury frequency rate (LTIFR) Where the next shift could not be worked due to injury/ occupational disease* (ie. lost time per million hours worked)	6.6	7.5
All occupational injury frequency rate (AOIFR) Incidents involving an injury* or disease* per million hours worked	18.5	19.4
Injury rate (IR) Incidents involving an injury* per 200,000 hours worked	2.9	2.8
Occupational disease rate (ODR) Incidents involving an occupational disease* per 200,000 hours worked	0.8	1.1
Fatalities (number)	0	0
Fatality rate (per million km)	0.0	0.0

*Injury or disease based on approved claims.

Please note: The number of pending claims that remain for 2016/17 is 43. This means the number of safety incidents that have occurred in the reporting period of 1 July 2016 – 30 June 2017 but the claims remain undetermined in the reporting period.

The total exposure hours worked for FY2017 was 58.03 million and this was used to calculate the Injury and Disease rates. There were 809 Injury claims and 318 Disease claims, totalling 1127 approved (accepted) work-related claims.

We have developed a comprehensive mental health strategy to improve both our support for employees with mental health challenges and ensure that our workplace psychological risks are minimised. We are cognisant of the impact of our workforce demographics on the mental health outcomes for our people and are taking specific actions to support high-risk workforce sectors in addition to refreshed and heightened awareness for all employees.

With a renewed focus on mental health our plan is to:

- raise awareness of mental health and give it the same prominence as physical safety, by participating in RU OK? Day to remind us to look out for the mental health of those around us
- equip everyone to effectively manage mental health issues
- deliver an enterprise program that supports resilience and mental fitness.

Since our reform journey started, we've moved more than 1,100 employees from night shift to day shift in response to changing operational requirements. We help to support our people through this transition with a number of programs covering sleep management, managing finances, staying healthy – night to day, understanding superannuation and future planning.

Other major change programs included relocating surplus machines and consolidating mail services in Queensland and Victoria. Nearly all impacted employees (95 per cent) attended change support programs.

Sadly, while not safety incidents for performance reporting purposes, there were five fatalities connected with Australia Post this year. Unfortunately two of our Postal Delivery Officers were found unresponsive in separate incidents and subsequently passed away. A parcel sub-contractor also died after being found unresponsive. A member of the public died after being struck by a delivery contractor reversing out of a driveway and a sub-contractor who had been hired by a tenant of a property we own died after being injured on the site.

Diversity and inclusion

Diversity and inclusion are critically important to Australia Post. We believe our business should reflect the diverse communities we operate in and we are committed to initiatives that encourage diversity and support inclusion. Our dedicated Diversity and Inclusion Report is available online at auspost.com.au/publications.

Diversity Profile	2014*	2015*	2016*	2017^
Women	38.9%	38.7%	38.7%	36.7%
Aboriginal & Torres Strait Islander People	1.5%	1.9%	2.1%	1.8%
Culturally & Linguistically Diverse	23.0%	25.5%	25.3%	22.4%
People with a Disability	7.1%	6.3%	6.0%	4.8%
Lesbian, Gay, Bisexual, Transgender and Intersex people	Not recorded	0.9%	0.9%	0.9%
Female Executives (Band 4 and above)	34.1%	33.3%	35.4%	37.7%
Women on Australia Post Board of Directors	25.0%	25.0%	33.3%	44.4%

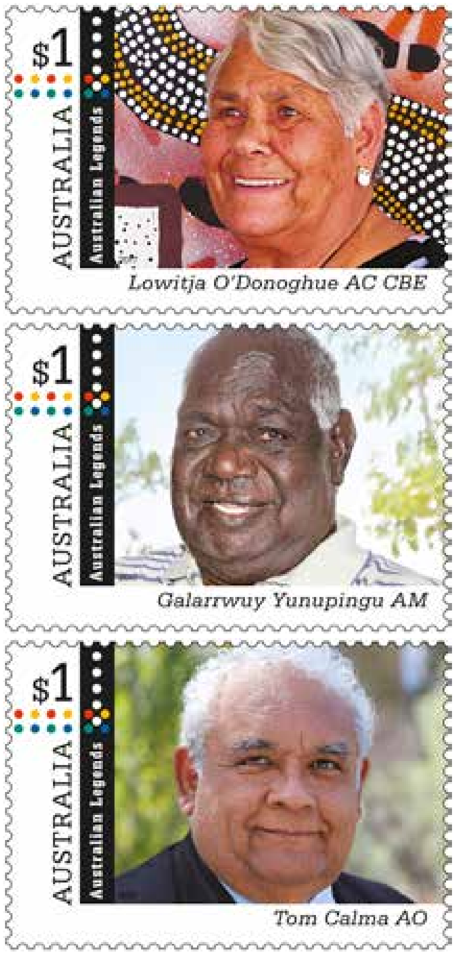
* Australia Post only
^ Australia Post Group

Indigenous inclusion

We developed our third Reconciliation Action Plan (RAP) 2017-2020, which included celebrating NAIDOC Week and Reconciliation Week across the country and the launch of the Aboriginal and Torres Strait Islander Legends stamp series in May.

Our RAP also includes a commitment to a social procurement strategy, which supports Indigenous employment and businesses. Through our membership with Supply Nation, we now have 11 Indigenous businesses in our supply chain. This includes two new cleaning company partnerships this year with CMC Indigenous and Assetlink, which will result in more than $30 million of expenditure and 1.1 million hours of work each year in support of Indigenous employment and businesses.

We continue our investment in the Indigenous School Based and Adult part-time Indigenous traineeships programs, with 41 trainees being hosted across our post office network and our letters and mail network. A further five Aboriginal and Torres Strait Islander university students took on summer vacation internships through the Career Trackers program in 2016/17. We have now had 14 Career Trackers students work with us, helping to build our talent pipeline for above base-grade and contract-level Indigenous professionals.



The Australia Post Australian Legends Award recognises individuals who have shaped Australian society and identity in a variety of positive ways. In May 2017, we honoured three remarkable Indigenous leaders: Dr Lowitja O'Donoghue, Dr Galarrwuy Yunupingu and Prof Tom Calma.

Our people

Gender equality

The gender pay gap is an area that we've worked hard to improve and we're thrilled that it is now sitting at zero per cent, compared to a 1.4 per cent pay gap in favour of men in 2016. We aligned our analysis with the Workplace Gender Equality Agency (WGEA) definition of Gender Pay Gap: "the gender pay gap is the difference between women's and men's average annualised full-time equivalent earnings, expressed as a percentage of men's earnings". This figure does not include casual employees, external contractors and employees of Licensed Post Offices (LPOs).

This result has been made possible by the success of initiatives outlined in our Gender Action Plan (GAP) launched in 2015. Our GAP provides a clear set of goals and actions focused on closing the gender gap. We have segmented these actions into three key focus areas:

- Creating employment and career opportunities for women
- Holding our leaders accountable for positive change
- Building greater awareness of the need for gender equality within our business and our communities as well as improving capability to address gender inequalities.

In 2016/17 our Managing Director & Group CEO, Ahmed Fahour, continued to participate in the Male Champions of Change program to drive change in this area.

We've improved the representation of women in leadership across the organisation and had more than 450 participants in our female leadership development programs. We continued to invest in a number of female career development programs and Australia Post was recognised by the Australian Human Resources Institute as a finalist for our award level women's program – ProjectMe. Another program, Xplore, is a leadership and career management program designed to build skills in business relationships, organisational presence, resilience and leadership. Since launching in 2012, more than 175 women have completed Xplore. Of the 43 women who completed the program in November 2016, we've retained 90.1 per cent and 14.0 per cent have already been promoted to more senior positions.

Women now represent 37.7 per cent of executive managers up from 35.4 per cent the previous year. Similarly, women now represent 53.6 per cent of postal manager positions, up from 51 per cent, and 37.5 per cent of all management staff, up from 36.4 per cent, compared to the same time as last year. This increase in female representation includes all levels of Australia Post, with 44.4 per cent of Board of Director positions now held by women.

Supporting women in the community

Our commitment to support women extends beyond our workforce, into the community. Domestic violence has been identified as a major human rights issue in Australia. We conducted an internal survey to understand what more we can do as an organisation to take an active stance and in May 2017 we launched our Free Mail Redirection Service for victims of domestic and family violence.

We continued our partnership with Netball Australia, through the One Netball program, and our sponsorship of the women's Stawell Gift to ensure equal prize money with the men's race. We also continued to support The Big Issue Women's Subscription Enterprise, which provides job opportunities for homeless, marginalised and disadvantaged women.

*Gender pay gap**

0%

* does not include casuals, external contractors and LPOs

say2action

In June, we asked a sample of around 20,000 people from every area of Australia Post to have their say in our say2action pulse survey, giving them an opportunity to let us know what they think and help shape the future of Australia Post. The survey also recorded employee engagement across the enterprise at 61 per cent, up 4 percentage points last year. These results show that despite the change journey we've been on, our people's belief in Australia Post and what it can do for our customers and the communities we operate in continues to grow.

Supporting and developing our people

As our business transitions away from being a predominantly letter delivery business, we're helping people to continue their careers at Australia Post through our Post People 1st program. The program has helped many of our people transition to other roles throughout our business.

As part of negotiations with bargaining representatives for Australia Post Enterprise Agreement 2017, the Reform Accord, first enacted in 2015, was also extended. In addition to our commitment to no forced redundancies for any employees directly impacted by Reform, the Accord outlines our commitment to maximise full-time employment and puts internal candidates first when filling vacant positions.

The digital landscape has also changed what our posties deliver – they're now delivering more than 34 per cent of our parcels. To make sure we continue to provide sustainable job opportunities for our people and use the full power of our network, we decided to bring our Parcels and Letters & Mail networks together to form a new eCommerce Delivery team, effective 1 July 2017.

Working with our extended workforce

Our Delivery Partners are an integral part of our nationwide delivery team and are responsible for millions of customer interactions every day. As these teams are delivering to customers on our behalf it's really important they feel supported to make each delivery experience seamless for customers.

Last year we introduced a range of new compliance activities to ensure Delivery Partners understood what was expected of them when delivering on our behalf – one of the key improvements being implemented is an end-to-end sourcing and supplier management tool, the Australia Post Supplier & Contractor Portal.

The new portal is being developed to improve our communication and interactions with our Delivery Partners and to make it easier for them to collaborate with us. The new portal provides digital access to view and maintain their personnel and administration records, review and respond to tenders, manage their contracts, complete compliance activities, and submit online payment variation requests. We worked with a core group of Principal Contractors and Delivery Operations teams to ensure that the system is set up to suit the needs of our Delivery Partners.

It also means it's easier for our people to search for a Delivery Partner and facility managers can manage their delivery driver compliance and daily activities online. The portal means our people and our Delivery Partners will spend less time doing paperwork and will have more time to delight our customers. We'll also be building a Portal Champions Network around Australia to support the implementation and ongoing improvement of the portal to ensure it's meeting the needs of our business and our Delivery Partners.

Our future

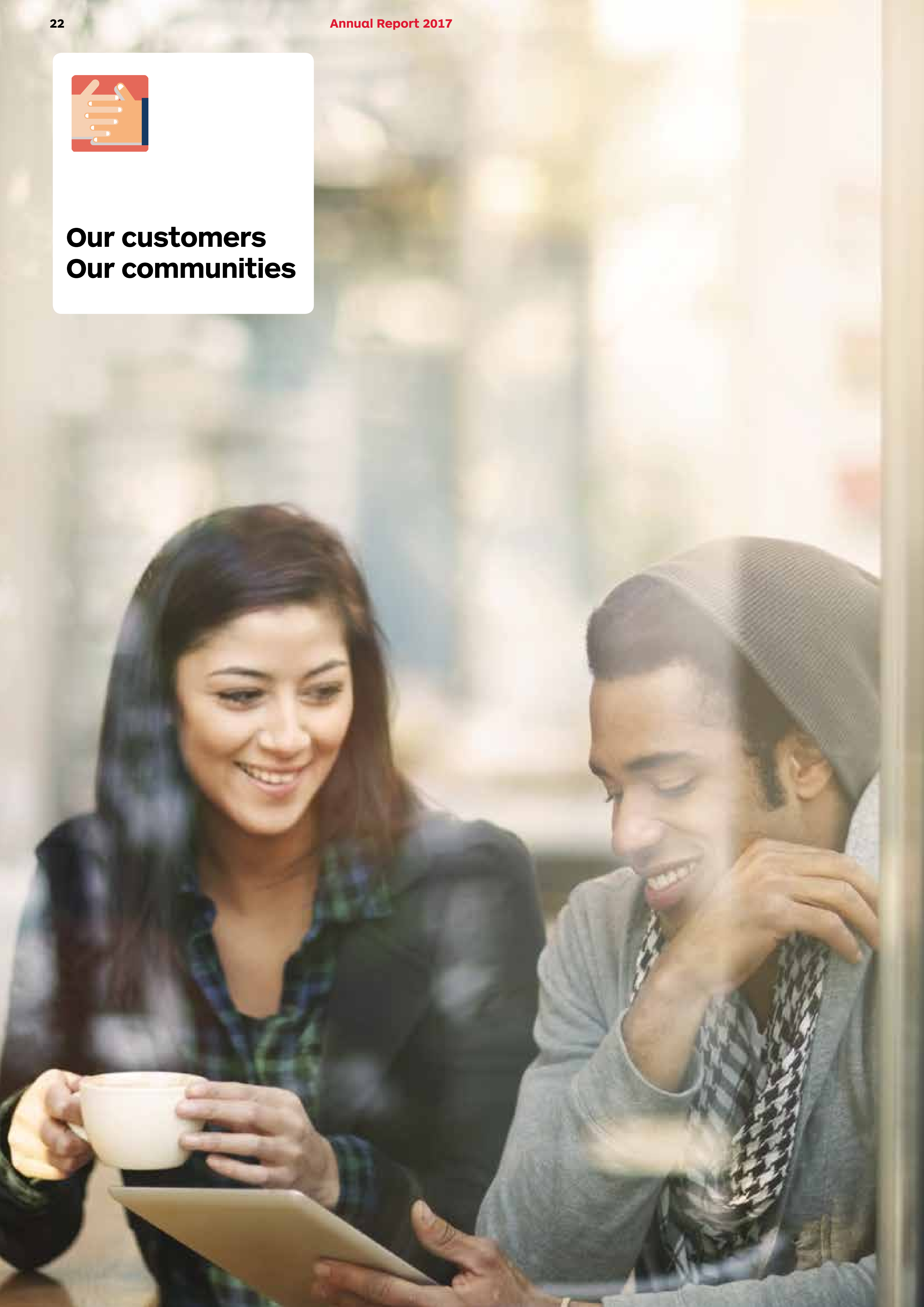
Our people are our future and our performance in the digital world relies on the skills and tools we provide our employees. The challenge for us is ensuring we're at the forefront of the transition to an increasingly online experience. We encourage our people to enhance their digital skills and we provide access to self-service platforms, including mobile access to their pay and leave.

Health and safety are still the most important elements of our business – our employees and contractors must be happy and well to function at their best. The strategy to keep our people healthy and happy aims to make mental and physical wellness 'business as usual'.

We'll continue to promote diversity and inclusion programs and deliver on our commitments in our Gender Action Plan, the Reconciliation Action Plan and Accessibility Action Plan. We'll continue to build our PostPride network and celebrate our cultural diversity. There's still work to do to achieve gender equality and equity for diverse groups in our society, but we're well on the way with our strategy.

In April Bob Black, Group Chief Operations Officer & EGM eCommerce Delivery launched an Indigenous art mural painted by Aboriginal artist Blak Douglas at StarTrack House in Sydney, to celebrate Australia Post's commitment to reconciliation.

Our customers
Our communities



Challenges and highlights

Our business continues to face challenges as the digitisation of services continue, reducing the demand for physical services. The competitive environment means the power now sits with customers and it's up to us to make sure we are delivering for them in the way they want. We will also continue to face challenges from disrupters in our industry.

This year we worked hard to improve the parcel delivery experience, reducing the carding rate to 10.7 per cent from 15.5 per cent, and we also invested in our Customer Contact Centre (CCC), launched MyPost business for small business customers, supported corporate and government customers with identity and payment services and introduced initiatives empowering our people to delight our customers. These initiatives helped drive a 1.4 point increase in our Net Promoter Score (NPS) in 2017.

Our CCC dealt with 1.1 million customer complaints this year, an increase of 15.8 per cent on 2015/16. This reflects a significant increase in parcel volumes through our network, particularly domestically delivered tracked parcels (up 15.5% in volume), and that we have made it easier for customers to get in touch with us. We created dedicated contact channels for the consumer and small business segments as well as providing 24/7 support via social media. At the same time, we made substantive improvements in response and resolutions times, reducing CCC wait times by 40 per cent and improving the time it takes to resolve customer issues by 45 per cent.

We also contributed $6.8 million through our community investment programs, in a year that saw us move our focus from Our Neighbourhood Trust to creating shared value initiatives.

Deliveries that make you smile

Our parcels business saw an increase in volumes delivered across the domestic and international network this year but we are facing increased competition in this market. We know being carded – receiving a card notification at home when we're unable to deliver a parcel – is a major issue with many customers so improving our parcel delivery experience has been a priority this year. We've done this through our Deliveries That Make You Smile program. We've given customers more delivery choices – where we have a customer's mobile or email address they are able get notifications and track the delivery of their parcel. Customers also have the option of SafeDrop, meaning we can leave some parcels in a safe place for customers without them having to be home. Customers who have a MyPost account – whose numbers now total more than five million – have even more control of their parcel delivery experience. MyPost account holders have the convenience of Collect@Post allowing them to access our free 24/7 parcel lockers now available in more than 265 locations across the country, and parcel collect – where you can send your parcel directly to a post office. Customers also have the ability to get day-before notifications of deliveries and redirect parcels in-flight. These MyPost delivery options are now available with 27 per cent of parcel deliveries, compared with 5 per cent in June 2016. We also introduced extended hours delivery during our busiest time of year, which gave us valuable insights into customer preferences and how they want to interact with us. All these improvements have helped reduce the parcel carding rate to 10.7 per cent from 15.5 per cent.

What matters to you, matters to us

In May 2017, we also launched *What matters to you, matters to us*. Using a digital community engagement platform, in-store promotion and a postcard mail-out to all households, we encouraged customers and the community to 'share their views about what they want from Australia Post' and directed them to the new online community. You can find the platform and give us your feedback at www.community.auspost.com.au

Listening to our customers

Our customers have told us that Customer Contact Centre wait times were too long. So we've added more resources and wait times have been reduced significantly with a 40 per cent improvement in wait times year on year. We've also recently enhanced our interactive voice response across all our contact centre channels, introduced estimated wait times plus a new call back functionality meaning customers don't lose their place in the queue. We also provide 24/7 support via social media, making sure we are always on hand to answer customer queries.

> "While we are seeing our letters business continue to decline, our parcels business is growing strongly and we are also working to broaden our range of products and services to help corporates and government to digitise. We have worked hard this year to ensure we are delivering eCommerce experiences that customers value, differentiate us from our competitors and make our customers our greatest advocates."

Helping small businesses to go and grow online

We are already an important partner for Australian small businesses, connecting them with their customers through letter and parcel deliveries. But we are also working hard to make it simpler for our small business customers to go online, grow their business and sell overseas.

This year we launched MyPost Business, which creates a market-leading sending experience for small businesses and helps drive them to go and grow online.

Small business customers can set up a free MyPost Business account, either online or in-store, which enables them to:

- pay for and print postage labels online, and keep a record of parcels sent
- track the parcels sent all in one place, and send an email notification to each customer to let them know their parcel's on the way
- access our 24/7 team providing support and advice via
    - Live chat 24/7 (excluding public holidays), or
    - Extended hours telephone support (8am – 8pm AEST)
    - lodging an enquiry online anytime
- access regular exclusive offers including retail offers, free small business courses and tickets to small business events.

Our customers Our communities

Powering the digitisation of corporates and government with trusted services

As the rapid pace of digitisation continues, we are uniquely placed to help our corporate and government customers solve the challenge of moving services such as identity verification and payments online. Our unrivalled physical network, our trusted brand and the capabilities we've invested in mean we can offer both digital and physical solutions, meeting consumers' expectations of choice and convenience in the way they access services.

We have real-world experience of connecting with 11 million Australians every day so we can help organisations streamline services and create end-to-end solutions that have real impact.

Identity services

This year we launched our Digital iD™ solution, which offers people a more convenient way to verify their identity online and access important services from businesses and government agencies. Digital iD™ allows people to verify their identity information once, so they can then easily prove who they are online and in person through the platform's smartphone App. Job outsourcing site, Airtasker; Australia's largest credit union, CUA; foreign exchange company Travelex and Queensland Police Service will be some of the first organisations to adopt our identity platform, which allows Australians to verify who they are safely and securely, without needing multiple forms of identification. You can read more about this technology innovation on page 37.

Our Digital iD™ solution complements our existing identity services, such as those relied upon by the Australian Passport Office, to process passport applications. Our extensive physical network facilitates more than 1.8 million passport applications each year, from taking compliant digital photos to verifying identity and checking supporting documents.

We also provide in-store identity services to conveyancing practitioners in Western Australia, South Australia, Victoria and New South Wales allowing them to verify their clients' identity before completing a property purchase, sale or transfer. Once an identity is verified, we securely deliver the information to the conveyancer via our verification of identity solution to reduce the risk of property fraud and support the efficient transfer of properties.

Financial transaction and payments

With our unrivalled physical network and digital infrastructure we help more than 750 businesses and government agencies ensure that their customers can easily and securely make financial payments.

Through our Bank@Post service we provide transaction services on behalf of more than 70 banks and financial institutions, at over 3,500 participating post offices across the country. We've also created a number of financial transaction and payment services with the security features and convenience levels the public expects of us. With our Post Billpay service, businesses and government agencies can offer their customers the convenience of paying bills in a cost-effective and customisable way via our mobile App, over the phone, online or in person.

We're also helping eCommerce businesses gain the trust of more consumers through our secure PostPay™ service. Consumers select PostPay™ on an online store's checkout page and we hold their funds until they receive and sign for their delivery.

Empowering our people to delight our customers

We've done a lot of work over the past year to give our people the tools to be advocates for our customers, whether they engage directly with them or not.

One of these tools has been the Snap It App, which means employees can log a customer issue for a family member or friend, a sales lead or a safety/hazard and get a priority response within 24 hours. This tool puts the power to advocate for the customer in palm of every one of our employees.

In response to feedback from our people on the frontline, we've also issued all corporate post offices with tablet devices to help improve the customer experience.

Tablets help our people interact with customers in and around the store, and provide access to systems such as parcel tracking and Snap It, and information on our suite of small business services. Tablets will be rolled out to our LPO network next year.

These tools are all designed to empower our people to delight our customers. We've also declared our intention to do this via Our Customer Commitment (see right).

Improving our NPS

One of the ways we track our customers' experience is by measuring customer advocacy with the NPS, a widely used metric that monitors customer sentiment about what we're doing well and where we need to improve. Each month we ask our customers and the broader community how likely they are to recommend Australia Post. They then give us a score between 0 and 10, with '0 – 6' being a detractor score, '7 – 8' being a passive score and '9 – 10' being an advocate score. The better our customers feel about us, the more likely they are to recommend us. The NPS scores we receive – which we call 'strategic NPS' – allow us to understand, over time, both our customers' and the community's perception of us and their experience of Australia Post.

We gauge NPS by surveying customers via monthly external market research. This year, in measuring strategic NPS, we received feedback from more than 19,000 customers.

Our strategic NPS in 2016/17 has improved from our result in 2015/16 by +1.4 points. This is the highest result in the last five years.

We recognise that there's still more to do to improve the experience for our customers. Feedback is critical so we learn from our customers' views how to continually adapt our business and transform our services and products to meet expectations.

This year we have recorded the movement in NPS rather than the actual NPS result. We have also previously reported a Retail CX score – measuring our retail customer experience. We no longer report this data and retail customer feedback is now collected via the strategic NPS process.

Our Customer Commitment

We have an unwavering commitment to delivering services that give you more convenience, control and choice.

We will strive to:

1. Help you connect to others and the world – your way.
2. Listen and respond to what you tell us.
3. Provide you with products and services that you want and need.
4. Make it easier to get what you need, when you need it.
5. Meet your future needs.
6. Do more than you expect.

What matters to you, matters to us.

To have your say, go to **community.auspost.com.au**

Our Customer Commitment

We've declared our intentions in *Our Customer Commitment*, a short easy-to-read statement describing what our customers can expect from Australia Post. It's displayed in every store and outlines our promises to customers to make sure they're always at the heart of our decisions.

We're realistic and we know there'll be instances when we fail to meet expectations – a missed delivery or a delayed item. What's important is that we work quickly to resolve issues and empower our people to solve problems locally. *Our Customer Commitment* guides how we respond and how we continually strive to improve.

Our customers
Our communities

Measuring social impact

We're an integral part of Australian communities and, as our communities change, we change too. Our unrivalled network means we can bring communities closer together to connect, grow and prosper. In doing this, we aim to establish equality of opportunity and increase social, environmental and economic wellbeing across Australia.

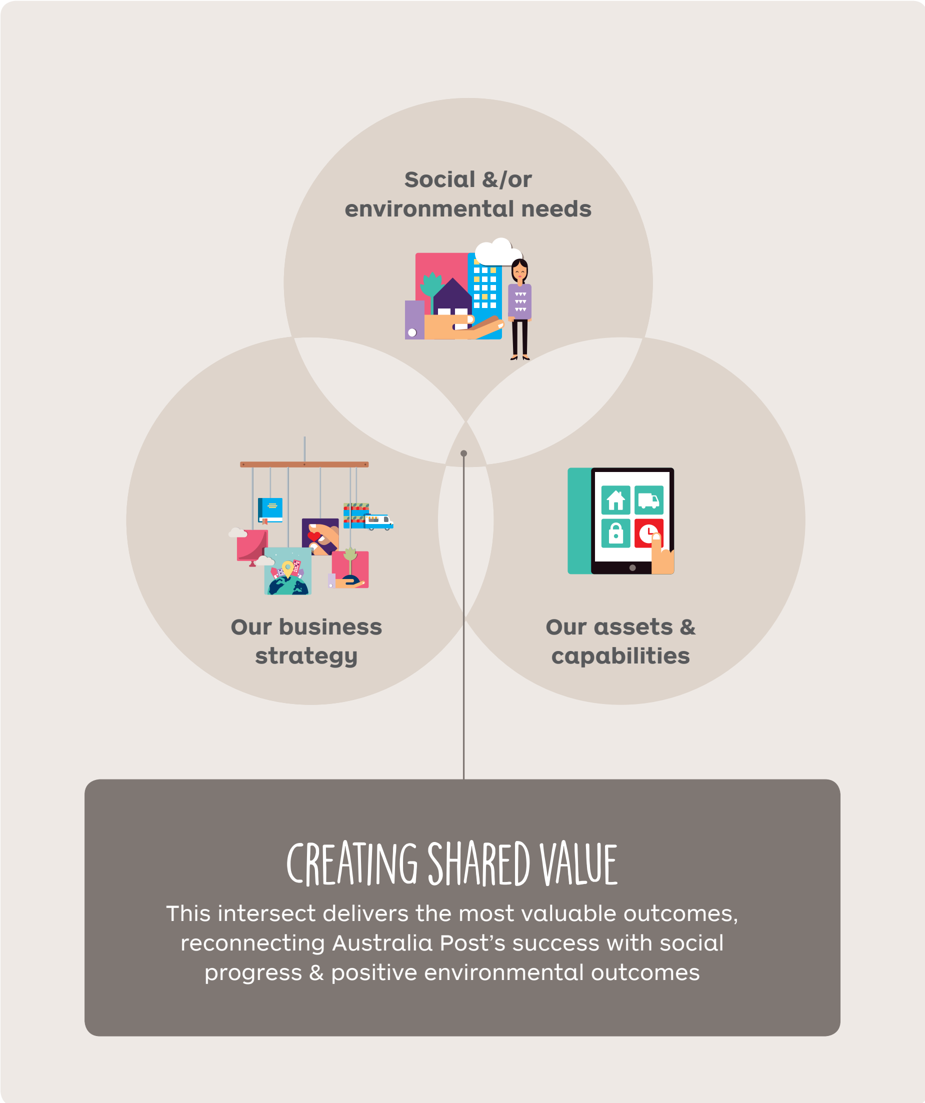
The more strategic our community initiatives are, the greater the impact they have. In late 2016, we set up an evaluation framework to help us understand the difference that our community initiatives and activities are making, identify key opportunities and underpin success factors. This framework has tools and templates that we're now applying to all our initiatives and activities.

We are a member of the London Benchmarking Group (LBG) and chair the group's Steering Committee. We assess our community investment using the LBG's internationally recognised approach and the data we report is verified by LBG each year. The LBG verification statement can be found on our website.

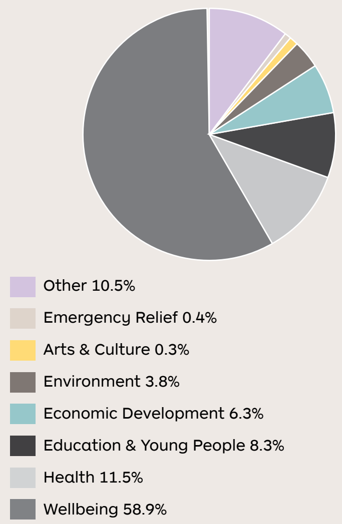
Creating Shared Value initiatives

Increasingly, we seek to bring to life our social purpose of 'delivering a better future' by taking a shared value approach to key social and/or environmental issues that intersect with our strategy, assets and capabilities.

In 2016/17, we took a leadership role in driving collective action in three areas: Digital Inclusion, Diversity and Social Inclusion, and Recycling and Re-use. We established working groups for each, including representatives from industry, business, academia, not-for-profit and community organisations and government.



Total community contributions (excl. management costs)



Digital Inclusion

In conjunction with community partner Infoxchange, we collaborated with corporate and not-for-profit organisations across Australia to establish the Australian Digital Inclusion Alliance. The vision of the Alliance is to harness the collective skills, knowledge and capabilities of organisations across the country to reduce the digital divide and enable greater social and economic participation for all Australians.

Our contribution to the Alliance included commissioning research by Monash University's Sustainable Development Institute, BehaviourWorks Australia that identified groups with low levels of digital participation. These findings will inform the design of interventions by organisations and communities that bridge the gap between the digitally capable and those who are missing out from not being engaged in the online world. Older, rural and low income demographics show low digital participation and these groups overlap with concession-card holders, putting these people at risk of being left behind as more government services move online. You can find more information about this research and its results at auspost.com.au/digitalinclusion.

We'll continue to work with the Alliance to develop digital participation across Australia.

Inclusive Australia

In May 2017, we jointly convened more than 100 people from corporate, not-for-profit and community sectors to discuss the behaviour change required to make Australia a more economically and socially inclusive society.

The Design Forum was a culmination of 18 months' work which identified the social, family and mental health ramifications of discrimination in Australia. We also identified that, economically, exclusion in all its forms is costing our prosperity and competitiveness dearly, draining some $45 billion from the economy each year and affecting an estimated one in five Australians.

The project, named Inclusive Australia, aims to bring organisations and individuals together to work towards an Australia where people feel they belong, are safe and respected, and where difference is celebrated. Inclusive Australia's role is to amplify the efforts of people and organisations working in the social inclusion sector, facilitate cross sector collaboration and work towards measuring long-term societal change.

REVAMP – Creating Value from Waste

We established a multi-stakeholder design forum in June 2016 to explore how to better create value from waste. From this came the REVAMP Network in November 2016. REVAMP is a collaborative forum to share ideas and opportunities that help Australia transition to a circular economy.

The primary focus of REVAMP is to support projects or research that deliver both commercial value to participants and environmental or social benefit by reducing waste to landfill. Current focus areas relate to e-waste and textiles.

National Community Partners

Since 2013, we have implemented our national community partnerships program. These partnerships, which have included the Australian Football League, Infoxchange and Netball Australia, have achieved significant results over the past four years and helped to create healthier, more vibrant and inclusive communities.

We have a number of additional partnerships which deliver programs to support our strategic focus areas on digital inclusion, social inclusion and building capacity at the national and local level. These include National Australia Day Council, *The Big Issue* and The Pyjama Foundation.

Australian Digital Inclusion Alliance aims to ensure groups, such as older Australians don't get left behind by the digitisation of government services.

One Netball Ambassador Beryl Friday with Community Award Winners from Tuggeranong Netball Association in the ACT.

Our customers
Our communities

Australian Football League (AFL) Multicultural Round Sponsorship

During 2017, 19 AFL and AFLW player ambassadors participated in our Community Camps and engaged with 742 schools, more than 120,000 school students, 6,000 students at super clinics, 5,000 students at junior club visits and more than 2,500 people in aged care. They also helped to raise $46,000 through official functions to celebrate community diversity through football.

One Netball Program

Through our partnership with Netball Australia, we've supported a range of initiatives at national and local levels to raise awareness, understanding and participation around diversity and inclusion.

Australia Post AFL Multicultural Player Ambassadors visited Darra Depot in Brisbane.

Highlights of the four-year program include:

- 19 One Netball Ambassadors visiting 61 communities nationally, including Aboriginal netball tournaments, disability gala days, Harmony Day sports carnivals and inclusion roadshows
- the One Netball Community Awards continuing to grow with 8 winners selected from more than 150 nominations from across metropolitan, regional and rural Australia, recognised for their efforts to create more inclusive and diverse netball communities
- providing specific pathway opportunities for women with intellectual disabilities in the Marie Little Shield, and for Aboriginal and Torres Strait Islander athletes in the inaugural Indigenous High Performance Camp at the AIS in Canberra.

Our Neighbourhood Community Grants

The Our Neighbourhood Community Grants are distributed to community organisations to build healthier, more vibrant and more inclusive communities. In 2016/17, grants were based on four key areas:

1. Digital capability – projects that build the digital skills and capability of individuals, groups in the community or the wider community
2. Employment pathways – projects that increase employment opportunities for marginalised Australians
3. Community inclusion – projects that build community spirit, foster inclusion and support marginalised Australians
4. Disaster readiness – projects that help communities to be prepared for natural disaster.

Seventy-two grants were distributed in October 2016 to small community organisations across Australia.

Supporting social procurement

We are committed to driving and scaling social procurement opportunities locally and nationally. Our social procurement journey started in July 2010, when we proudly became a member of Supply Nation and committed to engaging Indigenous businesses in our supply chain. In April, we consolidated our efforts by creating a Social Procurement strategy. We leverage our expenditure to create jobs and opportunities for people who may have struggled to find or sustain work, reinvigorate depressed communities and drive better business outcomes.

We're also a member of Social Traders Connect, which means we engage social enterprises in our supply chain. We spent more than $5.6 million with the 35 social businesses in our supply chain this year, up from $1.7 million last year.

We formed part of LBG's Social Procurement Task Force to evolve existing guidance around social contributions made by members through social procurement. The guidelines of the pilot meant we were restricted to including a portion of spend with social enterprises certified by Social Traders. We are able to attribute $51,000 of our social procurement spend as a social contribution through this pilot.

Community groups to benefit from the Our Neighbourhood Trust

We have long supported local communities through community initiatives such as the Our Neighbourhood Community grants, volunteering programs and the Our Neighbourhood Trust.

In 2016/17, we reviewed the philanthropic sector to better understand how we can use our assets and capability to support the sector. One of the key decisions was to pivot away from fundraising via the Our Neighbourhood Trust and instead focus on ways to strengthen our local connections through our philanthropic endeavours.

In June 2017, we closed the Trust and distributed over $1.2 million to four not-for-profit grant programs across Australia. The grants are expected to benefit additional not-for-profits and communities across the country.

The four organisations to benefit from the grants are:

The Foundation for Rural and Regional Renewal (FRRR), which will receive $400,000. FRRR works with philanthropy, government and the private sector to champion the economic and social strength of Australia's regional, rural and remote communities.

The Australian Sports Foundation (ASF), which will receive $350,000. ASF raises funds for much-needed projects that promote healthy participation and social inclusion through sport.

Social Traders, which will receive $350,000. Social Traders is Australia's leading social enterprise development organisation that works to break the cycle of disadvantage and build resilience in Australian communities.

The Australian Neighbourhood Houses and Centres Association, which will receive approximately $180,000. The association is the national peak body for neighbourhood houses and centres in Australia.

Responding to Cyclone Debbie

In May 2017, the Our Neighbourhood Trust donated $100,000 to support the hundreds of communities affected by Cyclone Debbie and subsequent flooding, through the FRRR.

These funds support the medium to long-term recovery of the affected communities, with money going to repairing community meeting places, replacing children's play equipment, restoring the natural environment and supporting the mental health and wellbeing of those affected.

Enterprise Learning Projects was an Our Neighbourhood Community Grant recipient in 2016. This grant will help develop photography skills in eager entrepreneurs in Kalumburu, WA who will create a series of cards for sale that express the beauty and hope of their community.

Our customers Our communities

Our Stakeholder Council

The Australia Post Stakeholder Council provides advice and guidance on a range of issues throughout the year. The Council also reviews and guides our approach to stakeholder engagement and corporate responsibility.

The Stakeholder Council comprises eight members representing a range of views, chaired by our EGM Group Services. In 2016/17, the council met three times. With roles and experience in small and medium-sized businesses, community services, industrial relations, marketing and corporate responsibility, our council members are:

Sommers Botha – Former General Manager, Retail Scholastic Australia

Rhonda Cumberland – Chief Executive Officer, South East Community Links

Graz van Egmond – Chief Executive Officer, Banksia Environment Foundation

George Etrelezis – Small Business Consultant

Dennis Jenner – Former Director, Post Office Agents Association Limited

Felicity Pantelidis – Former Chief Operating Officer, Slater & Gordon Lawyers

Geoff Rohrsheim – Founder/Executive Director of Hatch Creations

Phil De Young – Consultant & Former Principal, Carey Baptist Grammar School

Stakeholder Council Statement

The Stakeholder Council has had the opportunity to review Australia Post's approach to best practice annual reporting and provides its views in relation to corporate responsibility. In reviewing this year's integrated annual report, we believe that Australia Post has continued to demonstrate its commitment to corporate responsibility, including social and environmental sustainability. As coverage of the corporation's material issues evolves to further integrate its social and environmental performance, the 2017 report reflects a strategic approach to a whole-of-business focus on delivering improved social and environmental outcomes for the Australian community. The Council believes that this report again provides a transparent and clearly integrated representation of the material in relation to Australia Post's performance.

Australia Post Stakeholder Council August 2017

Our future

As we continue to deliver on our customer commitments, our focus is on engaging the Australian public and staying in touch with what people are looking for and what they expect of us. The way parcels are received is a high priority for us and we are also transforming our post offices and our physical network to meet the changing needs of our customers. This means a continual investment in more parcel lockers, new store formats and adapting to how our customers want to do business.

We will continue to play an active role in communities across the country by prioritising multi-sector collaboration to bring about systemic change on social and environmental issues and simultaneously create new commercial opportunities for our business. We will focus our efforts on those themes that relate most strongly to our business strategy, assets and capabilities – namely, Digital Inclusion, Diversity and Social Inclusion, and Recycling and Re-use.

Our customer network

Challenges and highlights

Australia Post has always been trusted to connect people, businesses and government to each other and the rest of the world. We've been delivering for the community, our customers and our people for more than 200 years – and that's not about to change.

But how we deliver, the way we deliver and the things that we deliver will continue to evolve. This is particularly true for our Post Office network as we see a decline in demand for traditional letter services and physical payments. With this fall in physical services comes an increased demand for online services as the digital economy transforms the way customers interact with us. Our challenge is keeping up with the rapidly changing environment while meeting the expectations of all our customers. We'll be able to do this by leveraging the largest parcels, freight, delivery and retail network in the country, supported by a workforce of more than 50,000 people.

We have around 7,000 motorbikes, 6,500 delivery vans and 2,600 trucks on the road, more than 15,000 street posting boxes, 500 facilities, 20,000 total customer lodgement points, six dedicated airline freighters and 265 parcel locker locations. With more than 4,000 post offices and 77 superstores we also have one of the largest retail networks in Australia and this puts us in a unique position to provide a range of services to the community as more and more services move online.

In 2016/17, we developed two important strategies to sustain our network and improve the customer experience: The Ultimate Customer Network and the Post Office Transformation Program.

The Ultimate Customer Network

Our ambition is to build the Ultimate Customer Network, by designing a delivery network around our customers. This will help us maintain our position as one of Australia's leading parcels and eCommerce companies. Our future delivery network will be organised around three key themes: a focus on our customers and how they want to interact with us, optimising our unrivalled network and integrating our workforce into 'One Team'. While we work on these initiatives we'll also focus on meeting our community service obligations and continue the Reform of our Letters Service program, making our network more efficient.

Our new National Control Centre oversees the network and as part of developing the Ultimate Customer Network, we introduced co-located sites and GPS tracking of our fleets to improve efficiency and productivity.

We established a cross-border eCommerce alliance with Aramex and this strategic partnership includes an equity stake in Aramex, a joint venture (Aramex Global Solutions) and the acquisition of their Mail Call courier business.

We also signed an agreement with Woolworths to install parcel lockers at Woolworths stores. Through this partnership, we'll dramatically increase the number of parcel lockers available to senders and receivers, offering more than 500 new locations in the next five years.

Delighting our customers

As one of our shared values, Delighting our Customers spans our business. During the year, we conducted Delighting our Customers workshops in our delivery business. More than 8,000 Delivery Managers, Team Leaders, Posties and Principal Contractors completed module one, focused on First Time Delivery.

Continue our Reform program and realise the benefits

As part of reforming our letters and mail business, we've installed new machines in our Brisbane, Perth, Melbourne and Sydney mail processing facilities and by the end of June 2017, we had 11 operational, with the remaining seven machines on track to be in place by the Christmas peak period.

This investment in mail processing machines has increased our throughput rates and significantly reduced error rates, meaning that posties spend less time on manual duties like sorting mail indoors can get them out on the road delivering to our customers faster.

Managing Director & Group CEO Ahmed Fahour and Group Executive eCommerce Delivery Peter Bass launch the new flat sorting machine at Sydney West Letters Facility in September 2016.

Our customer network

Optimising our unrivalled network
We have been able to help ensure our posties have sustainable jobs into the future by leveraging our existing network and increasing the number of small parcels they deliver. Posties now deliver 34 per cent of parcels, a 42 per cent increase in 2016/17.

This year we've also been trialling a number of electric delivery vehicles across the postie network. These vehicles (bottom right) have three times more carrying capacity meaning that posties will be able to deliver even more parcels for customers. We also conducted trials using smart SPB technology, which alerts the postie when an SPB has mail to be cleared. We have also trialled a delivery sorting and alert system that helps sort parcels and alerts the postie when they are near the delivery point.

We've changed the clearance times of SPBs in regional locations to allow posties to clear the boxes, allowing van services to focus on other tasks such as customer pick-ups.

Transforming the Post Office Network

Our more than 4,000 post offices provide vital services in thousands of communities across Australia. But the digital economy is transforming the world and customers' needs are changing with it, faster than ever before.

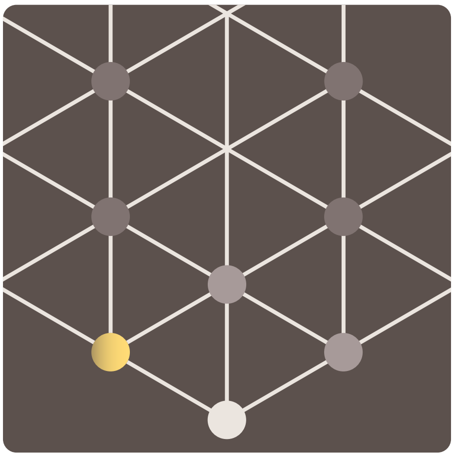
We are seeing this every day in our post offices as demand for our traditional letter and bill payment services continue to decline as customers migrate to electronic alternatives. We know that our customers and the wider community deeply value their post office but it needs to evolve if it is to remain relevant to them in an eCommerce world.

With our unrivalled network we are uniquely placed to provide access to these digitised services to the community. We will do this by evolving our services to support consumers and small businesses to shop and transact online safely, securely and via the way that is most convenient for them. We'll also continue to build and prove our credentials as the partner of choice to support businesses and government to digitise their services, reinforcing the enduring role of the post office to ensure inclusion and access to critical services for all Australians. We'll also continue to invest in the skills and capabilities of our people to ensure they feel confident to help our customers embrace an eCommerce future.

Supporting our Licensees

Our 2,880 LPOs are a fundamental part of our post office network, helping to ensure that all Australians have access to postal services no matter where they live or their circumstances. We continue to work closely with our Licensees and Licensee Representative Bodies to support these crucial small businesses to remain sustainable, particularly in regional and rural Australia. In 2016/17, $29.0 million in additional payments were provided to our Licensees, bringing total payments to $450.0 million for the year. We have also invested in the rollout of new tools and technology including extended identity services capabilities to expand the identity services offering within the LPO network. This investment will continue next year to support our Licensees adapt to changing customer needs.

"We will continue to work with our Licensees and Licensee Representative Bodies to ensure we continue to support these small businesses to remain sustainable, particularly in regional and rural areas."



Our future

We're evolving our business model by bringing our parcels business unit together with our letters and mail network, to create a new eCommerce Delivery business. This team brings together all the people, transport and delivery of our customers' products: parcels, freight and letters domestically and internationally.

The blueprint for our future delivery network is articulated in our Ultimate Customer Network, which we will start implementing in 2017/18. The change enables us to provide great delivery experiences for our customers through an optimal use of all our assets, and to provide future opportunities for our people. We will progress our Post Office Transformation Program to ensure that we are continuing to meet the changing needs of our customers while ensuring they have a range of choices in how they access postal services.

A focus on growing our international partnerships will continue, making us perfectly placed to help customers and consumers access new markets and opportunities overseas.

We'll also continue to meet our community service obligations and provide the community with a reliable delivery service.

Our innovation
Our expertise

Challenges and highlights

Australia Post started with the purpose of keeping people connected through delivering letters and our post offices. We're still connecting people, except in new ways, as their needs change with the rise of digital technology. Since 2010, we've been transforming our business to suit these changing needs of our customers and communities.

Anticipating the challenge ahead, our Future Ready strategy from 2010-2014 saw us invest $2 billion in rebuilding our parcels and digital capabilities, so we could deliver the nation's online shopping. Our investment in eCommerce growth will continue but we also have to keep innovating and transforming our offering and digital capabilities to remain relevant to our customers and communities.

Key to this is our innovation agenda, which is about further accelerating eCommerce opportunities by connecting with customers, communities, businesses and our people to solve their problems and make life and work easier.

Highlights during the year include proving the usefulness of our trusted capability through the success of initiatives like Digital iD™, and creating the first fully online Police Check. Through the Australia Post Accelerator we continued to support start-up businesses with ideas to boost eCommerce activity.

Trusted Services

Digital identity and working with government

There are millions of interactions with government and private sector organisations each year that are time consuming, requiring people to produce at least two or more forms of ID to prove who they are. Research shows these processes cost the Australian economy up to $11 billion a year in proving identity alone. We believe this can be unlocked by making it easy, safe and secure to prove that you are who you say you are when interacting online.

Our new Digital iD™ platform gives Australians more choice and control over how to prove their identity online. The Digital iD™ solution allows consumers to verify their ID once, then use that Digital ID to verify themselves online and in-person to access important services.

In May 2017, we teamed up with the Federal Government to develop user-friendly services for the public to access the government's digital services. We'll work with the Digital Transformation Agency to help government agencies enhance how they provide services online and over the counter.

Payment and financial services

Our Bill Scanner innovation, an add-on for email inboxes, is an easy way for customers to manage bills quickly, easily and securely. Bill Scanner works automatically on any device and saves customers the pain of managing, retrieving and paying bills in a cluttered inbox. Users of Bill Scanner can also securely pay selected Post Billpay bills from one location, and with Bill Scanner's smart reminders it can add alerts to their Google or Hotmail/ Outlook calendar, to help them pay on time.

PayHive is a capability we've created for web developers. It's a module (sometimes called an iFrame) and series of APIs (application program interfaces), which make it easier for web developers to build payment card industry-compliant payment pages. PayHive doesn't process payments, it connects to a payment gateway. Currently, PayHive can process payments through Secure Pay and Alpha Payment Cloud.

Secure Document Delivery is another innovation, providing a fast, secure and affordable electronic document delivery service where email isn't considered secure enough, or where physical delivery methods may be expensive and unreliable.

In June 2017, we completed major works to expand and further modernise our digital payment offerings, including the popular Load&Go prepaid card range. We now offer a new app which is great for managing funds 'on the go' and funds can be loaded in real time. We also have a new Load&Go website and offer 24/7 customer support.

Our innovation
Our expertise

Australia Post Chief Innovation Officer, Greg Sutherland, presents 14 year-old Michael Nixon, from New South Wales, with the Australia Post Regional Pitchfest national title for his innovative business idea, the Amazing Annoyatron.

Innovation at Post

Innovation at Post is about further accelerating eCommerce opportunities by connecting with customers, communities, businesses and people to solve their problems and make life and work easier.

We do this through helping our people innovate, co-creating with our customers and working with entrepreneurs to help them start and scale new businesses.

Innovating with our people

Making innovation part of our culture is our first priority. This starts by giving people the freedom to come up with, and test new ideas to make life and work easier for our customers and people.

This year we've held three Hackdayz events where our people have 24 hours to work in teams and build a prototype to help solve a specific problem.

Employees can also take part in Inc, an internal incubator, where employees with various skillsets across the business work together and solve a customer problem. This involves participating in a six-week program to test and validate solutions, and learn about lean start-up and human-centred design methodologies. Five employee cohorts participated in Inc in 2016/17.

Co-creating with customers

We are working with our customers to co-create new solutions with lean start-up principles. Myer is just one of the customers that we have worked with to help develop solutions enabling a better future for them.

We collaborated with Myer to host a co-hackathon where teams had two days to create, design and test their 'hack' ideas on future delivery options and how to improve Myer's customer experiences. Teams comprised a mix of Australia Post and Myer representatives to develop and pitch a final solution to the judging panel. We held the event at the Customer Experience Centre at Melbourne's Australia Post office (see right) – this area showcases our transformation story and the new products and solutions we are developing for customers and stakeholders.

Regional Pitchfest
Contributing to the growth of entrepreneurship and innovation in regional Australia is important to us and Australia Post Regional Pitchfest is helping us unearth Australia's best regional businesses.

Australia Post Regional Pitchfest is run in partnership with Regional Pitchfest founder, Dianna Somerville and the Melbourne Accelerator Program (MAP) at the University of Melbourne. The Australia Post Regional Pitchfest competition featured 40 regional businesses or start-ups from 34 regional communities giving their best business or sales 'pitch' to a panel of judges for their chance to win a share of $100k in cash and prizes to help grow their business idea. Forty finalists from across the country competed in State and Territory finals before the final eight progressed through the gala finale in Wagga Wagga in August 2017. Australia Post Regional Pitchfest is a new way for Australia Post to engage with entrepreneurs and small businesses, regional communities and all organisations and councils that want to see their town prosper in a digital age.

Running alongside Australia Post Regional Pitchfest we've also delivered 60 other business events in regional communities in every state and territory, connecting regional communities with the opportunities of eCommerce and supporting small business and entrepreneurs no matter where they live.

Working with entrepreneurs
In 2015, we announced the launch of the Australia Post Accelerator, a dedicated unit that would invest in new business creation, entrepreneurs and startups seeking scale.

The Australia Post Accelerator actively engages with the Australian startup ecosystem, creating opportunities for entrepreneurs to work with Australia Post to solve a new set of challenges and capitalise on emerging opportunities that the eCommerce and eGovernment world is creating.

The accelerator provides eCommerce tools for entrepreneurs and broad sponsorship for entrepreneurial programs, with a special focus on rural and regional outreach and female entrepreneurship. Several new initiatives that have come out of the Australia Post Accelerator include innovations that enable: on-demand delivery capability, acceleration of eCommerce for small business, smart homes platforms that connect with home lockers and deliveries and on-demand fulfilment from our distribution centres.

The Australia Post Accelerator also invests in and fast-tracks outstanding entrepreneurs through our $20.0 million Australia Post Investment Fund and acceleration program. Through the accelerator, we seek not only to support innovation at Australia Post but also enable a more innovative Australia.

The Hive
The Australia Post Small Business Hive in Geelong was purposefully designed to foster collaboration between small businesses and the broader community through high-quality shared working spaces, educational workshops and business mentoring.

The Small Business Hive has become an important and valued part of the small business ecosystem in Geelong. A popular and expanding events program appealed to hundreds of small businesses during the last financial year and an increasing number of members regularly use the space.

Members and visitors appreciate the services on offer at the Small Business Hive with 96 per cent likely or very likely to continue to attend events and recommend the Small Business Hive to friends and 90% satisfied or very satisfied with their overall experience during their visit*.

The range of services on offer at the Small Business Hive will expand during 2017/18 to continue to support the growth of businesses in the Geelong region.

**Survey of members, event attendees, visitors and other Geelong small businesses (Feb 2017)*

Our future
With the increasing shift to digital communications, Australia Post is evolving its products, services and capability to empower people and organisations to interact in new ways and accelerate the digitisation of services. Our Trusted eCommerce Services business unit is a key pillar of Australia Post's growth strategy – to make it easier and simpler for all Australians to access everyday important services by connecting people and organisations to each other, and the world.

We have a range of eCommerce services that respond to the changing needs of our corporate and government customers, and we have made significant investments in growing our digital identity and payments. Our source of competitive advantage continues to be our unrivalled post office network – as such, we are taking what we're known and trusted for in-store and complementing this with new digital alternatives in identity and payment services. We are one of the only business that can genuinely offer customers essential services via their channel of choice.

Our environment

Challenges and highlights

Our greatest challenges and opportunities to reduce our environmental impacts relate to managing waste and cutting our carbon emissions through our facilities and fleet.

We now have capacity to generate more than 2,000MWh of electricity each year at the 48 sites where we have installed solar panels. The systems have a combined capacity of 1,733kW representing over 6,500 panels, which is the equivalent of powering 45 of our retail outlets each year.

Australia Post has achieved energy savings from electricity of 5,480MWh through continued implementation of our energy efficiency program which includes the installation of on-site solar. The carbon savings from the property portfolio have been 7,797 tonnes for the year and keep us on track to meet our 2020 target.

We're also working to position ourselves as the backbone of the circular economy, helping our customers solve environmental problems by putting our assets to use in innovative ways. We had great success with our partnership with Nespresso, which allows consumers to return used aluminum coffee capsules for recycling through our network. We also continued our successful partnerships with MobileMuster and Planet Ark, with mobile phones and accessories and printer cartridges returned through these programs contributing to the more than 14,000 tonnes of material reused and recycled via our network in 2016/17.

The way we contribute to better environmental outcomes is driven by our two enterprise targets:

1. 25 per cent reduction in carbon emissions by 2020 based on year 2000 levels
2. 100,000 tonnes of material responsibly recycled or reused by 2020.

Carbon emissions reduction target

We're on track to meet our carbon reduction target of 25 per cent reduction by 2020. We'll achieve this by integrating a wide range of clean energy solutions including solar energy, energy efficient lighting and HVAC (heating, ventilation and air conditioning) systems.

We expect to see annual savings of 2,271 tonnes of carbon and 2,501MWh of electricity. This represents annual electricity savings of over $450,000 at today's prices and keeps us on track to meet our carbon reduction target.

Our LPOs are part of the enterprise effort and we applaud their commitment to the cause.

Melbourne Renewable Energy Project

As energy prices continue to soar, we're focused on transitioning to a clean energy future. This change presents challenges and, by collaborating across the enterprise, we're finding solutions. We're looking at new ways to not only generate energy, but to buy our energy.

In an Australian first, involving a group of Melbourne-based organisations including us, the Melbourne Renewable Energy Project is investigating a group purchasing model for large-scale renewable energy.

Through this project, we'll gain valuable experience in a renewable energy procurement model, allowing us to replicate these lessons as we continue to reduce our carbon emissions.

The scale of the project is significant – the group aims to purchase over 110 GWh of energy, which is enough to power more than 28,000 households in Melbourne for a year.

Material recycling and re-use

As an example of an innovative co-creation solution, we teamed up with Nespresso to create a specially designed satchel allowing their customers to recycle used aluminium coffee capsules – a world first.

Customers can collect used capsules in the satchel and then simply post it at any of our 4,000+ post offices or 15,000+ street posting boxes. The capsules are sent to a specialist recycling plant where dedicated equipment separates the aluminium from the used coffee grounds. The coffee grounds then go to make compost, while the aluminium from the used capsules is compressed into bricks and sent back to the aluminium industry to be reused in new products. With our partner Nespresso, we were awarded a Silver medal at the 2017 Asia Pacific Stevie Awards, for our work on this coffee capsule recycling program.

Australian Recycling Label

We adopted Planet Ark's Australian Recycling Label (below), which informs people exactly what to do with a specific product once they no longer need it. The logo makes it easier for Australians to recycle our range of packaging, regardless of their location and kerbside recycling processes. By being one of the first to introduce this label we're helping to raise awareness and increase the impact of the label.

Our environment

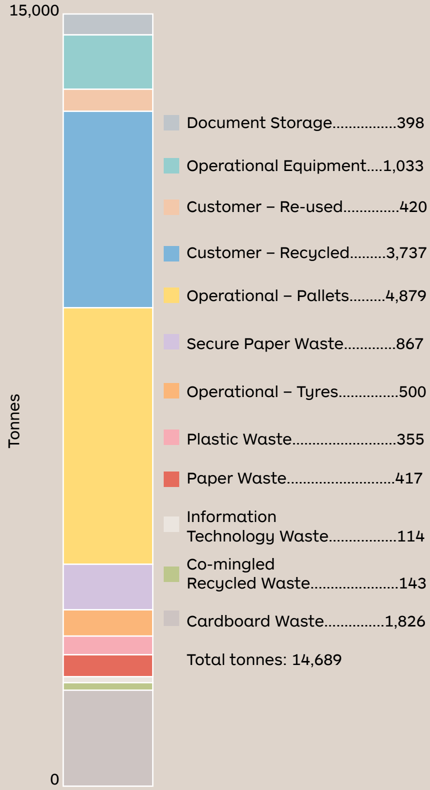
The Big Issue and Australia Post Uniform project

More than 16,000 new and obsolete Australia Post uniforms have been decommissioned and distributed through our partners The Big Issue, Red Cross and the Community Recycling Network Australia. The seven tonnes of garments were a mix of high-visibility polos and fleeces, long and short pants, shirts and hair accessories. The distribution of this clothing provided great value to vital community organisations, while also keeping valuable material out of landfill.

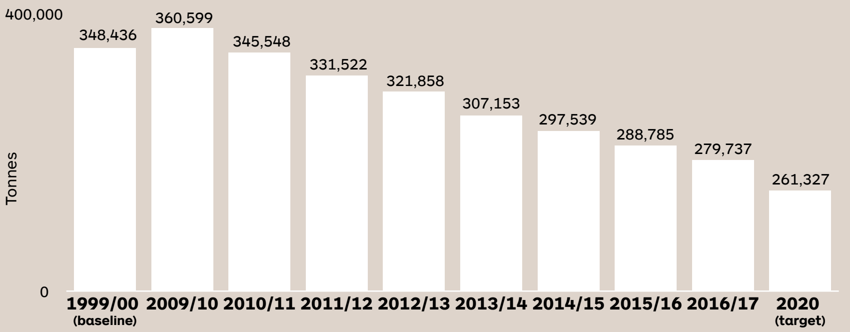
Chalet partnership

As part of our REVAMP Alliance, we've recently joined forces with online marketplace eBay, plus the Salvos and RMIT's School of Design, to trial a Chalet service, where charitable recyclers obtain higher value items from households for sale via eBay. By creating value from unwanted fashion items and increasing charitable recyclers' revenue, this initiative drives commercial, environmental and social value. With the ingenuity of the RMIT students, assisted by the Salvos, eBay and Australia Post, we hope to develop a replicable service for participation by other charitable recyclers.

Reused and Recycled Material – 2016/17



Carbon Reduction Performance



Supporting small business via Banksia Awards

As a sponsor of the Banksia Small to Medium Business Sustainability Leadership Award for nearly a decade, we've seen entries from amazing small businesses. The Banksia Awards provide winners with a national profile that helps them develop their business and get the recognition they deserve for implementing sustainable practices.

We were also inspired to co-author a White Paper on the benefits of sustainability for small business in November 2016. You can find it at www.banksiafdn.com.

We presented the 2016 Banksia Small to Medium Business Sustainability Leadership Award The Farmers Place.

Recognition for our packaging stewardship

In August 2016, we were recognised by the Australian Packaging Covenant for our great work in minimising the environmental impacts of our packaging.

The Covenant is based on the principle of product stewardship and the shared responsibility for managing the environmental impact of packaging throughout the supply chain and we have been a signatory since 2005.

Our packaging is obviously vital to the day-to-day operations of our network and some of the initiatives that contributed to this award win include:

- our TerraCycle Post Bag Recycling Program which enables customers – large and small – to recycle our post bags
- expanding the range of sustainable packaging options our customers can choose from including reusable packaging
- our Product Stewardship programs with partners such as Cartridges 4 PlanetArk, Mobile Muster and Licensys allowing customers to return products such as printer cartridges, mobile phones and licence plates
- our innovation collaboration with RMIT Industrial Design around reusable packaging for the finance sector

At the 2016 Australian Packaging Covenant Awards, we were awarded Outstanding Achievement in Packaging Stewardship for our work in sustainable packaging.

- the redesign of our plastic mail trays, which are made from 100 per cent recyclable materials and are themselves fully recyclable. The old trays are being upcycled into plastic water-saving devices and toolboxes for our drivers.

Ensuring sustainable procurement practices

As part of our commitment to sustainable practices in our business we aim to create greater transparency of environmental and social standards among the suppliers we engage. To do this we require all our suppliers to be signatories to our Supplier Code of Conduct, which is an integral and formal part of our commitment to collaborate with our suppliers to meet these standards and achieve continual improvements.

To ensure the highest level of transparency and successful integration of this approach into our everyday procurement process, we have partnered with highly regarded not-for-profit membership organisation, Supplier Ethical Data Exchange (SEDEX).

SEDEX is a global organisation that helps both customers and suppliers identify and manage potential risks in their supply chain. Through its online database, SEDEX makes it easier to manage potential risks in supply chains.

We are one of the first organisations to adopt the SEDEX approach as it becomes the benchmark for managing supplier relationships across Australia and the world. This partnership should not only help ensure that our Code of Conduct is always met, but that we also have a solid basis for further collaboration with suppliers.

Climate change risks

While we are making good progress on mitigating our contribution to the release of greenhouse gases, we also understand that climate change and the global transition to a low carbon economy creates risks for us to understand and manage.

Climate change risks are managed at a company, business unit and asset level and integrated into the Australia Post Enterprise Risk Management Framework. To guide our approach to identifying and evaluating the breadth of potential risk we are using the definitions provided by the International Financial Stability Board as outlined below:

Physical risks – these stem from the direct impact of climate change on our physical environment. Examples safety considerations for our people, damage to assets and infrastructure from severe weather, changing resource availability and supply chain disruptions; and

Transition risks – these refer to the much wider set of changes in policy, law, markets, technology and prices that are caused by the transition to low-carbon economies.

Both of these risk categories are relevant to the Australia Post Group and could have safety, financial, brand, customer, regulatory and strategic opportunities and consequence and programs of work are in place to manage the relevant risks and opportunities across the enterprise.

In subsequent reports, we intend to increase the transparency of our climate related risk exposure and management plans.

Our future

We take responsibility for our environmental impact very seriously. It's important to our people that we're not only seen to do the right thing, but that we actively honour our commitments and drive change through our efforts.

The opportunities we have through our unrivalled network benefit not only our business and direct customers, but our partners and the broader community. We'll continue to seek transformative and high-impact answers to the vexing questions around waste, climate change and energy use.

GRI content index with UNGC and SDG references

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission/ Part Omitted/Reason/ Explanation	UN Sustainable Development Goals	UNGC Principles
GRI 101: Foundation 2016 General Disclosures					
GRI 102: General Disclosures 2016	Organisational profile				
	102-1 Name of the organization	1			
	102-2 Activities, brands, products, and services	1			
	102-3 Location of headquarters	1			
	102-4 Location of operations	1			
	102-5 Ownership and legal form	1			
	102-6 Markets served	1			
	102-7 Scale of the organization	IFC 1, 1, 6			
	102-8 Information on employees and other workers	17-19, 152 Diversity & Inclusion Report 2017		SDG-5	
	102-9 Supply chain	43, 63, 64			
	102-10 Significant changes to the organization and its supply chain	8, 9, 63, 64			
	102-11 Precautionary Principle or approach	11, 47, 54-65			UNGC 7
	102-12 External initiatives	2, 7, 46, 47, IBC			UNGC 1-10
	102-13 Membership of associations	2, 7, 46, 47, IBC			UNGC 1-10
	Strategy				
	102-14 Statement from senior decision-maker	8, 9			
	Ethics and integrity				
	102-16 Values, principles, standards, and norms of behaviour	1, 46, 47, 59, 61-63, 144			UNGC 1-10
	Governance				
	102-18 Governance structure	11, 30, 47, 59-65			UNGC 1-10
	Stakeholder engagement				
	102-40 List of stakeholder groups	2, 4, 5, 25, 30			
	102-41 Collective bargaining agreements	9, 18, 47, 64		SDG-8	UNGC 1, 3
	102-42 Identifying and selecting stakeholders	18, 22-31			
	102-43 Approach to stakeholder engagement	18, 22-31			
	102-44 Key topics and concerns raised	2, 18, 22-31, 45			
	Reporting practice				
	102-45 Entities included in the consolidated financial statements	124			
	102-46 Defining report content and topic Boundaries	1, 2, 45			
	102-47 List of material topics	2, 45			
	102-48 Restatements of information	2			
	102-49 Changes in reporting		No significant changes in 2016/17		
	102-50 Reporting period	2			
	102-51 Date of most recent report		The previous report was tabled in Parliament in October 2016.		
	102-52 Reporting cycle	2			
	102-53 Contact point for questions regarding the report	IBC			
	102-54 Claims of reporting in accordance with the GRI Standards	2, 8			
	102-55 GRI content index	44			
	102-56 External assurance	49			

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission/ Part Omitted	UN Sustainable Development Goals	UNGC Principles
Material Topics GRI 200 Economic Standard Series					
Economic Performance					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2, 9, 11-15, 45			
	103-2 The management approach and its components	8-9, 11-15, 50-53, 54-65			
	103-3 Evaluation of the management approach	11			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	12-13, 96-98		SDG-8, 9, 11	
	201-4 Financial assistance received from government	1		SDG-8, 9, 11	
GRI 300 Environmental Standards Series					
Energy					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2, 41-43, 45			
	103-2 The management approach and its components	41-43, 46-47, 50-53, 54-65			
	103-3 Evaluation of the management approach	11			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	6, 41, 47		SDG-8, 9, 11	UNGC 7-9
	302-4 Reduction of energy consumption	6, 41, 43, 47		SDG-8, 9, 11	UNGC 7-9
Emissions					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2, 41-43, 45			
	103-2 The management approach and its components	41-43, 46-47, 50-53, 54-65			
	103-3 Evaluation of the management approach	11			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	6, 42, 47, 153		SDG-12, 13	UNGC 7-9
	305-2 Energy indirect (Scope 2) GHG emissions	6, 42, 47, 153		SDG-12, 13	UNGC 7-9
	305-3 Other indirect (Scope 3) GHG emissions	47, 153		SDG-12, 13	UNGC 7-9
	305-5 Reduction of GHG emissions	42, 47, 153		SDG-12, 13	UNGC 7-9
Effluents and Waste					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2, 41-43, 45			
	103-2 The management approach and its components	41-43, 46-47, 50-53, 54-65			
	103-3 Evaluation of the management approach	11			
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	41, 42, 47		SDG-12	UNGC 8
GRI 400 Social Standards Series					
Employment					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2, 17-21, 45			
	103-2 The management approach and its components	17-21, 46-47, 50-53, 54-65			
	103-3 Evaluation of the management approach	11			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	17, 47		SDG-8	UNGC 6
Occupational Health and Safety					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2, 17-21, 45			
	103-2 The management approach and its components	17-21, 46-47, 50-53, 54-65			
	103-3 Evaluation of the management approach	11			
GRI 403: Occupational Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	18, 47		SDG-8	UNGC 1, 2
Training and Education					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2, 17-21, 45			
	103-2 The management approach and its components	17-21, 46-47, 50-53, 54-65			
	103-3 Evaluation of the management approach	11			
GRI 404: Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	18		SDG-8	
Diversity and Equal Opportunity					
GRI 103: Management Approach 201	103-1 Explanation of the material topic and its Boundary	2, 17-21, 45			
	103-2 The management approach and its components	17-21, 46-47, 50-53, 54-65			
	103-3 Evaluation of the management approach	11			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	19, 47, Diversity & Inclusion Report 2017		SDG-5	UNGC 1, 6
	405-2 Ratio of basic salary and remuneration of women to men	20, 47		SDG-5	UNGC 1, 6
Customer Privacy					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	2, 23-25, 45			
	103-2 The management approach and its components	23-25, 59, 62, 144			
	103-3 Evaluation of the management approach	11			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		No substantiared complaints concerning breaches of customer privacy and losses of customer data were reported in FY17.		

Appendix

Materiality 2017

In April and May 2017, we conducted a materiality review to understand which aspects should inform this year's annual report and guide our strategic decisions.

Our materiality review each year starts with a large list of issues resulting from an analysis of external frameworks, such as the new GRI Standards, the UN Global Compact and the <IR> framework, dialogue with internal and external stakeholders, and media reports.

To prioritise the most material issues from this list, we reviewed the different aspects based on their influence on stakeholder assessment and decisions, and their impact on the economy, the environment and society.

This year, we assessed stakeholder views based on the results of our ongoing dialogue with external stakeholders, an analysis of media reports and an online survey to a cross-section of internal stakeholders. To fulfil the requirements of the new GRI Standards, we complemented this exercise with an exploration of the impact that those issues have on the economy, the environment and society based on external and independent research specific to our industry. In doing so, we identified some new material aspects, and adjusted the position of previously identified ones.

In this way, we identified about 50 topics which we clustered into six focus areas in line with <IR> framework:

- Financial Capital: Our business performance
- Manufactured Capital: Our customer network
- Intellectual Capital: Our innovation, Our expertise
- Human Capital: Our people
- Social Capital: Our customers, Our communities
- Natural Capital: Our environment

Feedback from our stakeholders and the business as well as tracking the key impacts associated with these issues help us explain how Australia Post creates value over time. The table below summarises the top 10 issues for Australia Post's internal and external stakeholders, by level of impact, and overall.

Stakeholder priorities		Areas of greatest impact		Our most material issues 2017
Customer experience		Workforce engagement		Workforce engagement
Viable parcel business		Fair labour practices		Customer experience
Innovate/co-create		Employee safety , health and wellbeing		Fair labour practices
Transparency and disclosure		Corporate governance		Transparency and disclosure
Community relations	+	Transparency and disclosure	=	Viable parcel business
Workforce engagement		Operating profitability		Operating profitability
Operating profitability		Changing competitive landscape		Corporate governance
eCommerce		Customer experience		Employee safety , health and wellbeing
Fair labour practices		Viable parcel business		Changing competitive landscape
Pay and benefits		Employer of choice		Pay and benefits

- **Our business performance** Financial capital
- **Our customers Our communities** Social capital
- **Our customer network** Physical capital
- **Our innovation Our expertise** Intellectual capital
- **Our people** Human capital
- **Our environment** Natural capital

Committed to the UN Global Compact

We have been a signatory of the UN Global Compact since 2010 and operate in accordance with its 10 principles. Since 2016, we have proudly hosted the Global Compact Network Australia at our StarTrack House in Sydney.

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	Australia Post is committed to ensuring that all practices and activities are undertaken in a way that supports and respects the protection of internationally proclaimed human rights. We operate in accordance with international human rights treaties to ensure that we are not directly or indirectly complicit in human rights abuses and recognise our role in remedying abuses, should they ever occur.
Principle 2: Businesses should make sure that they are not complicit in human rights abuses	We believe that our commitment to human rights means striving to encourage high standards both in our work and in our supply chain as we engage other organisations in our operations. Our Sustainable Procurement program and our Supplier Code of Conduct require all suppliers to adhere to key areas of corporate governance and ethical business management practices to protect the rights of employees and local communities.
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Our employee policies and management approach help us create a fair and open workplace that supports and respects freedom of association and the right to collective bargaining. The latest Australia Post Enterprise Agreement, negotiated in 2017, demonstrates our commitment to the recognition of freedom of association, the role that unions play in the workplace and the right of union delegates to represent union members.
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour	We have a long-standing commitment to not engage in any form of forced or compulsory labour. Our Sustainable Procurement program and Supplier Code of Conduct expect all suppliers to demonstrate a commitment to fair employment practices in accordance with existing international standards, such as the United Nations Universal Declaration of Human Rights and the International Labour Organisation Declaration on Fundamental Rights at Work.
Principle 5: Businesses should uphold the effective abolition of child labour	We strongly oppose the physical, mental and/or emotional exploitation of children. We always adhere to the minimum age guidelines provided by each State, as well as minimum wage requirements. Our Sustainable Procurement program and Supplier Code of Conduct also requires all suppliers to demonstrate a commitment to human rights and fair employment practices in accordance with existing international standards, such as the United Nations Universal Declaration of Human Rights, the International Labour Organisation Declaration on Fundamental Rights and the United Nations Convention on the Rights of the Child.
Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation	Australia Post has a number of key policies and procedures to eliminate discrimination in the workplace, including the Equal Employment Opportunity Policy, Diversity and Inclusion Policy, and the Harassment Discrimination Bullying Policy. Our proactive approach to ensure that our people are treated with respect is underpinned by *Our Ethics* booklet and the Group Harassment, Discrimination and Bullying Policy. These resources promote a culture where employees are encouraged to value and celebrate differences in beliefs, opinions, perspectives and culture.
Principle 7: Businesses should support a precautionary approach to environmental challenges	Our environment policy and management systems are designed to help us comply with environmental legislation and continually improve our performance in these areas. We ensure environmental considerations and improvements are part of everything we do every day, focusing on our services, our products, our fleet, our buildings and our workforce.
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility	Our environmental management approach demonstrates our understanding that our actions are important to our customers and community, as well as to our business outcomes. Our approach is driving key environmental initiatives across the business resulting in successful progress against our carbon and waste reduction targets and positive collaborations with customers and suppliers to reduce the environmental impacts of our business.
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies	We have a strong focus on transitioning to a clean energy future. Through various collaborations across the business, we are exploring new ways to generate our own energy and to participate in world-leading renewable energy procurement programs. We also continue to leverage our own capabilities and assets to develop operational circularity solutions, such as recycling truck curtains and tyres into customer products.
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	We are committed to working against corruption in all its forms and expect our employees, business partners and suppliers to adhere to all international agreements and Australian legislation. Australia Post maintains a comprehensive system of corporate governance practices designed to provide appropriate levels of disclosure and accountability.

Appendix

Advancing the UN Sustainable Development Goals

In 2016, we first mapped our business strategy against the SDGs and prioritised six areas in terms of the current and potential impact of our business operations:

	Our approach	Our progress in 2017
Goal 5 Gender Equality – Achieve gender equality and empower all women and girls.	As we strive to create gender equality, we continue to invest in developing our female talent to ensure that we improve the representation of women across all levels of leadership. Our commitment to gender equality extends beyond our workforce into the community. Improving gender equality is the right thing to do and it is critical to the future success of our business.	• Implementation of our Gender Action Plan • Female talent initiatives • Gender pay equity • Domestic & Family Violence policy and free Mail Redirection services
Goal 8 Decent Work and Economic Growth – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	We create value by continuing to operate as a trusted and reliable partner for our stakeholders. This way, we focus on contributing to create better opportunities for our people and the communities where we operate.	• Negotiated the Australia Post Enterprise Agreement 2017 • Ongoing commitment to Post People 1st • Delivering on our Social Procurement strategy • Sustainable procurement program • Launch of the Accessibility Action Plan • Delivering on our Reconciliation Action Plan commitments
Goal 9 Industry, Innovation and Infrastructure – Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.	Innovation creates new value for our customers and communities, ensuring a sustainable enterprise for our people and shareholder. This is why we strongly invest in contributing to the growth of innovation and entrepreneurship in Australia.	• Enterprise innovation program • Sustainable Buildings, National Energy Efficiency and Solar Panel programs • Launch of the white paper 'Making sustainability part of every day' on the benefits of sustainability for small businesses with the Banksia Foundation • Go & Grow online activities in 32 locations
Goal 11 Sustainable Cities and Communities – Make cities and human settlements inclusive, safe, resilient and sustainable.	We are committed to manage the economic, social and environmental impacts of our business operations, and work alongside our stakeholders to create greater, and new forms, of business, social and environmental value.	• Working with customers and the community to responsibly divert 14,689 tonnes of material from landfill this year, support our target of 100,000 tonnes by 2020 • Continued commitment to regional and remote Australia • Continued digital training to the workforce and wider community • Launch of a white paper on digital participation challenges and opportunities in Australia
Goal 12 Responsible Consumption and Production – Ensure sustainable consumption and production patterns.	We are committed to understanding the impacts our business operations have on the environment and finding ways to improve with our customers and suppliers. Environmental considerations are embedded throughout our regular business activities, with sustainability requirements integrated into our business cases, as well as being a key criterion in our procurement procedures.	• Continued partnerships with MobileMuster, Planet Ark, TerraCycle, Clean Up Australia and the Banksia Foundation with a focus on changing consumer behaviours • Pilot innovation initiatives that focus on circular economy solutions • Introducing sustainable packaging solutions • Educating and engaging employees on waste reduction behaviour as part of achieving 2020 waste target
Goal 13 Climate Action – Take urgent action to combat climate change and its impacts.	We acknowledge that climate change is one of the biggest challenges the world faces. We strive to reduce our carbon emissions and our impact on climate change. In this context, we prioritise our response to climate change and work hard to ensure that we meet our targets.	• Implementing energy efficiency and renewable energy programs to achieve carbon reduction target of 25% by 2020 • Building climate change resilience into our risk portfolio • Focusing on customer carbon reporting and offsetting

Building a better working world

Independent Limited Assurance Statement in relation to Australia Post's 2017 Annual Report

Our Conclusion:

We were engaged by Australia Post to undertake 'limited assurance' as defined by Australian Auditing Standards, hereafter referred to as a 'review', over Selected Sustainability Matters and associated performance disclosures included in its Annual Report for the year ended 30 June 2017. Based on our review, nothing came to our attention that caused us to believe that Selected Sustainability Matters and associated performance disclosures have not been prepared and presented fairly, in all material respects, in accordance with the criteria defined below.

What our review covered

We reviewed Selected Sustainability Matters linked to Australia Post's material issues, as disclosed in Australia Post's 2017 Annual Report ('the Report') for the year ended 30 June 2017, as shown in the table below.

Capital alignment	Sustainability Matters and associated performance disclosures		Annual Report page
Social	Customer experience	▶ Net promoter score	25
	Community relations	▶ Community investment	26
Human	Diversity and Inclusion	▶ Gender Pay Gap	20
	Fair labour practices	▶ All occupational injury frequency rate (AOIFR) ▶ Fatality rate	18
	Workforce engagement	▶ Employee engagement score	21
Natural	Greenhouse gas emissions	▶ Scope 1, 2 and 3 Greenhouse gas emissions	42, 153

Criteria applied by Australia Post

In preparing the Selected Sustainability Matters, Australia Post has applied the following criteria:

- The Global Reporting Initiative ('GRI') indicator protocols
- National Greenhouse and Energy Reporting (Measurement) Determination 2008, as amended
- Australia Post's reported criteria detailed in footnotes in the Annual Report.

Key responsibilities

EY's responsibility and independence

Our responsibility is to express a conclusion on the Selected Sustainability Matters and associated performance disclosures based on our review.

We were also responsible for maintaining our independence and confirm that we have met the independence requirements of the *APES 110 Code of Ethics for Professional Accountants* and have the required competencies and experience to conduct this assurance engagement.

Australia Post's responsibility

Australia Post's management ("management") was responsible for selecting the Criteria, and preparing and fairly presenting the materiality process and selected material topics and associated disclosures in accordance with that Criteria. This responsibility includes establishing and maintaining internal controls, adequate records and making estimates that are reasonable in the circumstances.

Our approach to conducting the review

We conducted this review in accordance with the *Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (ASAE 3000), *Assurance Engagements on Greenhouse Gas Statements* (ASAE 3410) and the terms of reference for this engagement as agreed with Australia Post on 23 June 2017.

Summary of review procedures performed

Our procedures included, but were not limited to:

- Conducted interviews with personnel to understand the business and process for collecting, collating and reporting the Selected Sustainability Matters during the reporting period
- Obtained evidence to support key disclosures within the Selected Sustainability Matters
- Conducted interviews with key personnel to understand processes and systems for collecting and collating data
- Undertook data analytics to check the reasonableness of the data supporting disclosures
- Conducted detailed testing of underlying source information on a sample basis to check completeness and accuracy of data
- Performed recalculations of performance disclosures to confirm quantities stated were replicable
- Identified and tested assumptions supporting disclosures
- Checked the appropriateness of presentation of disclosures.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Limited Assurance

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Use of our Assurance Statement

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the Directors of Australia Post, or for any purpose other than that for which it was prepared.

Our review included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of this web-based information after the date of this assurance statement.

Ernst & Young

Ernst & Young
Melbourne, Australia
20 September 2017

Our Board

Our Board

John Stanhope AM
BCOM (ECONOMICS AND ACCOUNTING), FCPA, FCA, FAICD, FAIM, FAHRI
Chairman (non-executive)
John Stanhope was appointed chairman of Australia Post in November 2012 (current term expires in November 2019), and has extensive experience in finance, treasury, risk management and assurance, business transformations and culture changes, investor relations and corporate security and investigations. Mr Stanhope is currently chairman of the Melbourne International Jazz Festival, Bionics Institute and Port of Melbourne, a director of AGL Energy Limited and Chancellor of Deakin University. He was previously chief financial officer and group managing director, finance of Telstra and an executive director of Telstra.

Ahmed Fahour AO
BECON (HONS), MBA, FAICD
Managing Director & Group Chief Executive Officer
Ahmed Fahour was appointed managing director and group chief executive officer of Australia Post in February 2010 and he resigned from the position on 28 July 2017. He has held a number of senior executive positions within the finance and banking industries in Australia and overseas and was previously CEO of Citigroup (Australia and New Zealand) and National Australia Bank (Australia) and is the former chairman of Rip Curl Group. Mr Fahour is currently chairman of Pro-Pac Packaging.

Holly Kramer BA, MBA
Deputy Chair (non-executive)
Holly Kramer was appointed to the Australia Post board in October 2015. She was appointed to the role of Deputy Chair in June 2017 (current term expires in June 2020). Ms Kramer has more than 20 years' experience in general management, marketing and sales for customer-focused organisations. Most recently she was CEO of apparel retailer Best & Less. Holly has also held senior executive and marketing roles with Pacific Brands, Telstra, eCorp and the Ford Motor Company. Ms Kramer is currently a director of Woolworths, AMP Limited, Southern Phones, 2XU Holdings and The GO Foundation.

Dominique Fisher BA (HONS), MAICD
Director (non-executive)
Dominique Fisher was appointed to the Australia Post board in November 2014 (current term expires in November 2017), and has extensive business experience in the corporate area, including the commercialisation of new technologies. Ms Fisher is CEO of CareerLounge Pty Ltd, chairman of the Victorian Government's Innovation Experts Panel and principal of EC Strategies. Her past appointments have included a director of Pacific Brands, Insurance Australia Group, NRMA, Opera House Trust and Prostate Cancer Foundation, as well as chairman of Sky Technologies and Circadian Technologies/Opthea Ltd.

Bruce McIver FAICD
Director (non-executive)
Bruce McIver was appointed to the Australia Post board in December 2015 (current term expires in December 2018). Mr McIver has strong business experience with expertise in transport and logistics in Australia and across the Asia Pacific region. He was most recently the President of the Liberal National Party of Queensland and was also a foundation Director of

From left to right: John Stanhope, Ahmed Fahour, Holly Kramer, Dominique Fisher, Bruce McIver, Michael Ronaldson, Jan West, Paul Scurrah and Deidre Willmott.

Retirements

Brendan Fleiter LLB, B.JURIS. MAICD
Deputy Chairman (non-executive)

Brendan Fleiter was appointed to the Australia Post board in October 2011, and was subsequently appointed as deputy chairman in May 2013. He retired from the Board in May 2017.

Michael Byrne MSC, MAICD
Director (non-executive)

Michael Byrne was appointed to the Australia Post board in October 2015 and resigned in December 2016.

the Australian Trucking Association and Chairman of the Board of Asia Pacific Shipping Enterprises. Mr McIver is currently a director of Railway Technologies Group and The City of Brisbane Investment Corporation.

The Hon. Michael Ronaldson LLB
Director (non-executive)

Michael Ronaldson was appointed to the Australia Post board in May 2016 (current term expires in May 2019) and is a former member of the Australian Parliament, representing the Liberal Party. Mr Ronaldson was a Senator for the state of Victoria from July 2005 until February 2016, and previously served in the House of Representatives as the member for Ballarat from 1990 to 2001. He served as the Minister for Veterans' Affairs, the Minister Assisting the Prime Minister for the Centenary of ANZAC, and the Special Minister of State, was previously a director of Snowy Hydro Ltd and Berklee Pty Ltd, and was the CEO/Founder of Madison Public Affairs. Mr Ronaldson is currently the chairman of Red Circle Real Estate and Innowell.

Jan West AM BCOM, FCA, GAICD
Director (non-executive)

Jan West was appointed to the Australia Post board in May 2016 (current term expires in May 2019) and has a very strong background in finance and audit across Australian and international listed and private companies, government agencies and community organisations. Mrs West is currently a director of Australian Red Cross, Dairy Australia, Neurosciences Victoria and Melbourne Forum. She has been President of the Institute of Chartered Accountants, a member of the Financial Reporting Council and a non-executive director of a number of commercial and not-for-profit entities, as well as being an audit Partner of Deloitte.

Paul Scurrah MAICD
Director (non-executive)

Paul Scurrah was appointed to the Australia Post board in June 2017 (current term expires in June 2020) and has very strong experience in large scale logistics and transport. Mr Scurrah is currently the CEO and Managing Director of DP World Australia Ltd and is a director of the Gold Coast Football Club. His previous roles were Executive Vice President – Commercial and Marketing at Aurizon Ltd, CEO of Queensland Rail Ltd and more than 20 years' experience in transport, tourism and customer service at companies including Flight Centre, Tourism Queensland, Ansett, Qantas and American Express.

Deidre Willmott
B.JURIS, LLB (UWA), LLM (MELB), MAICD
Director (non-executive)

Deidre Willmott was appointed to the Australia Post board in June 2017 (current term expires in June 2020) and brings organisational transformation, government relations and business expertise to this position. Ms Willmott is currently the CEO of the Chamber of Commerce and Industry of Western Australia. She is a former lawyer and has held senior roles with Fortescue Metals Group Ltd and as Chief of Staff to the Premier of Western Australia. Ms Willmott is also Chair of St Hilda's Anglican School for Girls and a director of Kimberley Foundation of Australia.

Our leadership team

Our Leadership Team

Christine Corbett

Acting Managing Director & Group CEO and Group Chief Customer Officer

In her role as Group Chief Customer Officer, Christine is accountable for creating the experiences customers love and advocating for the customer across the enterprise. She is responsible for all the key customer touch points including over 4,000 post offices, the Customer Contact Centre and digital channels. Also under her leadership is brand strategy, marketing and insights, major customer improvement programs as well as the community and corporate social responsibility teams.

Peter Bass

Group Executive eCommerce Delivery

Peter Bass is the Group Executive for eCommerce Delivery at Australia Post. Peter is responsible for Australia Post's large and complex operational network including both Parcels, Letters and Mail, which comprises more than 25,000 employees and 5,000 contractors across 500 facilities nationally.

Bob Black

Group Chief Operations Officer & EGM eCommerce Delivery

As the Group Chief Operations Officer and Executive General Manager, eCommerce Delivery, Bob Black is responsible for providing a world-class service to our customers with an unrivalled suite of eCommerce-driven logistics, supply chain, parcel and mail delivery solutions for consumers, local and international businesses, and online marketplaces.

Chris Blake

EGM Group Services

Chris Blake joined Australia Post in July 2010 and is the Executive General Manager Group Services. He is responsible for leading Strategy, Cultural Change, Innovation, Corporate Affairs & Communications, Human Resources, Shared Services and Management of the $7.5 billion APSS Superannuation Fund.

Laz Cotsios

Group Executive Post Office Transformation

As the Group Executive, Post Office Transformation Program, Laz is accountable for the strategy and oversight of the program of work to transform Australia Post's vital retail network. Prior to this Laz was the Group Executive for Business Services, leading a broad corporate centre function including risk and assurance, group property, technology, information security, procurement & environment, business optimisation & efficiency, and shared services.

From left to right:
Christine Corbett, Peter Bass,
Chris Blake, Janelle Hopkins, Bob Black,
Laz Cotsios,and Andrew Walduck.

Janelle Hopkins
Group CFO & EGM Finance & Commercial Services

Janelle Hopkins has been EGM Finance & Group Chief Financial Officer since December 2013 with accountability to drive the transformation of the finance function, supporting the Group's aspiration to become a leading eCommerce business.

Andrew Walduck
EGM Trusted eCommerce Services & Group Chief Digital Officer

As EGM Trusted eCommerce Services, Andrew is responsible for creating products and services that drive commercial growth to enable Australia Post's future. As Group Chief Digital Officer, Andrew is responsible for growing new digital platform businesses, whilst helping to strengthen existing delivery and retail services that power eCommerce. In addition he is transforming the digital experience employees and customers have of Australia Post.

Corporate Governance Statement 2017

This statement has been approved by the Board and is current as at 24 August 2017.

Australia Post's approach to Corporate Governance

Australia Post maintains a comprehensive system of corporate governance practices designed to provide appropriate levels of governance, disclosure and accountability.

These practices derive principally from the provisions of the *Australian Postal Corporation Act 1989* (APC Act), *the Public Governance, Performance and Accountability Act 2013* (PGPA Act), and the *Commonwealth Government Business Enterprise Governance and Oversight Guidelines (2015)* (GBE Guidelines). Our governance framework is also guided by the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd Edition'.

PRINCIPLE 1:
Lay solid foundations for management and oversight
(based on ASX Principle 1)

Recommendation 1.1: *Corporations should establish the functions reserved to the Board and those delegated to the Executive Team.*

Role of the Australia Post Board ("the Board")

The Board is responsible for the governance of Australia Post. The role of the Board is to decide the objectives, strategies and policies to be followed by Australia Post and ensure that Australia Post performs its functions in a manner that is proper, efficient and, as far as practicable, consistent with sound commercial practice. The Board derives its authority from section 23 of the APC Act.

In discharging those broadly defined roles, the Board's primary tasks include, amongst others:

- reviewing and approving Australia Post's corporate plan;
- selecting, appointing and monitoring of the performance of the Managing Director & Group CEO and, if appropriate, terminating the appointment of the Managing Director & Group CEO;
- approving and monitoring key corporate policies, including policies in relation to financial matters and risk management;
- monitoring financial outcomes and the integrity of reporting and, in particular, approving annual budgets and longer-term strategic and business plans;
- approving decisions affecting Australia Post's capital, including approval of major new business initiatives and declaring dividends; and
- meeting its accountability obligations to Government by: submitting corporate plans, evaluating and recommending dividend proposals, reporting on business and operational performance, preparing an annual report, notifying significant business proposals by ensuring compliance with notified Government policies and ensuring proper accounting and enterprise risk management and oversight.

The Board has established three Committees:

- Nomination and Remuneration Committee (see Principle 2 and Principle 8);
- Audit and Risk Committee (see Principle 4); and
- People, Safety and Culture Committee (see Principle 8).

Timetables for Board and Committee meetings are agreed annually in advance.

Delegation to the Managing Director & Group CEO and the Executive Team

Under Section 94 of the APC Act, the Board may delegate virtually all or any of its powers to a Director or employee of the corporation.

Sections 18 & 19 of the APC Act specify a wide number of postal, postal-related and other powers of Australia Post. These powers are exercisable by the Managing Director & Group CEO, and may be delegated by that person to other employees of Australia Post under Section 93 of the APC Act.

The Board has delegated to the Managing Director & Group CEO responsibility for implementing Australia Post's strategic priorities and for managing Australia Post's day-to-day operations. Specific limits on the authority delegated to the Managing Director & Group CEO are set out in the Delegated Authorities approved by the Board.

The Executive Team comprises the Managing Director & Group CEO and senior managers (Executives) who are accountable to the Managing Director & Group CEO. Specific limits on the authority delegated to the Executive Team are set out in the Delegated Authorities approved by the Managing Director & Group CEO.

Recommendation 1.2: *Corporations should carry out appropriate checks of board candidates and provide information to shareholders that is materials to their candidacy.*

The Managing Director & Group CEO is appointed by the Board subject to approval by the Shareholder in accordance with the Cabinet Handbook.

Non-Executive Directors are appointed by the Governor-General on the nomination of the portfolio Minister for a period of up to five years. Reappointment is permissible. In practice, terms of appointment are generally three years.

The Minister must consult with the Chairman before nominating a person for appointment as a Director. To nominate a person for appointment as a Director, the Minister must have regard to the need to ensure that the Directors collectively possess an appropriate balance of skills and experiences aligned to the Corporation's strategic priorities.

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Recommendation 1.3: *Corporations should have a written agreement with each director and Executive setting out the terms of their appointment.*

New Directors consent to act as a Director and receive a formal letter of appointment from Shareholder Ministers which sets out duties and responsibilities, rights and remuneration entitlements.

The Managing Director & Group CEO and each Executive are employed under individual contracts of employment which sets out the terms on which they are employed including details of their duties and responsibilities, rights and remuneration entitlements. Each contract of employment sets out the circumstances in which the Executive may be terminated by either Australia Post or the Executive, including details of notice periods and amounts payable to the Executive as a consequence of the termination by Australia Post of the Executive's employment.

Continuation of employment is subject to ongoing performance reviews by the Board and the Managing Director & Group CEO. Where the Board terminates the Managing Director & Group CEO, or endorses the termination of other Executives' employment for reasons other than performance or misconduct, the individuals are entitled, in the case of the Managing Director & Group CEO, to:

- 12 months' notice in writing or payment of 12 months' salary and allowances in lieu of notice or a combination of both notice in writing and payment in lieu of notice;

and, for other Executives, to:

- 90 days' payment in lieu of notice and a termination payment calculated based on length of service and capped at 12 months fixed annual remuneration including the payment in lieu of notice.

Recommendation 1.4: *The corporate secretary should be accountable directly to the Chair of the Board for matters relevant to the Board.*

Australia Post's Corporate Secretary fulfils other management responsibilities in addition to corporate secretarial duties. The formal reporting line of the Corporate Secretary is to the Group Executive, Office of the Managing Director. For any matter relevant to the corporate secretarial duties or conduct of the Board, the Corporate Secretary has an indirect reporting line, and is accountable to, the Chair of the Board.

Recommendation 1.5*: Corporations should have a policy concerning diversity and disclose that policy, together with measurable objectives for achieving gender diversity and its progress towards achieving those objectives*.

Australia Post is committed to achieving a respectful and inclusive workplace that values diversity. Our Diversity and Inclusion Strategy aims to promote improved diversity outcomes to foster a workplace culture that ensures equal employment opportunities for all. Managing diversity in Australia Post is a corporate objective and responsibility is vested in the Board, our Executive Committee, managers and employees.

Diversity in the workplace encompasses understanding, acceptance and respect for individual difference including ethnicity, gender, sexual orientation, age, disability, family status, religious beliefs, perspective, experience or other ideologies.

We recognise that maximising our people's skills and commitment better positions Australia Post to meet our business purpose and future challenges. Developing and managing an increasingly diverse workforce means recognising, respecting and leveraging individual differences and contributions in the workplace. It requires the implementation of practices that maximise respect for all individuals and which recognise the value that diversity brings to Australia Post.

While we define diversity in the broadest-possible sense, we formally measure and track our progress against five key areas: gender, Aboriginal & Torres Strait Islanders, people from culturally and linguistically diverse backgrounds, people with disability and Lesbian, Gay, Bi-sexual, Trans and Intersex (LGBTI). In 2015 we launched our first Gender Action Plan, which outlines our commitment to improving gender equality, both within Australia Post and throughout the communities we serve.

Performance against each of our five focus areas is disclosed in Australia Post's Diversity and Inclusion Annual Report, which is prepared in compliance with the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* and presented to the Minister for Communications. The report is published on our website at www.auspost.com.au. Performance for 2016/17 was:

	Australia Post Group	
	2016*	2017
Aboriginal & Torres Strait Islander Representation	1.8%	1.8%
Culturally & Linguistically Diverse	22.5%	22.4%
People with Disability	5.3%	4.8%
LGBTI	0.9%	0.9%
Representation of Women	36.4%	36.7%
Women on Australia Post Board of Directors	33.3%	44.4%
Women in Executive Committee positions	33.3%	27.3%
Women in Bands 1-4 positions	35.40%	37.72%
Women in Management positions	36.4%	37.5%
Women in Postal Manager positions	51.00%	53.62%
Women in Facility Manager positions	27.88%	26.85%
Women in Delivery Manager positions	14.43%	17.74%

* In 2016 Australia Post commenced the process of collecting diversity information from our subsidiary companies; however, a large proportion of these employees were at that time yet to complete a diversity profile. Encouraging these employees to share their diversity profile was a focus for financial year 2015/16 and, as such, our Australia Post Group diversity statistics have increased in financial year 2016/17.

Recommendation 1.6: *Corporations should disclose the process for evaluating the performance of the Board, its committees and individual Directors.*

Evaluation of Board and Individual Directors

The Board regularly reviews its own performance and the performance of individual Directors. An independent review of the performance of the Board is conducted every two years, while an internal review is conducted in the intervening years.

The most recent review, which was conducted during the year, was undertaken internally through a confidential survey. The results of the survey were discussed at a subsequent Nomination and Remuneration Committee meeting and Board offsite session. The Chairman also met separately with each Director to discuss the results of the survey and provide feedback in relation to the Director's contribution to the Board.

Evaluation of Board Committees

Audit and Risk Committee

Review process
The Committee undertakes an annual self-assessment of its performance against the requirements of its Charter. The Committee provides an annual report to the Board on the operation and performance of the Committee. The Committee was satisfied that it had been effective in performing its responsibilities under its Charter.

People, Safety and Culture Committee

Review process
The Committee undertakes an annual self-assessment of its performance against the requirements of its Charter. The Committee was satisfied that it had been effective in performing its responsibilities under its Charter.

Nomination and Remuneration Committee

Review process
The Committee regularly informs the Board about Committee activities and makes recommendations to the Board on matters relevant to the Committee's purpose. The Committee was satisfied that it had been effective in performing its responsibilities under its Charter.

Recommendation 1.7: *Corporations should disclose the process for evaluating the performance of the Executive Team.*

Executive Team performance evaluations have *been* conducted for the year ended 30 June 2017.

Performance evaluations are based on an assessment of performance against key business objectives set annually. The measures include safety, financial, strategy, customer satisfaction, employee engagement and other individual metrics that support the key business objectives.

PRINCIPLE 2:
Structure the Board to add value
(based on ASX Principle 2)

The APC Act provides that the Board of Australia Post comprises up to nine Directors, including the chairperson, the deputy chairperson, the Managing Director and not more than six other Directors.

The Directors of Australia Post at any time during the financial year are listed with a brief description of their qualifications, appointment date, experience on pages 50 and 51 of the Annual Report.

The Board met seven times during the financial year. Directors' attendances are set out on page 65 of the Annual Report.

Recommendation 2.1: *The Board should establish an appropriately structured nomination committee.*

The Board has established a Nomination and Remuneration Committee. The Committee currently comprises all Non-Executive Directors.

The Committee has a formal Charter that is required to be reviewed at least annually. The Charter was most recently reviewed in August 2017. A copy of the Charter is available on Australia Post's website.

The Committee is responsible for:

- providing Shareholder Ministers with a recommendation on Board composition and membership;
- developing an annual Board Plan for submission to Shareholder Ministers;
- undertaking a Board performance review annually which will feed into the annual Board Plan;
- informing Shareholder Ministers prior to a vacancy on the Board or in the role of the Managing Director & Group CEO;
- ensuring that Australia Post's performance, remuneration, and succession practices for the Managing Director & Group CEO are coherent, fair and reasonable and are consistent with applicable provisions regarding remuneration and disclosure;
- reviewing and making recommendations to the Board regarding remuneration levels for the Managing Director & Group CEO in accordance with the parameters set by the Remuneration Tribunal;
- seeking agreement of the proposed remuneration for the Managing Director & Group CEO from the Remuneration Tribunal where it falls outside of previously agreed parameters;
- reviewing and making recommendations to the Board regarding corporate goals, objectives and short-term incentive programs relevant for the Managing Director & Group CEO;
- assessing the performance of the Managing Director & Group CEO in light of objectives determined;

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- ensuring that the recommendations in relation to the Managing Director & Group CEO's Key Performance Indicators (KPIs) encourage behaviour consistent with the organisation's Shared Values and support Australia Post's long-term financial soundness, growth and success within an appropriate risk management framework;
- establishing and maintaining appropriate succession arrangements for the Managing Director & Group CEO;
- considering the Managing Director & Group CEO's recommendations around recruitment, performance, remuneration and succession arrangements for Executive General Managers and the Management Committee;
- providing guidance and counsel on the Corporation's approach to the performance review of employees, including the outcomes of the annual Performance, Career and Development review process; and
- reviewing policies to ensure alignment with the duties set out in the PGPA Act.

The Committee met four times during the year. Details of Directors' attendances are set out on page 65 of the Annual Report.

Recommendation 2.2: *The Board should establish and disclose a board skills matrix on the mix of skills and diversity for Board membership.*

Australia Post seeks to maintain a Board of Directors with a broad range of financial and other skills, experience and knowledge relevant to overseeing the business of a global eCommerce organisation.

During the year, the internal Board Performance Review identified that, collectively, new appointees should have strong skillsets and:

- at an appropriate time the addition of a further director with logistics experience would enhance the Board further; and
- should have strong commercial skills.

Diversity of the Board, including through gender, age, ethnicity or geography, is a consideration for new appointees.

Recommendation 2.3: *The Corporation should disclose whether its Directors are independent.*

Australia Post considers a Director to be independent if the Director is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the entity and its shareholders generally.

In determining whether a Director is independent, the Board considers whether the Director:

- is, or has been, employed in an Executive capacity by Australia Post or any of its subsidiaries and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- is, or has within the last three years been, a partner, Director or senior employee of a provider of material professional services to the entity or any of its child entities;
- is, or has been within the last three years, in a material business relationship (for example, as a supplier or customer) with Australia Post or any of its subsidiaries, or an officer of, or otherwise associated with, someone with such a relationship;
- has a material contractual relationship with Australia Post or its subsidiaries other than as a Director;
- has close family ties with any person who falls within any of the categories described above; or
- has been a Director of Australia Post for such a period that his or her independence may have been compromised.

The Board has determined that each Non-Executive Director is, and was throughout the entirety of the financial year, independent.

During the financial year, there were two instances where an individual Director declared a potential conflict of interest and was accordingly excused from consideration by the Board of specific matters as appropriate.

No Director has received or become entitled to receive a benefit because of a contract between any company in the Australia Post Group and the Director, or a firm which the Director is a substantial member of, or an entity in which the Director has a substantial financial interest.

Directors have unfettered access to Australia Post records and information reasonably necessary to fulfil their responsibilities. Directors also have access to the Corporate Secretary on any matter relevant to their role as Director. In addition, the Board has access through the Corporate Secretary to other relevant senior managers to seek additional information concerning Australia Post's business.

Provided they have prior agreement from the Chairman, Directors have the right to seek independent professional advice at Australia Post's expense to help them carry out their responsibilities.

It is usual for the Non-Executive Directors to confer, without management being present, at the start of each scheduled Board meeting.

Recommendation 2.4: *The majority of the Board should be comprised of independent Directors.*

As at 30 June 2017, the Board comprised eight Non-Executive Directors and one Executive Director. The Executive Director was Australia Post's Managing Director & Group CEO, Ahmed Fahour. The Board has determined that each Non-Executive Director is, and was throughout the entirety of the financial year, independent.

Recommendation 2.5: *The Chair should be an independent Director.*

Under the APC Act, the Chairman is appointed by the Governor-General on the nomination of the portfolio Minister.

The Board is satisfied that Australia Post's Chairman, John Stanhope is, and was throughout the entirety of the financial year, independent.

The Chairman presides over Australia Post's Board meetings. The Chairman is responsible for:

- leading the Board in reviewing and discussing Board matters;
- managing the efficient organisation and conduct of the Board's function;
- briefing all Directors in relation to issues arising at Board meetings;
- facilitating effective contribution by all Directors and monitoring Board performance;
- overseeing the membership of the Board is skilled and appropriate for Australia Post's needs and reporting this to Shareholder Ministers;
- promoting constructive relations between Board members and between the Board and management;
- reviewing corporate governance matters with the Corporate Secretary and reporting on those matters to the Board; and
- overseeing the implementation of policies and systems for Board performance review and renewal.

Recommendation 2.6: *Establish a program for inducting new directors and provide appropriate professional development opportunities for directors.*

Under the APC Act, the Chairman is appointed by the Governor-General on the nomination of the portfolio Minister.

Directors receive a formal letter of appointment from Shareholder Ministers. An induction pack is provided to Directors by Australia Post and contains sufficient information to allow the new Director to gain an understanding of:

- the Ministerial powers granted to the portfolio Minister;
- the rights, duties and responsibilities of Directors;
- the role of Board Committees;
- the roles and responsibilities of the Executive Team; and
- Australia Post's financial, strategic, and operational risk management position.

New Directors undertake an induction program which comprises:

- an electronic information pack which includes a copy of Australia Post's Governance Framework; GBE Guidelines; APC Act; PGPA Act; the most recent Corporate Plan; the most recent Annual Report; our organisational chart; Insurance and Indemnity details pertaining to Australia Post's Directors and Officers Insurance policy and tier 1 policies;
- a program of meetings with Australia Post's Chairman, Managing Director & Group CEO, members of the Executive Committee (which includes the Corporate Secretary); and
- visits to Australia Post's main operational sites.

PRINCIPLE 3:
Act ethically and responsibly
(based on ASX Principle 3)

Recommendation 3.1: *Corporations should establish a Code of Conduct.*

Australia Post has a Code of Conduct, referred to as 'Our Ethics', that applies to Australia Post and its Directors, employees and contractors (all of which are referred to as 'The Australia Post Group' in Our Ethics).

Our Ethics sets out a number of overarching principles of ethical standards which are set out under the following headings:

- Health, safety and work environment;
- Compliance with laws and regulations;
- Conflicts of interest;
- Environmental sustainability;
- Use of corporate property;
- Corporate records; and
- Privacy and confidentiality.

Our Ethics is underpinned by Australia Post's Shared Values: Being Safe Everywhere, Helping Each Other, Respecting Everyone, Improving Everyday and Delighting our Customers.

Our Ethics provides a mechanism to enable members of the Australia Post Group to report actual or suspected breaches, including an independently operated Whistleblower Hotline service to allow for anonymous reporting. The Whisteblower Hotline also services the requirements of the *Public Interest Disclosure Act 2013*.

Australia Post's Our Ethics is available on Australia Post's website.

PRINCIPLE 4:
Safeguard integrity in corporate reporting
(based on ASX Principle 4)

Recommendation 4.1: *The Board should establish an appropriately structured audit committee*

The Board has established an Audit and Risk Committee. Its primary function is to assist the Board through its oversight and review of financial reporting, performance reporting, system of risk oversight and management, system of internal control and auditor independence and performance.

Structure of the Audit and Risk Committee

Under its Charter, the Audit and Risk Committee must have a minimum of three members, all of whom must be Non-Executive Directors, the majority of which are independent. In accordance with the PGPA Act, the Chair of the Board

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is not to be a member of the Committee. The Charter also requires all members to be financially literate, with at least one possessing accounting or related financial qualifications and experience.

As at 30 June 2017, the Committee comprised three members. Other Non-Executive Directors may attend meetings. Details of the qualifications and experience of all Committee members are disclosed on pages 50 and 51 of the Annual Report.

The Managing Director & Group CEO, Group Chief Financial Officer & EGM Finance, Chief Risk Officer, Group Financial Controller, General Manager Internal Audit, external auditor and other management representatives may attend meetings at the discretion of the Committee. The Committee meets privately with the external auditor on general matters concerning external audit and other related matters, including the half-year and full-year financial reports. The Committee also meets privately with the General Manager Internal Audit and Group Chief Financial Officer & EGM Finance.

The Corporate Secretary is the secretary to the Committee. Copies of the minutes of a meeting of the Committee are distributed to the Board for discussion at the next Committee meeting. The Chairman of the Committee reports to the Board on the Committee's conclusions and recommendations.

The Committee met four times during the year. Details of Directors' attendances are set out on page 65 of the Annual Report.

Charter of the Audit and Risk Committee

The Committee operates under a formal Charter published on Australia Post's website. The Charter is required to be reviewed by the Committee annually. The Charter was most recently reviewed and updated in August 2017 and is available on Australia Post's website.

The Charter sets out the roles and responsibilities, composition, structure and membership requirements of the Committee.

The Committee's primary responsibilities include oversight and review of:

- financial reporting;
- performance reporting;
- system of risk oversight and management;
- system of internal control; and
- auditor independence and performance.

Monitoring performance of the external auditor

Under section 43 of the PGPA Act, the Auditor-General is responsible for auditing the financial reports of Australia Post and its subsidiaries. The Auditor-General is also responsible for auditing compliance with the performance standards prescribed for Australia Post under Section 28C of the APC Act. Ernst & Young (E&Y) has been retained by the Australian National Audit Office to assist in both of these assignments.

The Board has in place a comprehensive set of audit independence principles in relation to the external auditors. Among other things, these principles exclude the engagement of the external auditors for the provision of certain non-statutory audit-related services, such as internal auditing, taxation planning, treasury policy and operations, and business and strategic planning. In addition, the senior audit partner on the Corporation's account must be rotated at least every five years. However, under circumstances where the involvement of key personnel in the audit of the Corporation does not constitute a familiarity threat, the ANAO may extend the rotation of the senior audit partner to a maximum of seven years.

The Audit and Risk Committee, together with ANAO, monitor the ongoing non-statutory audit related services provided by EY.

Recommendation 4.2: *CEO and CFO certification of financial statements.*

Prior to the adoption of the financial reports, the Board received and considered a written statement from the Managing Director & Group CEO and Group Chief Financial Officer & EGM Finance to the effect that:

- the financial records of the Corporation and the consolidated entity have been properly maintained;
- the statements comply with accounting standards and any other requirements prescribed by the PGPA Act and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*, and present fairly the entity's financial position, financial performance and cash flows; and
- integrity to the financial statements is founded on a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3: *External auditor availability at AGM.*

There is no requirement for Australia Post to hold an AGM.

Under Section 43 of the PGPA Act, the Auditor-General is responsible for auditing the financial reports of Australia Post and its subsidiaries. The Auditor-General makes them self available at the request of the shareholder.

PRINCIPLE 5:
Make timely and balance disclosure
(based on ASX Principle 5)

Recommendation 5.1: *Corporations should establish disclosure policies and ensure compliance with those policies.*

Australia Post's disclosure obligations are prescribed from the provisions of the APC Act, the PGPA Act, and the GBE Guidelines.

Australia Post is accountable to its Shareholder Ministers for its performance. Disclosure of performance, expenditure and any significant issues is made to our Shareholder Ministers in a timely and balanced manner. This is executed through quarterly progress reports, the annual report and regular website updates. This is in addition to responding to requests from Shareholder Departments on a regular basis.

PRINCIPLE 6:
Respect the rights of shareholders
(based on ASX Principle 6)

Recommendation 6.1: *The Corporation should provide information about itself and its governance to its shareholder on its website.*

Australia Post's website (www.auspost.com.au) provides detailed information about its business and operations. Details of Australia Post's Board Members and Executive Team are included on the website.

The About us link on Australia Post's website provides helpful information to the shareholder, and the public. It allows the shareholder to view all media releases since late 2012; various speeches provided by the Managing Director & Group CEO, a copy of the most recent Annual Report and Annual Reports for at least the eight previous financial years.

Australia Post also publishes an annual Diversity & Inclusion Annual Report setting out the details of its achievements against a range of diversity programs focused on building our female talent pipeline, improving employment opportunities for Aboriginal and Torres Strait Islander Australians, celebrating our cultural diversity, and building awareness about people with disability. Australia Post's most recent Diversity & Inclusion Annual Report can be found on its website.

The shareholder can find information about Australia Post's corporate governance on its website at http://auspost.com.au/about-us/corporate-governance.html. This includes Australia Post's Board Committee Charters.

The following documents and information are published on the Australia Post website under About us:

- Corporate Governance Statement;
- Shareholder Communication Program;
- Audit and Risk Committee Charter;
- People, Safety and Culture Committee Charter;
- Nomination and Remuneration Committee Charter;
- Our Customer Commitment and Customer Service Charter;
- Community Participation Commitment;
- Corporate Responsibility;
- Environmental Policy; and
- Our Ethics.

Recommendation 6.2: *The Corporation should design and implement a shareholder relations program to facilitate two-way communication with its shareholder.*

During the year, Australia Post established a formal shareholder communication program that records the arrangements in place that facilitate effective communication between Australia Post and its Shareholder Ministers and Shareholder Departments. The program is published on Australia Post's website.

Recommendation 6.3: *The Corporation should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of shareholders.*

During the year, Australia Post established a formal shareholder communication program that records the arrangements in place that facilitate meetings with the shareholder, including via annual strategic meetings, quarterly meetings with Shareholder Departments, and meetings upon request. The program is published on Australia Post's website.

Recommendation 6.4: *The Corporation should provide the option to send and receive communications from the Corporation in electronic form.*

Australia Post communicates with its shareholder via a number of different communications channels, which include digital and physical methods.

PRINCIPLE 7:
Recognise and manage risk
(based on ASX Principle 7)

Recommendation 7.1: *Corporations should establish an appropriately structured risk management committee for the oversight of material business risks.*

The Board has established an Audit and Risk Committee. Its responsibilities include oversight of the effectiveness of Australia Post's system of risk management and internal control.

The Committee receives regular presentations on Australia Post's material business risks and the controls in place to mitigate the consequences of those risks. Australia Post's main risks are reviewed at each meeting of the Committee and annually by the Board. The Committee also receives regular presentations from management throughout the year on specific risk topics. The Committee has responsibility for approving the internal audit plan.

Details of the structure and Charter of the Audit and Risk Committee are set out in Recommendation 4.1.

Recommendation 7.2: *The Board or a Committee of the Board should review the company's risk framework at least annually to satisfy itself that it continues to be sound.*

Risk Management Policies

Australia Post has a Group Risk Management Policy and supporting Group Risk Management Framework, which collectively describes the principles, strategies, processes and core components that are in place for supporting the organisation in effectively managing risk and compliance. The Policy & Framework are Group-wide documents and have been developed utilising the principles as detailed in the International Standards for Risk Management (ISO 31000:2009) & Compliance Management Systems (ISO 19600:2014); and the ASX Corporate Governance Principles (Principle 7 – Recognise and manage risk).

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Australia Post has a number of other policies that directly or indirectly serve to reduce and/or manage risk and compliance. These include, but are not limited to:

- Our Ethics
- Group Policy & Supporting Documents Lifecycle Governance Policy
- Group Work, Health & Safety Policy
- Group Information Security Policy
- Group Treasury Policy
- Group Fraud & Corruption Policy
- Group Risk Management Policy
- Group Delegations Policy
- Group Privacy Policy
- Group Corporate Responsibility Policy
- Group Chain of Responsibility Policy
- Group Customer Data & Use Policy
- Group Business Continuity Management
- Group Incident Management Policy

Roles and responsibilities

The Group Risk Management Policy, and the other policies listed above, describe the roles and responsibilities for managing risk. This includes, appropriate details of responsibilities allocated to the Board or to the Audit and Risk Committee (Committee), Executives, the business units, Enterprise Risk & Compliance and Australia Post's internal audit function.

Board

The Board is responsible for ensuring that established processes, practices and adequate resources are in place to effectively manage all risks associated with Australia Post's operations. The Board oversees a comprehensive risk management program covering all potentially significant business risks, strategic objectives and risk appetite considerations. The Committee assists the Board in carrying out these responsibilities. The Board annually reviews and approves the Board Risk Appetite Statement. The Board is provided with the Chief Risk Officer's Annual Risk & Compliance Management Report confirming the adequacy of, and compliance with, the Group Risk Management policy.

Committee

Details of the operation of the Committee are included in the commentary on Principle 4. The Committee oversees the detailed analysis of the effectiveness of the system of risk management and internal control, At each of its meetings the Committee receives a reporting providing an update on matters affecting Australia Post's main risk exposures and progress toward mitigating the consequences of those risks. The Committee also receives regular presentations from management throughout the year on specific risk topics. Annually, the Committee reviews the Board Risk Appetite Statement (that provides overarching principles of the level of risk that Australia Post is willing to accept in the pursuit of its objectives) before it is presented to the Board for approval.

Executive Committee

The Executive Committee comprises senior Executive Management and assists the Committee and Board with the review, oversight and clearance of all committee papers.

Enterprise Portfolio Forum

The Enterprise Portfolio Forum comprises senior Executive Management and is established, amongst other activities, to assist management in discharging their responsibilities, particularly in relation to risk and compliance management and internal control.

Business Units

In addition to the forums noted that currently meet on a regular basis, additional risk governance mechanisms are in place at a business unit level, to fully embed and support the effective and efficient management of risk.

Australia Post's business units are responsible for maintaining a risk profile detailing their material business risks, associated controls and mitigation strategies. Business management is responsible for the preparation, presentation and integrity of information and all matters about which the Enterprise Portfolio Forum should be informed. Management is also responsible for implementing and maintaining appropriate risk management principles and policies, internal controls and processes designed to identify and address unacceptable risk as determined by the Enterprise Portfolio Forum.

The Chief Risk officer as part of the Risk Assurance model has dedicated resources embedded in the business to support the transition and operationalisation of the Risk Management Frameworks.

Enterprise Risk & Compliance

Enterprise Risk & Compliance supports the Chief Risk Officer in the development, implementation and maintenance of the Risk Management Frameworks and is accountable for setting the minimum risk and compliance standards and the reporting and oversight of the details of material business risks and risk controls to the appropriate committees and forums.

Internal Audit

Internal Audit provides independent assurance to the Board of our internal processes and controls and the effectiveness and efficiency of the risk, control and governance processes.

External Review

Independent external reviews of risk management are undertaken every four years to ensure better practice is maintained. The most recent such review was undertaken by PwC and presented to the Audit and Risk Committee in February 2014.

Recommendation 7.3: *Corporations should disclose the structure and role of its internal audit function.*

Australia Post's internal audit function provides assurance to the Audit and Risk Committee on the effectiveness of Australia Post's risk management framework and on the adequacy and effectiveness of key internal controls.

Internal Audit is an independent, objective assurance and consulting function designed to add value and improve the organisation's operations including the internal control environment. It assists the organisation to accomplish its objectives by bringing a systematic, disciplined, third line of defence to the evaluation of internal processes and controls, and improve the effectiveness and efficiency of the risk, control and governance processes.

The Audit and Risk Committee participates in the appointment, dismissal or replacement of the General Manager Internal Audit. Selection, promotion, performance assessment and professional development of Internal Audit staff are the responsibilities of the General Manager Internal Audit in consultation with the Chief Risk Officer.

Recommendation 7.4: *Corporations should disclose their economic, environmental and social sustainability risks and how those risks are managed.*

Corporate Responsibility

We are actively delivering on our Corporate Responsibility plan, *Everyone, Everywhere, Everyday*, refreshed in 2016. This plan helps us stay true to our purpose of helping our people, customers and community deliver a better future.

Our approach to Corporate Responsibility aligns with the principles of the United Nations (UN) Global Compact and recognises our role as a leading Australian business in advancing the UN Sustainable Development Goals.

We are committed to contributing to Australia's sustainable development while improving the quality of life of our workforce as well as of the Australian community.
Our Corporate Responsibility plan is to transform our business for the digital world and to connect Australians physically and digitally, while minimising our environmental impact throughout our value chain. Specifically, this includes:

- helping our stakeholders transition to a future in eCommerce: This means maintaining trusted and valued relationships with our stakeholders through change;
- increasing participation in a digital world: This will involve providing Australians with access to everyday services delivered both physically and digitally, while simultaneously building the knowledge, skills and confidence of Australians to proposer in a digital world; and
- becoming a leading sustainable organisation: We will manage the economic, social and environmental impacts of our business operations, and work alongside our stakeholders to create greater, and new forms of, business, social and environmental value.

We are advancing this agenda through a broad range of programs related to four key areas: our people, customers, the community and the environment. This involves continually identifying, actively addressing, and monitoring and reporting any sustainability risks and opportunities that may relate to these areas. We continue to maintain conservative posture for any Governance, Safety and Corporate Responsibility risks.

Our Corporate Responsibility policy is considered a Level 1 policy, our highest classification of Group policies. This means it is approved by the Australia Post Board, applies to all employees and is assigned to an Accountable Executive – in this case, our Group Chief Customer Officer.

Our Corporate Responsibility performance is reported periodically to management as well as the Board and the Australia Post Stakeholder Council. Reporting on sustainability/non-financial data occurs annually through the Annual Report, which was expanded in 2016 to reflect the two leading sustainability frameworks: the Global Reporting Initiative and Integrated Reporting, as outlined by the International Integrated Reporting Council.

Responsible and Sustainable Sourcing

A continual focus is to increase supply chain transparency and traceability, reduce social or environmental risks throughout our value chain, innovate to create new value and strengthen relationships with our suppliers. Australia Post conducts its business with integrity and ensures compliance with all relevant laws, regulations, policies and procedures. Our Ethics clearly defines the standards of behaviour expected from our employees and business partners to operate ethically and with integrity when purchasing goods and services, and working with suppliers.

In addition, to deliver on these outcomes we have a dedicated program that is integrating these elements into our systems and processes while enhancing our people's capabilities. Our expectations have been formalised through our Group Procurement Policy that outlines our Sustainable Procurement Principles. These are:

1. Workplace health, safety and wellbeing is never compromised.
2. Zero tolerance for harassment, abuse and discrimination.
3. Value social enterprises, Indigenous and ethically certified goods and services.
4. No exploitative or forced labour; wage practises must be fair.
5. Freedom of association and collective bargaining are respected.
6. Environmental impacts and hazards are minimised.

These expectations are reinforced with our suppliers through Australia Post's Supplier Code of Conduct. Under the code, suppliers are expected to demonstrate a commitment and compliance to human rights, fair employment practices and environmental responsibility in accordance with existing international standards, such as the United Nations Universal Declaration of Human Rights, the International Labour

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Organization Declaration on Fundamental Rights at Work, and the United Nations Convention on the Rights of the Child and Industry norms.

Our commitment to environmental sustainability, requires all suppliers to comply with all applicable environmental laws and regulations, conduct their business in a manner that protects the environment and have an environmental management program that takes responsibility for goods and services throughout their lifecycle to minimise the impact of activities on the environment.

We are collaborating with Supplier Ethical Data Exchange (SEDEX) and our suppliers to increase the transparency of our supply chain as well as recognise our suppliers' performance in these areas.

Australia Post actively manages risk and compliance of its value chain, striving for transparency and measurable performance.

Our commitment to environment sustainability, requires all suppliers to comply with all applicable environmental laws and regulations, conduct their business in a manner that protects the environment and have an environmental management program that takes responsibility for goods and services throughout their lifecycle to minimise the impact of activities on the environment.

Details of Australia Post's sustainability strategy can be found on page 40 of the Annual Report.

PRINCIPLE 8:

Remunerate fairly and responsibly
(based on ASX Principle 8)

Recommendation 8.1: *The Board should establish an appropriately structured remuneration committee.*

The Board has established a Nomination and Remuneration Committee. Its responsibilities include reviewing and making recommendations to the Board regarding remuneration levels for the Managing Director & Group CEO in accordance with the parameters set by the Remuneration Tribunal and considering the Managing Director & Group CEO's recommendations around recruitment, performance, remuneration and succession arrangements for Executive General Managers and the Management Committee.

Details of the structure and Charter of the Nomination and Remuneration Committee are set out in Recommendation 2.1.

In addition, the Board has established a People, Safety and Culture Committee. The Committee has adopted a formal Charter that is required to be reviewed annually. The most recent review was in August 2017. A copy of the Charter is available on Australia Post's website.

The Committee considers and makes recommendations to the Board, as appropriate, about:

- workplace safety, health and wellbeing;
- culture and enterprise engagement;
- organisational structure;
- recruitment, selection and retention;
- workplace and industrial relations, including the renegotiation of the Enterprise Agreement and/or terms and conditions of employment; and
- learning and development.

The Committee met four times during the year. Details of Directors' attendances are set out on page 65 of the Annual Report.

During the financial year, there was one instance where an individual Committee member declared a potential conflict of interest and was accordingly excused from consideration by the Committee of specific matters as appropriate.

Recommendation 8.2: *The Corporation should distinguish between non-executive Directors' remuneration and that of executive Directors and Executives*

Remuneration for Australia Post's Non-Executive Directors is determined by the Remuneration Tribunal. As at 30 June 2017* this was:

Chairman	$182,520
Deputy chairman	$101,860
Directors	$92,290
Audit and Risk Committee chairman	$21,120
Audit and Risk Committee member	$10,560
People, Safety and Culture Committee chairman	$18,000
People, Safety and Culture Committee member	$9,000

* The Remuneration Tribunal approved a 2% increase on all Non-Executive Directors remuneration effective 1 July 2017.

The Board is responsible for setting the remuneration arrangements for the Managing Director & Group CEO in accordance with the parameters set by the Remuneration Tribunal.

Remuneration arrangements for other Executives are reviewed and determined by the Nomination and Remuneration Committee based on recommendations by the Managing Director & Group CEO.

Advice is sought annually from independent specialised remuneration consultants on the:

- structure of remuneration packages applying in the external market; and
- quantum of increases that have occurred in comparable Australian corporations over the previous 12 months.

On the basis of this advice, the Managing Director & Group CEO ensures that payments to Executives are in-line with market practice, and that they are competitively placed to attract and retain the necessary talent for the work required by these roles.

Incentive rewards payable to the Managing Director & Group CEO and other Executives for meeting or exceeding specific key annual business objectives are linked to the annual business planning process at a corporate and individual level. Measures and targeted achievement levels are monitored and reviewed annually to reflect changes in the business priorities for the forthcoming year. The measures include safety, financial, strategy and execution, customer satisfaction, employee engagement and other individual metrics that support the key business objectives.

Before a reward is payable, a threshold must be reached, according to predefined measures. In the case of the Managing Director & Group CEO and some Executives, part of their incentive payment is deferred and expensed over the deferral period.

Remuneration details for the Managing Director & Group CEO and other Executives are set out in the Remuneration Report on page 66.

Recommendation 8.3: *The Corporation should establish a policy on whether participants in equity based remuneration schemes are able to enter into transactions which limit the economic risk of participating in those schemes.*

There are no employees in equity based remuneration schemes.

Directors' attendance at meetings – 2016/17

	Australia Post Board		Audit and Risk Committee		People, Safety and Culture Committee		Nomination and Remuneration Committee	
	a	b	a	b	a	b	a	b
John Stanhope AM	7	7	–	–	–	–	4	4
Ahmed Fahour AO	7	7	–	–	4	3	–	–
Holly Kramer	7	6	4	4	1	1	4	4
Dominique Fisher	7	6	–	–	4	4	4	4
Bruce McIver	7	7	4	4	–	–	4	4
The Hon. Michael Ronaldson	7	7	–	–	4	4	4	4
Jan West AM	7	7	4	4	–	–	4	4
Paul Scurrah	0	0	–	–	–	–	–	–
Deidre Willmott	0	0	–	–	–	–	–	–
Brendan Fleiter	6	6	3	3	3	3	3	3
Michael Byrne	3	3	2	2	–	–	2	2

a. Number of meetings held while a Director/Committee member.

b. Number of meetings attended.

Note: One Board meeting was held at an Australia Post operating site.

Remuneration Report 2017

Message from the Chairman

On behalf of the Board, I am pleased to introduce Australia Post's 2017 Remuneration Report.

In the community debate about executive remuneration that occurred in early 2017, there were many comments comparing Australia Post's executive remuneration with that of politicians and public servants. The view of the Board is that the appropriate benchmark for our executives is the remuneration paid by our commercial competitors in the global eCommerce, logistics and services industries. We have taken this view because the *Australian Postal Corporation Act (1989)* requires us to perform our functions "in a manner consistent with sound commercial practice". And, in order to remain competitive and sustainable, we need to attract and retain talented leaders with a highly commercial focus.

The Board has made a commitment to fully disclose details of our executives' remuneration and in our 2017 Remuneration Report we have aligned our executive remuneration reporting to meet the same standards of transparency and disclosure that you would expect from a listed company of similar size and complexity.

Since the recent community discussion regarding Australia Post's executive remuneration, there have been several changes to our remuneration practices and policies that are worth noting as important context for this Remuneration Report. First, our Shareholder, the Federal Government, asked the Commonwealth Remuneration Tribunal to determine the appropriate level of pay for our next Managing Director & Group CEO (MD & GCEO). (Further details of the remuneration package that will be paid to our incoming MD & GCEO, Ms Christine Holgate, are included on page 76 of this report). Secondly, the Board has decided it will no longer offer senior executives a Long Term Incentive (LTI) as part of their remuneration.

The decision not to continue with an LTI scheme is an acknowledgement of the community's concern and expectations about future total executive remuneration.

Our former MD & GCEO, Mr Ahmed Fahour AO, announced his resignation in February, and officially stepped-down from the role after the conclusion of the financial year (with his final day being 28 July 2017). While it is recognised that community expectations have changed since Mr Fahour's appointment in 2010, it is not practical or possible to retrospectively change our contractual obligations to him.

In line with our commitment to increase transparency in our disclosures, the following table details Mr Fahour's total payments in respect of financial year (FY) 2017:

Total payments	Eligible accrued award	Payment	Payment timing
Base salary and fees	$2.04m	$2.04m	Pro rata during FY 2017
Short term incentives	$2.90m	$2.17m	July 2017
		$0.73m*	September 2018 subject to sustained performance of Australia Post
Super-annuation entitlement	$1.75m	$1.75m	Pro rata during FY 2017 with the exception of $0.4m paid as a lump sum in July 2017
Non-monetary benefits	$0.10m	$0.10m	Pro rata during FY 2017
Total	**$6.79m**	**$6.79m**	

* The deferred STI payment will be accounted for over the period earned with 50% being accrued in FY 2017 and the remainder being accrued in FY 2018. The FY 2017 component is included within the FY 2017 long term employee benefits table on page 79.

Mr Fahour is also eligible to receive a long term incentive (LTI) bonus payment based on Australia Post's 2014 LTI scheme which applied for the three financial years 2015 to 2017. The Board determined that the LTI targets for two of the three years – between FY 2015 and FY 2017 – were achieved and, as such, Mr Fahour is eligible to receive 66.67% of the maximum potential LTI bonus under the scheme:

2014 LTI	Eligible accrued award	Payment timing
FY 2015	$2.0m	September 2017
FY 2016	$2.0m	September 2017
FY 2017	$0.0m	n/a
Total	**$4.0m**	**September 2017**

These payments reflect the sustained success of the transformation that Mr Fahour has led at Australia Post over many years and are consistent with his contractual obligations. For further details of the performance measures that the Board used to determine remuneration payments, please refer to the scorecards on page 72 of this Remuneration Report. No termination payment was made to Mr Fahour as he resigned from his position.

This Remuneration Report offers full and accurate disclosure in relation to our remuneration principles, policies and practices for FY 2017.

John Stanhope AM
Chairman of the Board
Chairman of Nomination & Remuneration Committee

Remuneration Report 2017

1. Our organisation and key management personnel

The purpose of the Remuneration Report is to set out the principles and the remuneration strategy Australia Post applies to remunerate key management personnel (KMP). The report also demonstrates how the remuneration strategy is aligned to our goals and strategic imperatives, enabling performance-based reward and supporting the retention of high calibre executives.

The information provided in the Australia Post 2017 Remuneration Report has been prepared and is aligned to disclosure requirements outlined in the *Corporations Act*, Section 300A and the statutory tables are compliant with the accounting standard *AASB 124 Related Party Disclosures* and aim to maintain a high standard of clarity and transparency for all stakeholders.

The report details financial year (FY) 2017 remuneration information for the year ended 30 June 2017 as it applies to KMP, including Board Directors, the Managing Director & Group Chief Executive Officer (MD & GCEO) and senior executives. For the purposes of this report, senior executives are defined as the employees reporting to the MD & GCEO who have authority and responsibility for planning, directing and controlling the activities of the enterprise.

There have been the following movements in KMP during FY 2017:

- Holly Kramer was appointed Acting Deputy Chair effective 30 May 2017 and Deputy Chair 27 June 2017;
- Paul Scurrah joined as a member of the Board effective 27 June 2017;
- Deidre Willmott joined as a member of the Board effective 27 June 2017;
- Brendan Fleiter retired from the Board as Deputy Chair on 29 May 2017; and
- Michael Byrne resigned from the Board on 15 December 2016.

FY 2017 KMP covered in this year's Remuneration Report are listed in Table 1.

Table 1: FY 2017 Key Management Personnel

Board Directors

John Stanhope AM	Chairman	Full Year
Holly Kramer	Deputy Chair	Full Year (see above)
Dominique Fisher	Director	Full Year
Bruce McIver	Director	Full Year
The Hon Michael Ronaldson	Director	Full Year
Paul Scurrah	Director	Part Year
Jan West AM	Director	Full Year
Deidre Willmott	Director	Part Year

Former Board Directors

Brendan Fleiter	Deputy Chair (until 29 May 2017)	Part Year
Michael Byrne	Director (until 15 December 2016)	Part Year

Managing Director & Group Chief Executive Officer and Senior Executives

Ahmed Fahour AO	Managing Director & Group Chief Executive Officer	Full Year
Peter Bass	Group Executive eCommerce Delivery	Full Year
Robert Black	Group Chief Operations Officer & EGM eCommerce Delivery	Full Year
Chris Blake	EGM Group Services	Full Year
Christine Corbett	Group Chief Customer Officer	Full Year
Laz Cotsios	Group Executive Post Office Transformation	Full Year
Janelle Hopkins	Group Chief Financial Officer & EGM Finance & Commercial Services	Full Year
Andrew Walduck	Group Chief Digital Officer & EGM Trusted eCommerce Services	Full Year

The following changes to KMP have been announced and are effective in FY 2018:

- Ahmed Fahour AO resigned his position of Managing Director & Group Chief Executive Officer (MD & GCEO) on 21 February 2017 with effect from 28 July 2017;
- Christine Corbett has taken on the role of Acting MD & GCEO from 29 July 2017 until 29 October 2017;
- Christine Holgate was appointed to the role of MD & GCEO effective 30 October 2017; and
- From 1 July 2017, Peter Bass will report to Robert Black and Laz Cotsios to Christine Corbett in her role as the Group Chief Customer Officer.

2. Board director fees

All Australia Post Board directors are appointed by the Commonwealth Government through the Shareholder Ministers. Board directors' annual fees are set by the Commonwealth Remuneration Tribunal (the Tribunal). The Tribunal is an independent statutory authority established under the *Remuneration Tribunal Act 1973* (the Act). Australia Post has no role in determining the level of Board director fees.

The Tribunal regularly reviews and sets Board director fees for the roles of Chair, Deputy Chair and other Board director fees (excluding statutory superannuation contributions which are paid in addition to the fees set by the Tribunal). Board director fees cover all activities including Board membership and participation of most sub-Committees unless otherwise stated.

The following table sets out the Board directors' fees (excluding superannuation) as set by the Tribunal and covering the financial years 2016 and 2017.

Table 2: FY 2016 and FY 2017 Board director fees

	With effect from		
Role[1]	1 July 2014[2]	1 January 2016[3]	8 December 2016[4]
Chair	$178,940	$182,520	$182,520
Deputy Chair	$99,860	$101,860	$101,860
Board Directors	$89,500	$91,290	$91,290
Audit Committee Chair	$20,700	$21,120	$21,120
Audit Committee Member	$10,360	$10,560	$10,560
People, Safety and Culture Sub-committee Chair[5]	n/a	n/a	$18,000
People, Safety and Culture Sub-committee Members[5]	n/a	n/a	$9,000
Board of Postcorp[6]	$4,663	$4,757	n/a

1 All roles are assigned to Tier 1 Travel arrangements.

2 Remuneration Tribunal, Determination 2014/08: Remuneration and Allowances for Holders of Part-Time Public Office.

3 Remuneration Tribunal, Determination 2015/20: Remuneration and Allowances for Holders of Part-Time Public Office.

4 Remuneration Tribunal, Determination 2016/18: Remuneration and Allowances for Holders of Part-Time Public Office.

5 Australia Post Board Chair and Deputy Chair are not entitled to receive these additional fees.

6 Postcorp has been an inactive company since 30 June 2006.

2.1. FY 2018 annual Board director fees

The Remuneration Tribunal has announced an increase to Board director fees from 1 July 2017 as follows:

Table 3: FY 2018 Board director fees

Role	1 July 2017[1]
Chair	$186,180
Deputy Chair	$103,900
Board Directors	$93,120
Audit Committee Chair	$21,550
Audit Committee Member	$10,780
People, Safety and Culture Sub-committee Chair	$18,360
People, Safety and Culture Sub-committee Members	$9,180

1 Remuneration Tribunal, Determination 2017/10: Remuneration and Allowances for Holders of Part-Time Public Office.

3. Remuneration governance

3.1. Nomination & Remuneration Committee role

The role of the Nomination & Remuneration Committee (the Committee) is to assist the Board in discharging its responsibilities under the Commonwealth Government Business Enterprise Governance and Oversight Guidelines. In particular, the Committee is responsible for ensuring Australia Post has coherent policies and practices that fairly and responsibly manage the performance, remuneration and succession arrangements for the MD & GCEO and senior executives.

The Committee reviews and makes recommendations to the Board on the performance outcomes and remuneration arrangements for the MD & GCEO and senior executives. In addition to its remuneration responsibilities, the Committee's duties include overseeing leadership development and succession arrangements.

The Committee's Charter is reviewed regularly on an annual basis and has been updated following the Government's decision to classify the Australia Post MD & GCEO as a Principal Executive Officer (PEO) see Section 4.9 for further details.

The current Committee Charter is available on the Australia Post website: www.auspost.com.au

3.2. Engagement of external advice

To inform its decision making during FY 2017, the Committee sought advice on performance and remuneration related matters from the MD & GCEO and senior executives.

External remuneration advice was received by the Committee from Mercer and PwC. The advice included market practice and executive remuneration benchmarking information which was used to inform the 2017 financial year annual review of senior executive remuneration. None of the advice received included a remuneration recommendation as defined by the *Corporations Act 2001*.

Remuneration Report 2017

3.3. Executive contract terms

The terms of employment for the MD & GCEO and senior executives are formalised in employment contracts, which generally have no fixed term. The MD & GCEO and senior executive employment contracts typically outline the components of remuneration paid to the individual but do not prescribe how much the total remuneration quantum will be adjusted year to year. The contracts provide for participation in short-term incentive (STI) schemes in accordance with the relevant STI scheme rules.

Continuation of employment is subject to ongoing performance reviews by the Board and the MD & GCEO. A description of each employment contract termination scenario for the MD & GCEO and senior executives is detailed below:

Table 4: Employment contract cessation

Scenario	Definition
Termination on notice by the executive	The MD & GCEO or a senior executive may terminate the employment contract by providing 12 weeks' notice in writing.
Termination on notice of the MD & GCEO by Australia Post	Where the Board terminates the MD & GCEO employment the MD & GCEO is entitled to 12 months' notice in writing or provision of payment in lieu of the full or part of the notice period.
Termination on notice of a senior executive by Australia Post	Australia Post may terminate a senior executive's employment contract by providing 90 days' notice or provide payment in lieu of the full or part of the notice period.
Termination on notice payments	Termination on notice payments by Australia Post are compliant with minimum legislation and designed to ensure consistent and equitable practices are applied. For the MD & GCEO and senior executives, termination on notice payments are calculated based on length of service and shall be no less than an amount equal to the notice period and no more than 12 months of fixed annual remuneration.
Termination without notice	In certain scenarios as set out in the employment contract of the MD & GCEO and a senior executive (e.g. breach of contract, improper conduct or conviction for a criminal offence) Australia Post may terminate the employment contract at any time without notice, and the executive will be entitled to payment of fixed annual remuneration only up to the date of termination.
Death or total and permanent disablement	In the event of death or total and permanent disablement, there are no financial entitlements due from Australia Post other than the payment of statutory or contractual entitlements of accrued leave and annual leave. The Board retains the discretion to make an ex-gratia payment.
Retirement	There are no financial entitlements due from Australia Post on the retirement of the MD & GCEO or a senior executive other than the payment of statutory or contractual entitlements of accrued leave and annual leave. The Board retains the discretion to make an ex-gratia payment.

4. Linking strategy, performance and remuneration

4.1. Overarching remuneration principles

Australia Post's remuneration strategy supports the strategic imperatives of the organisation, enabling performance-based remuneration and recognition of highly capable employees while remaining aligned to market practice.

The design of the remuneration and performance management approach seeks to ensure:

- Australia Post meets community obligations and operates commercially (as defined in the *Australian Postal Corporation Act (1989)*);
- The application of demanding individual and corporate financial and non-financial performance measures;
- Market competitive levels of remuneration to attract, motivate and retain high calibre talent;
- An appropriate portion of "at risk" remuneration contingent on executive and company performance; and
- Remuneration arrangements that are equitable to encourage a diverse senior executive team.

4.2. FY 2017 remuneration structure

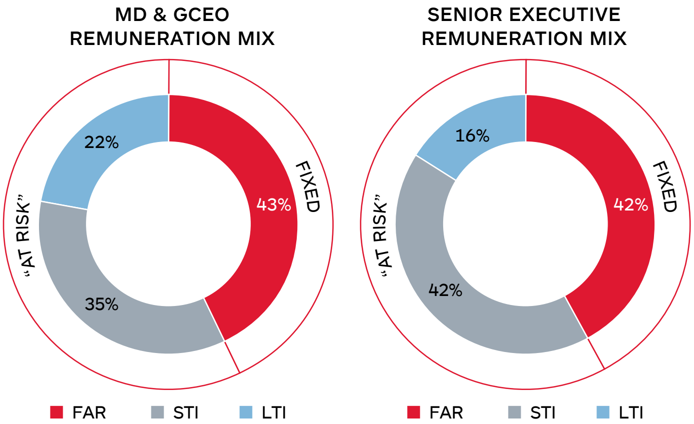
For FY 2017 the MD & GCEO and senior executive annual remuneration arrangements comprise three components:

1. Fixed annual remuneration (FAR);
2. Short term incentives (STI) opportunities; and
3. 2014 long term incentives (LTI) opportunities.

4.3. Remuneration mix

The Board aims to ensure that the mix of FAR, STI and LTI is appropriate and that a suitable portion of remuneration remains "at risk" to ensure that the MD & GCEO and senior executives are only rewarded when delivering performance that is aligned to the Australia Post strategy.

Figure 1: MD & GCEO and senior executive (average) remuneration mix



The variable, at risk component of total remuneration potential is 57% for the MD & GCEO and 58% for senior executives.

4.4. Fixed Annual Remuneration (FAR)

FAR aims to reward the MD & GCEO and senior executives for executing the core requirements of their role. FAR is positioned competitively around the median of the market to attract, motivate and retain senior executives and reflect the individual's responsibilities, skills, performance, qualification and experience. FAR generally includes base salary, all benefits and entitlements received in cash, superannuation and any salary sacrificed items.

FAR is reviewed annually with adjustments generally effective from 1 December each year. Reviews are informed by a range of internal and external factors including market comparative remuneration benchmarking to roles in companies of similar size and complexity and changes in role and responsibility.

4.5. Short term incentives

STI are intended to reward individuals for their contribution to transforming the company, separate to the core requirements of their role. The STI program is an "at risk" annual incentive opportunity where an STI payment may be awarded subject to the achievement of relevant individual, team, strategic and enterprise key performance indicators (KPIs).

The MD & GCEO and senior executives' STI opportunities are communicated as STI Target Potential (the potential award available if target performance is achieved) or STI Maximum Potential (the maximum potential award available).

The factors that determine a STI outcome include:

1. The STI target opportunity for the MD & GCEO is communicated as a percentage of the incentive benchmark (base salary, benefits, superannuation and other entitlements). The MD & GCEO has the opportunity to receive a target STI award of up to 100% of the incentive benchmark and an exceptional performance stretch of a further 50% (75% of the MD & GCEO overall STI award is based on the performance of the MD & GCEO scorecard and 25% on a Personal Component KPI which assesses the MD & GCEO's leadership).
2. The STI target opportunity for senior executives is communicated as a percentage of FAR. Senior executives have the opportunity to receive a STI Target Potential award of up to 70% of their FAR and, in circumstances where performance has significantly exceeded target, up to a further 30% of FAR (STI Maximum Potential).
3. An individual's annual performance rating, which is determined based on the achievement of Key Performance Indicators (KPIs) set in a scorecard at the start of the year. To determine individual performance ratings, the MD & GCEO and each senior executive has an individual scorecard of targets and measures agreed at the start of the financial year that are relevant to their role and their contribution to Australia Post strategic priorities.
4. The Enterprise Multiplier, which reflects the overall performance of the enterprise against the Enterprise Scorecard and adjusts (increases or decreases) a senior executive's individual STI payments.

At the end of the financial year the Nomination & Remuneration Committee reviews the performance of the MD & GCEO and each senior executive against their individual scorecard as well as the performance of the Enterprise Scorecard. The Committee then recommends to the Board individual STI awards.

Where a stretch target STI award is awarded, half of the stretch amount is paid in the current year and half is deferred for 12 months. All STI awards, including deferred STI awards, are paid in cash.

Remuneration Report 2017

4.6. Applying the remuneration strategy in FY 2017

MD & GCEO

The MD & GCEO scorecard contains a range of KPIs that are aligned to the strategic priorities of the enterprise. The FY 2017 MD & GCEO scorecard KPIs are detailed in the table below:

Table 5: FY 2017 MD & GCEO scorecard

Measure	KPI	Link to strategy	Performance	Outcome
Financial	Profit Before Tax (PBT)	Delivering a profit enables Australia Post to return a dividend to our Shareholder and invest in our future	In FY 2017 we set a PBT target of $90m, building on the FY 2016 PBT of $41m. Our FY 2017 PBT outcome of $126.1m has exceeded the budgeted PBT figure. This is a significant achievement in a year that has seen accelerated letters decline, increased competition, and considerable change.	Exceeded
Strategy and Innovation	Maintain our parcels market share	Maintaining market share in a fiercely competitive parcel delivery market is key to our growth ambition in order to fund future investments	As a result of a strong sales growth, continued innovations in eCommerce, and focused service leadership initiatives in our eCommerce Deliveries business, we have exceeded our target for domestic market share of parcels.	Achieved
	Implement Australia Post's international joint venture	Enabling our customers to connect with the rest of the world by extending our supply chains and providing trusted international eCommerce solutions	In September 2016 our successful joint venture with Aramex Limited created Aramex Global Solutions (AGS). AGS has made good progress in building the scalable platforms required to provide best in breed cross border integrated eCommerce solutions.	Partially achieved
Customer	Reducing our carded parcels rate to at or below 11%	Maintaining happy customers is crucial to our growth ambition, and carded parcels has been identified as the number one concern by our customers	During FY 2017 we have reduced our carding rate of parcels significantly from 15.2% at the end of FY 2016 to 10.7%, and exceeding our FY 2017 target of 11%.	Achieved
	Maintaining Consumer and Small Business NPS within target range	Customer advocacy and loyalty is critical in order to win in a competitive eCommerce market	Due to a focused campaign spanning across all areas of our business, our Consumer and Small Business NPS has seen an overall +1.4 improvement to bring us within our target range for FY 2017	Partially achieved
People	Develop an innovative culture by trialing up to three impactful creative customer centric innovations	The long-term sustainability of Australia Post requires us to enable innovation and build a diverse pipeline of new products, services and business models in order to identify new sources of value for our customers and shareholder	Our Australia Post Accelerator program has had a successful first year, partnering with our core business to trial and implement impactful and creative customer innovations and solutions. With multiple new initiatives that have included innovations that enable on demand delivery capability, accelerate eCommerce for small business, enable smart-home platforms to connect with home lockers and deliveries and enable on-demand fulfilment from our distribution centres.	Exceeded
	Safety (AOIFR)	The health, safety and wellbeing of our people is our most important cultural priority	Despite five consecutive years of positive progress in the area of safety performance including our strongest ever performance in 2016, our AOIFR results were slightly higher in FY 2017 and therefore did not meet our expectation of continued improvement.	Below expectation

Senior executives

Senior executives' individual scorecards contain KPIs covering financials, strategy and innovation, customer and people that are relevant to the senior executive's business area and the individual's role and responsibilities.

The Enterprise Scorecard contains enterprise level KPIs. For FY 2017 the Enterprise Scorecard was assessed against the KPIs outlined below, resulting in a Board approved Enterprise Multiplier for the 2017 financial year of 1.05.

Table 6: FY 2107 enterprise scorecard

Measure	KPI	Link to strategy	Performance	Outcome
Financial	Profit Before Tax (PBT)	Delivering a profit enables Australia Post to return a dividend to our Shareholder and invest in our future	In FY 2017 we set a PBT target of $90m, building on the FY 2016 PBT of $41m. Our FY 2017 PBT outcome of $126.1m has exceeded the budgeted PBT figure. This is a significant achievement in a year that has seen accelerated letters decline, increased competition, and considerable change.	Exceeded
Strategy and Innovation	Securing two major Trusted eCommerce Services contracts	Our expanding digital products are crucial to the reinvention of our business as a major eCommerce services provider	During FY 2017, we have made significant progress in securing three major Trusted eCommerce Services agreements – one with a large government agency, one with a state government law enforcement agency and one with a major Australian financial services institution.	Achieved
	Maintain our parcels market share	Maintaining market share in a fiercely competitive parcel delivery market is key to our growth ambition in order to fund future investments	As a result of a strong sales growth, continued innovations in eCommerce, and focused service leadership initiatives in our eCommerce Deliveries business, we have exceeded our target for domestic market share of parcels.	Achieved
	Trialing or implementing three impactful, creative customer innovations	The long-term sustainability of Australia Post requires us to build a diverse pipeline of new products, services and business models in order to identify new sources of value for our customers and shareholder	Our Australia Post Accelerator program has had a successful first year, partnering with our core business to trial and implement impactful and creative customer innovations and solutions. With multiple new initiatives that have included innovations that enable on demand delivery capability, accelerate eCommerce for small business, enable smart-home platforms to connect with home lockers and deliveries and enable on-demand fulfilment from our distribution centres.	Exceeded
Customer	Reducing our carded parcels rate to at or below 11%	Maintaining happy customers is crucial to our growth ambition, and carded parcels has been identified as the number one concern by our customers	During FY 2017 we have reduced our carding rate of parcels significantly from 15.2% at the end of FY 2016 to 10.7%, and exceeding our FY 2017 target of 11%.	Achieved
	Maintaining Consumer and Small Business NPS within target range	Customer advocacy and loyalty is critical in order to win in a competitive eCommerce market	Due to a focused campaign spanning across all areas of our business, our Consumer and Small Business NPS has seen an overall +1.4 improvement to bring us within our target range for FY 2017.	Partially achieved
People	Employee Engagement	We strongly believe that happy people results in happy customers and ultimately a happy shareholder	During a year of significant change our employees have remained positive and engaged resulting in a 4% increase in our employee engagement score over the last 12 months. In addition to this we achieved a 74% "Yes Vote" for our Australia Post Enterprise Bargaining Agreement.	Exceeded
	Safety (AOIFR)	The health, safety and wellbeing of our people is our most important cultural priority	Despite five consecutive years of positive progress in the area of safety performance including our strongest ever performance in 2016, our AOIFR results were slightly higher in FY 2017 and therefore did not meet our expectations of continued improvement.	Below expectation

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4.7. FY 2017 STI outcomes

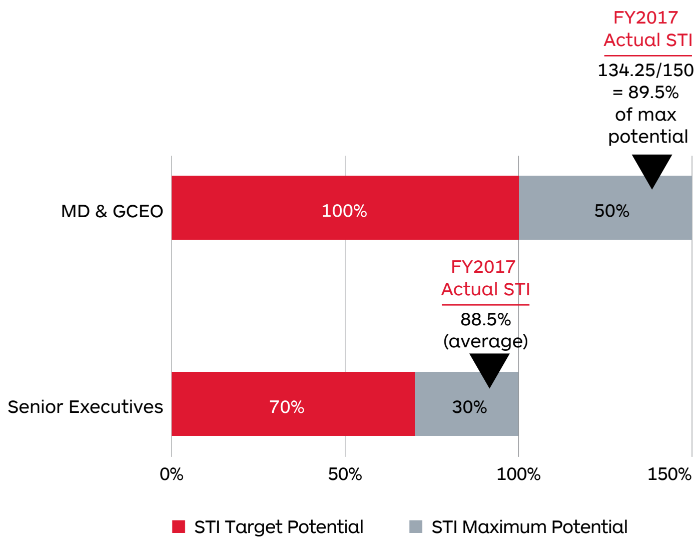
Based on the balance of significant achievements in FY 2017, the Board determined that the MD & GCEO should receive 86% of the MD & GCEO enterprise KPI scorecard component and 100% of the Personal Component resulting in a short term incentive award of 89.5% of maximum potential STI.

Senior executives were awarded an average of 84.2% of the maximum potential STI which was increased by the Enterprise Scorecard multiplier of 1.05 to an average of 88.5%.

A portion of the MD & GCEO STI award will be deferred until September 2018 and will remain "at risk", contingent on the sustained performance of the business.

For the senior executives, half of the stretch STI award is paid in the current year and half is deferred for 12 months. An average STI award of 79.25% of maximum STI potential will be paid to senior executives in September 2017 and an average of 9.25% will be deferred until September 2018.

Figure 2: FY 2017 STI outcomes



4.8. Long term incentives

MD & GCEO's LTI plan

4.8.1. Background

The MD & GCEO's remuneration arrangements within his employment contract included an LTI component. The MD & GCEO three year LTI plan for FY 2015 to FY 2017 provided a maximum potential payment of up to $6 million for the three year period.

Eligibility to receive the LTI award was dependent on:

- Continued employment and participation in the LTI plan;
- Making sufficient progress against the Three-Year Success Factors; and
- Achieving defined Annual LTI Milestones.

4.8.2. Three-year success factors

In July 2014, the Board approved the MD & GCEO LTI plan and established KPI measures for the three years FY 2015 to FY 2017. The Nomination & Remuneration Committee made an assessment of the MD & GCEO's performance against these KPIs and the Annual LTI Milestones at its July 2017 Nomination & Remuneration Committee meeting and made recommendations to the Board as follows:

Success factor 1

Gain Shareholder support for strategic initiatives through necessary changes to the Community Service Obligations (CSO) or the Service Performance Standards, and increasing participation in government-related business. Underpinned by that support, fundamentally reconfigure the processing and delivery networks to reduce cost in the declining letters business and significantly improve competitiveness in the end-to-end handling of parcels.

Assessment

Following five years of accelerating decline in addressed letter volumes, Australia Post established the Reform of Our Letters Service (Reform) strategic program in 2013. The successful execution of this program led to the introduction of major price, product and delivery timetable reforms.

Through ongoing and extensive collaborative consultation with key stakeholders, Australia Post gained support to change the Prescribed Performance Standards (PPS) to change the delivery speed of a standard letter and to increase the price of the Basic Postage Rate to $1. This was the most significant postal reform in nearly twenty years.

The design of an overall Reform package that was supported by multiple stakeholders (our Shareholder, our communities, partners, our customers and our people) was crucial to the success of the program with commitments that included maintaining discounted concession and seasons' greetings stamp prices; helping small business through the introduction of PromoPost; and providing vital reassurance to our workforce through a commitment of no forced redundancies for any employee impacted by Reform and actively seeking work in other parts of the business.

During this period our customer satisfaction increased; and we maintained jobs for our people minimising the employee impact of Reform through retraining and redeployment initiatives under the Post People 1st program.

The efficiencies realised through the Reform program were the main drivers for a return to enterprise profit in 2015/16 and profit growth in 2016/17.

Success factor 2

Establish a vital on-line presence by providing a comprehensive range of services, payment facilities and access options.

Assessment

In response to the ongoing consumer shift to digital forms of communicating and transacting, in 2012 Australia Post created a scalable Digital Mailbox as a 'platform' for connecting consumers with business and government.

Over the past five years, the original Digital Mailbox concept has evolved to become the MyPost account, which gives both consumers and small businesses online access to our services and individual control of their interactions with Post and our services. As at the end of June 2017, more than 5 million consumers had registered for a MyPost account.

Since launch we have added new features to the MyPost platform and progressively integrated all of the services that are available on the platform through a single sign on capability.

MyPost has enabled our customers to control the final delivery of their parcels and access a range of customer experiences such as improved tracking, day before notifications and the ability to direct Australia Post to 'safe drop' or redirect their parcel.

Success factor 3

Establish an ongoing competitive position in the international eCommerce parcel supply chain.

Assessment

The increasingly competitive and complex global cross-border eCommerce market has continued to grow in size and momentum over the last few years. This has created enormous opportunities for logistics companies that have reliable, end-to-end, global networks or partnerships.

For many years we have had a strategy to support businesses engaged in international eCommerce by establishing a strong competitive position in the international logistics market, particularly, in Asia.

An important part of this international strategy was realised with the purchase of a strategic stake in the global logistics company Aramex in 2016 and the creation of a joint-venture business (Aramex Global Solutions) based in Singapore – which positions us to capture future growth in the Asian region.

In addition to our Aramex partnership, we have also achieved significant volume growth in inbound international parcels over the past year, signed a number of bilateral commercial agreements; and achieved rapid growth in our Sai Cheng Joint Venture with China Post.

Success factor 4

Ensure the ongoing viability of the retail network through business growth and, as necessary, government support.

Assessment

Our Post Offices are the face of Australia Post and at the heart of many communities throughout Australia as well as being an important part of our overall network of customer connections, especially in rural areas.

However, the popularity of online transactions (e.g., bill payments and agency-based banking services) has resulted in declining customer visitation and led to a situation where payments to Licenced Post Offices plateaued (between 2010 and 2012), placing many of these outlets under financial pressure.

It was vital that we took action to ensure the sustainability of the Post Office for the benefit of our customers, the community and our licensee partners.

Between 2013 and 2017 we have increased LPO payments by 36%. The increased payments were the result of close consultation with the licensees' representative groups and a broad-scale review of the licensee payments system; and targeted increases in a range of Licensed Post Office (LPO) payments (including minimum annual payments). But, the most significant increase in LPO payments was achieved via the increase in the Basic Postage Rate, as part of Reform.

The increase in LPO payments during this period has been augmented by the installation of FLEXIPOS technology and Extended Identity Services, equipment that enables a range of banking, payments, government and identity services, in a number of outlets.

Supporting the changes outlined above we have also strengthened our LPO consultation with new forums enabling us to engage more effectively. At the same time we have broadened our collaboration approach to recognise our consultative partners.

4.8.3. MD & GCEO LTI plan payment

Within the context of the challenging environment (broad stakeholder requirements and obligations, digital disruption, the political environment, international and domestic competitive factors and significant risks involved with large scale transformation) over the last three years, the Board determined:

- Progress against the Three-Year Success Factors met the Board's expectations;
- All Annual LTI Milestones in 2014/15 and 2015/16 had been met; and
- Significant progress had been made in the majority but not all of the 2016/17 Annual LTI Milestones due to Milestone 3 in 2016/17 only being partially achieved because of the failure to secure a major contract with Government or a large Corporate before 30 June 2017.

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Based on the assessment of performance and by virtue of his continued employment and participation in the LTI plan, the Board determined the MD & GCEO was eligible to receive 66.67% of the maximum potential LTI payment resulting in an LTI award of $4m.

The LTI awarded by the Board will be payable on 30 September 2017. It will be subject to PAYE tax and will not be included when determining the Managing Director & Group CEO's superannuation salary.

Senior executive LTI plan

4.8.4. Background

The market from which Australia Post attracts and retains senior executives is generally large publically listed institutions of similar size and complexity. It is common for publicly listed companies to offer senior executives an "at risk" equity based long term incentive as part of variable remuneration.

Australia Post is not able to utilise equity based incentive schemes to reward individuals. The Board created a senior executive three year LTI in 2014 (covering financial years 2015 to 2017) in recognition of the strategic challenges facing the organisation and the desire to retain the high performance senior executive team.

4.8.5. LTI plan design

The LTI maximum potential bonus available to senior executives is 50% to 150% of their fixed annual remuneration (at the time of award) depending on complexity and size of role. Payment is dependent on the following factors:

- The participant has consistently achieved an individual performance rating of "meeting expectations" or above;
- The participant is employed by Australia Post on the payment dates and has not given notice of resignation;
- The Board has approved the payment of a bonus to the participant; and
- Australia Post meets the following five Enterprise KPIs, as determined by the Board.

The five Enterprise KPIs were determined in 2014 as:

1. Phase II integration of Parcels services;
2. StarTrack establishes a competitive position in the international eCommerce parcel supply chain in Asia and one other continent;
3. MyPost platform is implemented providing a comprehensive range of services, payment facilities and access options, for registered customers;
4. The viability of the Post Office network is secured through to 2020; and
5. Full implementation of the Letters Reform program including substantial reduction in losses in the letters services.

4.8.6. Senior executives LTI plan payment

As for the MD & GCEO LTI award, the Board assessed performance against the five LTI measures in July 2017. Performance against each of the five Enterprise KPIs was assessed independently of each other. Each KPI carried a 20% weighting in determining the final bonus.

Of the 5 KPIs the Board determined that 3 had been fully achieved and that 2 had been partially achieved over the three year performance period. The Board determined that 80% of the maximum potential LTI bonus should be paid to participants.

The LTI bonus payment will be paid in two tranches. Two-thirds will be paid in November 2017 and the remaining one-third in November 2018.

4.9. FY 2018 remuneration structures

4.9.1. Newly appointed MD & GCEO

Earlier this year the Government determined that the Australia Post MD & GCEO's remuneration should be set by the Remuneration Tribunal.

The Remuneration Tribunal is an independent statutory authority established under the *Remuneration Tribunal Act 1973* (the Act). The Tribunal consists of three part-time members appointed by the Governor-General.

The Tribunal's role is to determine, report on or provide advice about remuneration, including allowances and entitlements for office holders within its jurisdiction.

Our new MD & GCEO (with effect from 30 October 2017), Christine Holgate has been classified by the Remuneration Tribunal as a Principal Executive Officer (PEO) Band E which falls within its remit.

The Remuneration Tribunal has determined that the Total Remuneration Reference Rate for our new MD & GCEO is $1.375m. As is usual practice and consistent with the Remuneration Tribunal's Guide to the Principal Executive Officer Structure, the Board of Australia Post has the discretion to determine a variance within the band from 10% below the reference rate to 5% above the reference rate. The Board may not determine remuneration above the reference rate in the first 12 months of appointment.

The Remuneration Tribunal has also confirmed performance pay incentive arrangements for our new MD & GCEO with a Target STI potential of 70% of FAR and a STI maximum potential of 100% of FAR. The Board of Australia Post is responsible for determining the performance of the MD & GCEO and determining any incentive outcomes. No LTI plan will be provided for the MD & GCEO in FY 2018.

Based on the determination of the Remuneration Tribunal, the Board has set Ms Holgate's total remuneration potential at $2.75m comprising fixed annual remuneration of $1.375m and STI maximum potential of $1.375m.

Consistent with the Remuneration Tribunal's *Guidelines on Geographic Relocation of Full Time Office Holders*, the Remuneration Tribunal has approved an allowance be provided to our new MD & GCEO's to cover short-term accommodation costs for up to six months.

4.9.2. Senior executives

An appropriate adjustment will be applied to the FAR of senior executives whose portfolios have changed from 1 July 2017. Consistent with the new MD & GCEO remuneration, no LTI plan will be provided for senior executives in FY 2018.

5. FY 2017 statutory remuneration tables (audited)

For the purposes of this disclosure, Australia Post has defined Key Management Personnel as Board Directors, the Managing Director & Group Chief Executive Officer and Senior Executives who report directly to the MD & GCEO and who have authority and responsibility for planning, directing and controlling the activities of the enterprise. These employees are the only employees considered to have the capacity and responsibility for decision making that can have a significant and direct impact on the strategic direction and financial performance of the Australia Post. Remuneration received directly or indirectly by KMP is provided under an accrual basis for the years ending 30 June 2016 and 30 June 2017. All remuneration is provided in Australian Dollars.

Table 7: Board Directors (accruals basis)

Name	Year	Director fees[13] $	Non-monetary benefits[14] $	Super-annuation[15] $	Total $
Current Directors					
John Stanhope AM (Chair)	2017	182,520	–	17,339	199,859
	2016	182,520	–	17,339	199,859
Holly Kramer[1] (Deputy Chair)	2017	102,498	–	9,737	112,235
	2016	67,381	–	6,401	73,782
Dominique Fisher	2017	100,290	–	9,528	109,818
	2016	92,720	–	8,808	101,528
Bruce McIver[2]	2017	101,850	–	9,676	111,526
	2016	54,418	–	5,170	59,588
The Hon. Michael Ronaldson[3]	2017	100,290	–	9,528	109,818
	2016	14,351	–	1,363	15,714
Paul Scurrah[4]	2017	750	–	71	821
	2016	–	–	–	–
Jan West AM[5]	2017	110,761	–	10,522	121,283
	2016	8,158	–	775	8,993
Deidre Willmott[6]	2017	750	–	71	821
	2016	–	–	–	–
Former Directors					
Brendan Fleiter[7]	2017	96,228	–	10,393	106,621
	2016	118,525	–	12,801	131,326
Susan Bitter[8]	2017	–	–	–	–
	2016	8,650	–	822	9,472
Michael Byrne[9]	2017	46,879	–	4,453	51,332
	2016	67,381	–	6,401	73,782
Peter Carne[10]	2017	–	–	–	–
	2016	50,179	5,166	5,419	60,764
Michael D'Ascenzo AO[11]	2017	–	–	–	–
	2016	87,747	–	8,336	96,083
Talal Yassine OAM[12]	2017	–	–	–	–
	2016	7,754	–	737	8,491
Total Board Directors	2017	842,816	–	81,318	924,134
	2016	759,784	5,166	74,372	839,322

1 Holly Kramer appointed to the Board October 2015, Acting Deputy Chair May 2017 and Deputy Chair June 2017.
2 Bruce McIver appointed to the Board December 2015.
3 The Hon. Michael Ronaldson appointed to the Board May 2016.
4 Paul Scurrah appointed to the Board June 2017.
5 Jan West AM appointed to the Board May 2016.
6 Deidre Willmott appointed to the Board June 2017.
7 Brendan Fleiter retired from the Board May 2017.
8 Susan Bitter retired from the Board August 2015.
9 Michael Byrne appointed to the Board October 2015 and resigned from the Board December 2016.
10 Peter Carne retired from the Board December 2015.
11 Michael D'Ascenzo AO retired from the Board May 2016.
12 Talal Yassine OAM retired from the Board August 2015.
13 Board Director fees are set by the Remuneration Tribunal and paid in cash.
14 Non-monetary benefits comprises the Reportable Fringe Benefits amount included on the recipient's payment summary.
15 Minimum superannuation contributions are provided as prescribed under Superannuation Guarantee legislation.

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Table 8: MD & GCEO and senior executives base salary, short term employee benefits and post-employment benefits (accruals basis)

		Short-term employee benefits			Post-employment benefits		
Name	Year	Base salary[6] $	Short-term annual incentive[7] $	Non-monetary benefits[8] $	Super-annuation[9] $	Termination benefits[10] $	Total $
FY 2017 Senior Executives							
Ahmed Fahour AO	**2017**	**2,040,019**	**2,174,850**	**102,562**	**1,747,914[1]**	**–**	**6,065,345**
	2016	1,971,152	2,342,993	73,985	1,239,829[1]	–	5,627,959
Peter Bass[2]	**2017**	**520,083**	**368,430**	**–**	**54,298**	**–**	**942,811**
	2016	–	–	–	–	–	–
Robert Black	**2017**	**894,260**	**691,688**	**–**	**19,616**	**–**	**1,605,564**
	2016	883,426	595,000	–	19,308	–	1,497,734
Chris Blake	**2017**	**784,296**	**610,313**	**–**	**19,616**	**–**	**1,414,225**
	2016	781,514	521,500	–	19,308	–	1,322,322
Christine Corbett	**2017**	**777,308**	**671,345**	**–**	**83,353**	**–**	**1,532,006**
	2016	767,305	677,500	–	82,350	–	1,527,155
Laz Cotsios[3]	**2017**	**585,097**	**488,250**	**–**	**19,616**	**–**	**1,092,963**
	2016	410,238	276,356	–	19,308	–	705,902
Janelle Hopkins	**2017**	**763,849**	**610,313**	**–**	**19,616**	**–**	**1,393,778**
	2016	534,929	385,000	–	19,308	–	939,237
Andrew Walduck[4]	**2017**	**708,802**	**610,313**	**47,017**	**19,616**	**–**	**1,385,748**
	2016	513,120	351,726	35,490	19,308	–	919,644
Former Senior Executives							
Ewen Stafford[5]	**2017**	**–**	**–**	**–**	**–**	**–**	**–**
	2016	429,794	415,000	-	43,102	368,052	1,255,948
Total Senior Executives	**2017**	**7,073,714**	**6,225,502**	**149,579**	**1,983,645**	**–**	**15,432,440**
	2016	6,291,478	5,565,075	109,475	1,461,821	368,052	13,795,901

1 Superannuation of the MD & GCEO includes a lump sum payment which was payment of an amount to restore the value in the MD & GCEO's original contract as a result of erosion through unexpected impacts of legislation with respect to superannuation contributions from February 2010.

2 Peter Bass commenced as a KMP on appointment to the role of EGM Letters & Mail on 1 July 2016.

3 Laz Cotsios was appointed as a KMP October 2015.

4 Andrew Walduck was appointed as a KMP October 2015.

5 Ewen Stafford retired with effect 1 January 2016 and received an ex-gratia termination payment approved by the Board of $368,052.

6 Base salary comprises cash salary and accrued annual leave.

7 Short-term annual incentive comprises accrued short term incentives and bonuses payable within 12 months of the end of the period.

8 Non-monetary benefits comprises the Reportable Fringe Benefits Amount included on the recipient's payment summary (e.g., value of motor vehicles under salary sacrifice agreement and value of related party travel costs and subscriptions).

9 For employees who are members of the defined benefit scheme (the Australia Post Superannuation Scheme) the superannuation benefit has been based on the rate used for Australian Tax Office purposes to establish the Notional Tax Contribution which is currently 10.8%. If the employee is member of a defined contribution plan, the benefit is calculated at 9.5% in accordance with the applicable legislation.

10 Termination benefits are payments that may be made in relation to the termination of the KMP role.

Table 9: MD & GCEO and senior executives long term employee benefits (accruals basis)

Name	Year	Long-term employee benefits: Short-term incentive deferral[5] $	Long service leave[6] $	Long-term incentive[7] $	Total $
FY 2017 Senior Executives					
Ahmed Fahour AO	2017	733,449	38,133	–	771,582
	2016	390,499	64,399	2,000,000	2,454,898
Peter Bass[1]	2017	38,338	72,202	167,200	277,740
	2016	–	–	–	–
Robert Black	2017	160,969	17,340	330,000	508,309
	2016	–	20,799	330,000	350,799
Chris Blake	2017	85,406	11,968	298,000	395,374
	2016	–	21,110	298,000	319,110
Christine Corbett	2017	94,359	2,914	320,000	417,273
	2016	–	36,904	320,000	356,904
Laz Cotsios[2]	2017	23,625	13,593	146,667	183,885
	2016	–	8,539	146,667	155,206
Janelle Hopkins	2017	29,531	31,006	146,667	207,204
	2016	2,938	19,098	104,667	126,703
Andrew Walduck[3]	2017	29,531	17,829	250,000	297,360
	2016	–	17,673	179,452	197,125
Former Senior Executives					
Ewen Stafford[4]	2017	–	–	–	–
	2016	–	16,685	90,000	106,685
Total Senior Executives	2017	1,195,208	204,985	1,658,534	3,058,727
	2016	393,437	205,207	3,468,786	4,067,430

1 Peter Bass commenced as a KMP on appointment to the role of EGM Letters & Mail on 1 July 2016.

2 Laz Cotsios was appointed as a KMP October 2015.

3 Andrew Walduck was appointed as a KMP October 2015.

4 Ewen Stafford retired with effect from 1 Jan 2016.

5 Short-term incentive deferral is the amount accrued for the portion of short term incentives that are not payable within 12 months of the end of the period they relate to.

6 Long service leave comprises the amount of leave accrued for the period.

7 Long-term incentive: In addition to the short term benefits in the previous table, based on progress against the long term incentive (LTI) performance hurdles, 80% (2016: 80%) of the maximum annual value of long-term potential reward was accrued for the senior executives and nil accrued for the MD & GCEO. Actual LTI accruals and payment amounts are subject to Board approval. With regard to the MD & GCEO's LTI scheme, $4.0m of a potential $6.0m was awarded in July 2017.

Financial and statutory reports 2017

Contents

Statement by directors, Managing Director & Group CEO and EGM Finance & Group CFO

2016/17 Financial statements

In our opinion:

a. The accompanying financial statements for the year ended 30 June 2017:

   (i) Present fairly the entity's financial position, financial performance and cash flows;

   (ii) Comply with the accounting standards and any other requirements prescribed by the Public Governance, Performance and Accountability Act 2013 and the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015; and

   (iii) Have been prepared based on properly maintained financial records.

b. At the date of this report, there are reasonable grounds to believe that the group will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the directors.

J Stanhope AM
Chairman

Melbourne
24 August 2017

C Corbett
Acting Managing Director & Group CEO

Melbourne
24 August 2017

J Hopkins
Group CFO & EGM Finance & Commercial Services

Melbourne
24 August 2017

2016/17 Financial Statements Certification by Directors

Prior to the adoption of the 2016/17 financial statements, the board received and considered a written statement from the Acting Managing Director & Group CEO and Group CFO & EGM Finance & Commercial Services that in their opinion:

- the financial records of the corporation and the consolidated entity have been properly maintained;
- the statements comply with the accounting standards and any other requirements prescribed by the Public Governance, Performance and Accountability Act 2013 and the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 and present fairly the entity's financial position, financial performance and cash flows; and
- integrity of the financial statements is founded on a sound system of risk management and internal control which is operating effectively.

J Stanhope AM
Chairman

Melbourne
24 August 2017

Annual Performance Statement for the year ended 30 June 2017

Each year, Australia Post provides a rolling four year corporate plan. The 2016/17 corporate plan and associated Statement of Corporate Intent were submitted to shareholder ministers in August 2016, detailing Australia Post's strategic direction under the Part of Tomorrow strategy.

Statement

The directors, as the accountable authority of Australia Post, present the 30 June 2017 performance statements of the Australian Postal Corporation and its controlled entities, as required under paragraph 39(1)(1) of the *Public Governance, Performance and Accountability Act 2013* and other applicable legislation.

In the opinion of the directors, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the *Public Governance, Performance and Accountability Act 2013*.

Purpose

Australia Post's purpose is expressed through the *Australian Postal Corporations Act 1989* (APC Act) that sets both community service and commercial objectives.

The principal function of Australia Post as per the APC Act is to supply postal services within Australia and between Australia and places outside Australia. While doing this, we will provide high-quality, efficient services to the community, and operate commercially and achieve a reasonable return on assets.

More specifically, we are required to meet our CSO by ensuring that the regulated letters service:

- is reasonably accessible to all Australians on an equitable basis;
- operates to performance standards that meet the needs of the community; and
- is provided at a uniform price for standard letters carried by ordinary post within Australia.

Our statement of purpose is: Helping our people, customers and communities build a better future. Everyone, everywhere, every day.

The Part of Tomorrow strategy for 2016/17 was to deliver eCommerce experiences that customers value, that differentiates us from competitors, and that make customers our greatest advocates, by:

1. Making online shopping and services safe, easy and personal for Consumers;
2. Helping small businesses to go and grow online;
3. Powering eCommerce for our business customers; and
4. Powering the digitisation of corporations and government.

Results

Key community service objectives as set out in the plan for 2016/17 which align to the APC Act and prescribed performance standards and performance against these were as follows:

Performance Indicator	Target	Performance
Street Posting Boxes	15,000	15,217
On-time letter delivery	94.0%	98.7%
Retail Outlets (Total)	4,000	4,379
Retail Outlets (Rural & Remote)	2,500	2,545
Delivery Frequency per delivery point:		
– at least 5 days per week	98.0%	98.8%
– no less than 2 days per week	99.7%	99.9%

Key commercial objectives as set out in the plan for 2016/17 and performance against these were as follows:

Performance Indicator	Target	Performance
Profit before tax	$90.2 million	$126.1 million
Shareholder return on equity	3.5%	4.8%
Ordinary dividend declared for 2016/17	$32.4 million	$63.3 million
Ordinary dividend paid in 2016/17	$36.2 million	$50.1 million

Analysis

Our Part of Tomorrow strategy is getting traction and delivering results, as evidenced by a strong financial result for 2016/17, and an improved Net Promoter Score. The financial result was largely due to volume growth in domestic parcels in an intensively competitive environment, the full year effect of the letter price increases of January 2016, and business efficiency initiatives throughout the organisation.

In 2017 we continued to see the benefits of the implementation of letter reform, and made further improvements for our customers. Notably, we improved the parcel collection experience for consumers by reducing carding levels and increasing collection options. We helped small businesses to sell online, making it easier to send parcels from the home or the office. Our international logistics joint venture with Aramex is helping businesses to sell overseas, and our digital identity platform will enable corporations and Federal Government to access their customers easily and effectively.

We continued to provide great customer experiences through the significant investments we made in eCommerce and digital capability. We connected senders and receivers through delivery experiences and connected corporations and governments with consumers at both post offices and via our delivery network.

This statement is made in accordance with a resolution of the directors.

J Stanhope AM, Chairman
Melbourne, 24 August 2017

Financial statements audit report

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Communications

Opinion

In my opinion, the financial statements of the Australian Postal Corporation and its subsidiaries (together the Group) for the year ended 30 June 2017:

(a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Group as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Group, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by directors, Group chief executive office and Group chief financial officer;
- Consolidated statement of comprehensive income;
- Consolidated balance sheet;
- Consolidated statement of changes in equity;
- Consolidated statement of cash flows; and
- Notes to the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the relevant ethical requirements for financial statement audits conducted by me and my delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in applying professional judgement, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the opinion thereon, and no separate opinion is provided on these matters.

Key audit matter	How the audit addressed the matter
Revenue Recognition *Refer to Note A2 'Revenue and other income'* Deferred revenue is estimated for advance payments relating to the value of stamps sold but not yet used ($55.3 million). The Group estimates the amounts sold but not yet used at year end and defers revenue to reflect that the service would be provided during future accounting periods. The calculation of deferred revenue is considered subjective as it is reliant on key assumptions and inputs, such as estimating future	The audit procedures included: • the assessment of the design and operating effectiveness of key controls over revenue recognition as well as detailed transaction testing, including the timing of revenue recognition.; • the assessment of the Group's underlying assumptions and methodology used in its deferred revenue calculations and whether the revenue recognition policies adopted complied with

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postage meter usage based on historical trends, in the calculation, all of which require judgment and expertise to be applied Due to its subjectivity and the magnitude of the revenue balance in comparison to other balances, revenue recognition has been considered a key focus of the audit.	Australian Accounting Standards; • The calculation of stamps sold but not yet used was an actuarial valuation which was assessed with involvement from actuarial specialists, including consideration of key assumptions and inputs to the calculation; and • Analytical procedures, including monthly trend analysis, were performed on revenue transactions during the period and where material variances were identified against set expectations or testing threshold, supporting documentation was examined and enquiries were made of the Group.

Key audit matter	
Accounting and valuation of Australia Post Superannuation Scheme *Refer to Note C3 'Post employment benefits'* The defined benefit scheme (Australia Post Superannuation Scheme) is a material balance and is sensitive to long-term assumptions which can result in material fluctuations in amounts recorded in the financial statements.	**How the audit addressed the matter** Audit procedures included: • The involvement of actuarial specialists in assessing the Group's key assumptions and estimates used in the valuation of its defined benefit obligations. • An evaluation of the appropriateness of the methodology and of the work performed by the Group's external actuary as well as their independence and competency. Specifically, the assessment of the Group's assumptions and estimates included a particular focus on the discount rate, inflation and salary increase assumptions as described in note C3. • Testing the superannuation contribution data provided by the Group to the external actuaries for accuracy and completeness. • The agreement of the fair value of the investments carried by the scheme to supporting documentation on a sample basis. • Consideration was also given to whether the Group's superannuation disclosures are adequate and in accordance with Australian Accounting Standards.

Key audit matter	
Valuation of Goodwill and Indefinite Life Intangible Assets *Refer to Note B4 'Intangible assets'* The Group has recognised $561.9 million in relation to Goodwill and indefinite life intangible assets including Brand names and trademarks. These assets are required to be tested annually for impairment. This impairment test was significant to my audit because the balance of non-current assets, including Goodwill and Intangibles, is material to the financial statements. In addition, the estimation process is complex and highly judgemental, and is based on assumptions about the future. The Group provides details on the assumptions used in	**How the audit addressed the matter** Audit procedures included: • The involvement of valuation specialists to assist in the evaluation of assumptions and methodologies used by the Group, together with sensitivity analysis on the key assumptions used in the Value in Use model prepared by the Group; • An assessment of the discount rate adopted by the Group. • The cash flow forecasts used in the impairment test were examined, and agreed to the business plans approved by the Board. The Group's historical accuracy in meeting its forecasts was also considered.

Financial statements audit report

the impairment tests, including those regarding the level at which the assets are tested, the discount rate and the expected future cash flows, in note B4 to the financial statements.	• Assessment of the adequacy of the financial statement disclosures provided in Note B4 to the financial statements. The assumptions that have the most significant effect on the determination of the recoverable amount of its assets were evaluated. These disclosures were considered with reference to the applicable Australian Accounting Standard requirements.

Key audit matter	How the audit addressed the matter
Valuation of Investment in Associates *Refer to Note E2 'Equity-accounted investees'* During the period, the Group acquired an interest in Aramex PJSC ("Aramex"). The Group acquired 10.06% of the share capital of Aramex at a cost of \$240.0 million. The Australia Post Managing Director and Group CEO was appointed to the Aramex board as a representative of the Group. The Group has accounted for the investment in Aramex as an Equity accounted investment. This investment represents the most significant external investment of the Group and it is material to the Balance sheet. Further the Group has considered both quantitative and qualitative factors in concluding that the 'equity method' of accounting was required to be adopted under the requirements of Australian Accounting Standards - AASB 128 *Investments in Associates and Joint Ventures.* For these reasons, I considered this investment to be a key audit matter.	Audit procedures included: • Transaction documents were reviewed to assess the cost of the investment. • The judgement regarding the nature of the Group's influence over Aramex was evaluated with reference to the quantitative and qualitative factors established in AASB 128. The factors included the composition of the Aramex share register and the composition of the Aramex Board, impacting the capacity of the Group to exercise "Significant influence" over the investment. • An assessment was performed in respect of the carrying value of the investment at 30 June 2017. When assessing potential indicators of impairment, the observable market price of Aramex shares on the Dubai Financial Market was considered.

Other Information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2017 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Australian Postal Corporation and its subsidiaries, the Board of directors is responsible under the Public Governance, Performance and Accountability Act 2013 for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Board of directors is also responsible for such internal control as the Board of directors determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of directors is responsible for assessing the Group's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Board of Directors is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office

Grant Hehir
Auditor-General
Canberra

24 August 2017

Consolidated statement of comprehensive income

for the year ended 30 June 2017

Consolidated ($m)	Note	2017	2016
Revenue			
Goods and services	A2	6,616.9	6,451.6
Interest	A2	6.3	6.1
	A2	6,623.2	6,457.7
Other income			
Rents	A2	41.8	41.8
Other income and gains	A2	142.2	62.7
	A2	184.0	104.5
Total income	A1, A2	**6,807.2**	**6,562.2**
Expenses (excluding finance costs)			
Employees	A3	3,007.3	2,908.7
Suppliers	A3	3,202.5	3,116.3
Depreciation and amortisation	A3	348.6	330.3
Other expenses	A3	81.6	131.1
Total expenses (excluding finance costs)	A3	**6,640.0**	**6,486.4**
Profit/(loss) before income tax, finance costs and share of net profits of equity-accounted investees		**167.2**	**75.8**
Finance costs	A3	(47.6)	(34.5)
Share of net profits/(losses) of equity-accounted investees	E2	6.5	(0.3)
Profit/(loss) before income tax		**126.1**	**41.0**
Income tax (expense)/benefit	A4	(30.7)	(4.6)
Net profit/(loss) for the year attributable to equity holders of Australian Postal Corporation		**95.4**	**36.4**
Net profit/(loss) for the year attributable to:			
Owners of the parent		97.0	36.5
Non-controlling interest		(1.6)	(0.1)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	C3	349.0	(172.8)
Other items		–	5.2
Income tax on items that will not be reclassified to profit or loss	A4	(104.2)	50.2
Total items that will not be reclassified to profit or loss, net of tax		**244.8**	**(117.4)**
Items that may be reclassified subsequently to profit or loss			
Other items		(17.1)	9.4
Income tax on items that may be reclassified to profit or loss		4.4	(3.1)
Total items that may be reclassified to profit or loss, net of tax		**(12.7)**	**6.3**
Other comprehensive income for the year		**232.1**	**(111.1)**
Total comprehensive income for the year attributable to equity holders of Australian Postal Corporation		**327.5**	**(74.7)**
Total comprehensive income/(loss) for the year attributable to:			
Owners of the parent		329.1	(74.6)
Non-controlling interest		(1.6)	(0.1)

This statement should be read in conjunction with the accompanying notes.

Consolidated balance sheet
as at 30 June 2017

Consolidated ($m)	Note	2017	2016
Assets			
Current assets			
Cash and cash equivalents	A5	442.7	547.6
Trade and other receivables	B1	722.3	698.3
Prepayments		117.0	116.5
Inventories		50.2	50.2
Other current assets		7.5	16.4
Asset Held for Sale	B2	138.2	–
Total current assets		**1,477.9**	**1,429.0**
Non-current assets			
Finance lease receivable	E3	96.7	96.7
Net superannuation asset	C3	700.4	403.6
Property, plant and equipment	B3	1,559.8	1,525.8
Intangible assets	B4	859.0	950.2
Investment property	B6	169.0	213.2
Deferred tax assets	A4	400.4	387.1
Equity-accounted investees	E2	247.9	2.2
Other non-current assets		26.2	35.4
Total non-current assets		**4,059.4**	**3,614.2**
Total assets		**5,537.3**	**5,043.2**
Liabilities			
Current liabilities			
Trade and other payables	B7	1,102.1	1,023.8
Employee provisions	C1	769.7	745.0
Interest-bearing liabilities	D2	–	285.3
Other provisions	B8	29.4	35.2
Income tax payable		85.2	43.4
Total current liabilities		**1,986.4**	**2,132.7**
Non-current liabilities			
Interest-bearing liabilities	D2	702.7	423.2
Employee provisions	C1	272.9	292.8
Other provisions	B8	44.2	52.8
Deferred tax liabilities	A4	356.4	249.6
Other non-current liabilities		56.8	53.2
Total non-current liabilities		**1,433.0**	**1,071.6**
Total liabilities		**3,419.4**	**3,204.3**
Net assets		**2,117.9**	**1,838.9**
Equity			
Contributed equity		400.0	400.0
Reserves		4.9	17.1
Retained profits		1,713.0	1,421.8
Equity attributable to equity holders of the parent		**2,117.9**	**1,838.9**

This statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

for the year ended 30 June 2017

Consolidated ($m)	Contributed equity	Reserves	Retained profits	Non-controlling interest[1]	Total equity
Balance at 30 June 2015	400.0	7.2	1,506.3	–	1,913.5
Comprehensive income					
Profit/(Loss) for the year	–	–	36.5	(0.1)	36.4
Other comprehensive income	–	14.6	(172.8)	–	(158.2)
Tax on other comprehensive income	–	(4.7)	51.8	–	47.1
Total comprehensive income for the year	–	9.9	(84.5)	(0.1)	(74.7)
Transactions with owners					
Non-controlling interest on acquisition of subsidiary	–	–	–	5.3	5.3
Put option to acquire non-controlling interest	–	–	–	(5.2)	(5.2)
Distribution to owners (refer to note A6)	–	–	–	–	–
Balance at 30 June 2016	400.0	17.1	1,421.8	–	1,838.9
Comprehensive income					
Profit/(Loss) for the year	–	–	97.0	(1.6)	95.4
Other comprehensive income	–	(17.1)	349.0	–	331.9
Tax on other comprehensive income	–	4.9	(104.7)	–	(99.8)
Total comprehensive income for the year	–	(12.2)	341.3	(1.6)	327.5
Transactions with owners					
Recognition of non-controlling interest of subsidiary	–	–	–	5.2	5.2
Put option to acquire non-controlling interest	–	–	–	(3.6)	(3.6)
Distribution to owners (refer to note A6)	–	–	(50.1)	–	(50.1)
Balance at 30 June 2017	400.0	4.9	1,713.0	–	2,117.9

1. Relates to non-controlling interest in DFE Pty Limited for which the Group holds 75% of equity interest. DFE Pty Limited holds 100% of equity interest in Mail Plus Pty Ltd and MP Rights Pty Ltd.

   Ordinary shares are classified as contributed equity. Reserves include Asset revaluation, Foreign currency translation, Hedging reserves and Other reserves.

This statement should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the year ended 30 June 2017

Consolidated ($m)	Note	2017	2016
Operating activities			
Cash received			
Goods and services		7,185.2	7,058.5
Interest		6.7	6.0
Income tax refund		3.8	22.4
Total cash received		**7,195.7**	**7,086.9**
Cash used			
Employees		2,941.4	2,838.8
Suppliers		3,520.8	3,545.3
Financing costs		35.4	32.9
Income tax		0.7	3.9
Goods and services tax paid		256.5	258.8
Total cash used		**6,754.8**	**6,679.7**
Net cash from operating activities	A5	**440.9**	**407.2**
Investing activities			
Cash received			
Proceeds from sales of property, plant and equipment		42.1	50.8
Dividends received		8.4	–
Total cash received		**50.5**	**50.8**
Cash used			
Net payments for acquisition and sale of controlled entities less cash acquired		5.8	15.7
Payments for investments in associates		240.7	–
Purchase of property, plant and equipment and investment properties		235.3	239.5
Purchase of intangibles		60.3	58.6
Purchase of available for sale assets		–	11.9
Loans to jointly controlled entities		3.3	–
Total cash used		**545.4**	**325.7**
Net cash used by investing activities		**(494.9)**	**(274.9)**
Financing activities			
Cash received			
Proceeds from borrowings		279.2	–
Total cash received		**279.2**	**–**
Cash used			
Repayment of borrowings		280.0	–
Dividends paid		50.1	–
Total cash used		**330.1**	**–**
Net cash used by financing activities		**(50.9)**	**–**
Net increase/(decrease) in cash and cash equivalents		**(104.9)**	**132.3**
Cash and cash equivalents at beginning of the year		547.6	415.3
Cash and cash equivalents at end of the year		**442.7**	**547.6**

This statement should be read in conjunction with the accompanying notes.

Notes to the financial statements

for the year ended 30 June 2017

About the financial statements

This section outlines the basis on which the Group's financial statements have been prepared, including discussion on any new accounting standards or Government rules that directly impact financial report disclosure requirements. In this section, we also outline significant events and transactions that have occurred after balance date affecting the Group's financial position and performance.

The Australian Postal Corporation (the Corporation) is incorporated under the provisions of the *Australian Postal Corporation Act 1989* as amended, and is an Australian Government owned for-profit entity. The nature of the operations and principal activities of Australia Post and its subsidiaries (referred to as 'the Group') are described in note A1 Segment information.

Australia Post headquarters:
111 Bourke Street
Melbourne VIC 3000
Australia

The consolidated general purpose financial report of the Group for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 24th August 2017.

The consolidated financial report is a general-purpose financial report which:

- is required by clause 1(a) of Paragraph 42 of the *Public Governance Performance and Accountability Act 2013* (PGPA Act);
- has been prepared in accordance with the requirements of the PGPA Act, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on an accrual basis and in accordance with the historical cost convention, except for investment property, assets classified as held for sale and derivative financial instruments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedge relationships, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged;
- is presented in Australian dollars with all values rounded to the nearest million dollars ($' 000,000) unless otherwise stated;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2016. Refer to note E7 for further details; and
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note E7 for further details.

Key judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates and assumptions to future events. Judgements and estimates which are material to the financial report are found in the following notes:

A2	International mail revenue	Page 97
B5	Impairment	Page 106
B6	Investment property	Page 107
B7	Unearned postage revenue	Page 108
B8	Other provisions	Page 109
C1	Employee provisions	Page 111
C3	Post employment benefits	Page 117
E2	Equity-accounted investees	Page 127

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year end is contained in note E1.

A subsidiary is an entity that the Group controls. Control is deemed when the Group is exposed to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are consolidated from the date on which control is obtained through to the date on which control ceases. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to align any inconsistent accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Notes to the financial statements

for the year ended 30 June 2017

About the financial statements

Foreign currency translation

The functional currency of the Corporation and its Australian subsidiaries is Australian dollars.

The Group has one overseas subsidiary, as discussed in note E1. On consolidation, that entity's:

- assets and liabilities are translated into Australian dollars at the rate of exchange prevailing at the reporting date; and
- the statement of comprehensive income is translated at exchange rates prevailing at the dates of the transactions.

The exchange rate differences arising are recognised in other comprehensive income.

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the presentation currency spot rate of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in the fair value of the item.

Other accounting policies

Significant other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

The notes to the financial statements

The notes to the financial statements include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps explain the impact of significant changes in the Group, for example, acquisitions and restructuring activities; and/or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes have been grouped into sections to help readers understand how the Australia Post strategy, as outlined in pages 1 to 7 of the Annual Report, is reflected in the financial performance and position of the Group. These sections comprise:

- **Our financial performance:** Our enterprise strategy focuses on reforming our letter services, and extending and building on our parcel and other commercial service offerings. Our financial performance section provides the key financial performance measures of these business areas, as well as Group level financial metrics incorporating revenue, taxation, cashflow and dividends.
- **Our asset platform:** Delivery of our enterprise strategy requires optimising the use of our balance sheet including streamlining and integrating certain operations. Our asset platform section outlines the key operating assets owned and liabilities incurred by the Group.
- **Our people:** To support the execution of our enterprise strategy we must embed culture and align and engage our workforce. This requires us to invest in our people so that we may achieve an inclusive and capable workforce. This investment includes remuneration activities outlined in this section of the financial report.
- **Our funding structure and managing our risks:** The Group is exposed to a number of financial risks. Our funding structure and managing our financial risks section sets out the strategies and practices the Group utilises to minimise the exposure to these risks in order to execute our enterprise strategy in a safe way, as well as outlining the current Group funding structure.
- **Other information:** This section includes mandatory disclosures required by Australian Accounting Standards and the Commonwealth Government's *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*, all of which Australia Post must comply with.

Events after balance date

On 20 July 2017, the Group sold its interest in the land and development of the former Melbourne City Mail Centre (Spencer Street) site for $138.2 million. The transaction was completed on 28 July 2017. Details of the classification and measurement of this asset at 30 June 2017 are discussed in note B2 of the financial statements.

On 24 July 2017, the Group sold its finance lease receivable relating to the Sydney GPO (disclosed in note E3) together with its interest in the freehold of this property for $155.0 million. The transaction was completed on 26 July 2017.

Notes to the financial statements

for the year ended 30 June 2017

Our business performance

This section analyses the financial performance of the Group and the Postal Services and Parcel Services segments for the year ended 30 June 2017. The focus is on business area performance, Group revenue streams, expenses, taxation, cashflows and dividend performance. Certain operational expenses are disclosed in the notes with the associated operating asset or liability in the Our asset platform and Our people sections.

A1 Segment Information

The results of the Group's operating segments for the year ended 30 June are as follows:

2017 ($m)	Postal Services	Parcels Services	Unallocated & Eliminations	Total
Revenue				
Segment revenue	3,581.0	3,076.4	143.5	6,800.9
Interest revenue				6.3
Consolidated revenue				6,807.2
Result				
Earnings before net interest and income tax expense	(180.2)	299.7	47.9	167.4
Net interest				(41.3)
Profit/(loss) before tax				126.1
Income tax (expense)/benefit				(30.7)
Net profit/(loss) for the year				95.4
Assets				
Segment assets	1,628.5	1,824.2	1,136.3	4,589.0
Superannuation asset	–	–	700.4	700.4
Investment in equity-accounted investees	–	245.9	2.0	247.9
Total assets	1,628.5	2,070.1	1,838.7	5,537.3
Liabilities				
Segment liabilities	1,308.4	901.4	1,209.6	3,419.4
Total liabilities	1,308.4	901.4	1,209.6	3,419.4
Other segment information				
Capital expenditure	152.9	129.9	–	282.8
Impairment losses	–	–	18.6	18.6
Depreciation and amortisation expense	198.2	130.8	19.6	348.6

Notes to the financial statements

for the year ended 30 June 2017

A1 Segment Information (continued)

2016 ($m)	Postal Services	Parcels Services	Unallocated & Eliminations	Total
Revenue				
Segment revenue	3,539.2	2,949.4	67.5	6,556.1
Interest revenue				6.1
Consolidated revenue				6,562.2
Result				
Earnings before net interest and income tax expense	(108.2)	286.1	(108.5)	69.4
Net interest				(28.4)
Profit/(loss) before tax				41.0
Income tax (expense)/benefit				(4.6)
Net profit/(loss) for the year				36.4
Assets				
Segment assets	1,641.1	1,806.6	1,189.7	4,637.4
Superannuation asset	–	–	403.6	403.6
Investment in equity-accounted investees	–	–	2.2	2.2
Total assets	1,641.1	1,806.6	1,595.5	5,043.2
Liabilities				
Segment liabilities	1,441.2	678.0	1,085.1	3,204.3
Total liabilities	1,441.2	678.0	1,085.1	3,204.3
Other segment information				
Capital expenditure	178.2	123.3	–	301.5
Impairment losses	–	–	82.7	82.7
Depreciation and amortisation expense	194.4	122.9	13.0	330.3

Notes to the financial statements

for the year ended 30 June 2017

A1 Segment Information (continued)

Operating Segments

The Group's operating segments are organised and managed based on the manner in which the product is sold and the nature of the services provided. The Executive Management Committee (the chief operating decision makers) monitors the results of the business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment, computer software and goodwill, net of related provisions. Segment liabilities consist primarily of trade and other creditors, employee entitlements and advance receipts.

Where trends in volume information and usage of resources has resulted in changes to cost allocations, the prior year information has been restated to allow for a like for like comparison. These revisions resulted in additional charges to the Parcels segment of $28.3 million and unallocated of $1.7 million, and reductions to Postal costs of $30.0 million to the 30 June 2016 results. These changes specifically relate to items such as information technology, call centre, sales and marketing, and project costs where more detailed and current volume and activity information has been available to update cost allocations between business units.

The following represents the primary segments the Group operates in:

Postal Services

1. The collection, processing and distribution of mail items.
2. Providing services across identity, digital, receiver and agency service offerings, as well as the sale of financial and retail merchandise products.

Parcel Services

The processing and distribution of parcel and express products along with freight forwarding operations.

Refer to the Our Business section of the Annual Report for further information on the Group's operating segments.

Unallocated and eliminations

If items of revenue and expense are not allocated to the core operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believes would be inconsistent. The following are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Activities incidental to the Group's core product and service offerings, principally those which generate rental income and other miscellaneous amounts;
- Non-trading items including net gains arising on disposal of fixed assets, amounts arising on re-measurement of the Group's investment property portfolio, restructuring costs, impairment of assets as a result of changes in the Group strategies and divested operations;
- Expenses representing costs that are attributable to unallocated revenues;
- Assets including assets under construction, investment property, cash investments, held to maturity investments, superannuation assets, investment in equity-accounted investees and deferred tax; and
- Liabilities including interest bearing liabilities and deferred tax.

At balance date, the Group has $197.7 million (2016: $214.9 million) of assets under construction unallocated to the core operating segments that will ultimately benefit from this investment.

Geographical Segments

The Group primarily operates in Australia with no significant portion of assets or operations located outside of Australia.

Notes to the financial statements
for the year ended 30 June 2017

A2 Revenue and other income

Revenue and other income for the year

The components of revenue and other income for the year ended 30 June are as follows:

Consolidated ($m)	2017	2016
Rendering of services to:		
– Related entities[1]	237.8	205.8
– External entities[2]	6,100.0	5,966.4
	6,337.8	6,172.2
Sale of goods to external entities[2]	279.1	279.4
	6,616.9	6,451.6
Interest income from:		
– Cash and cash equivalents	5.5	4.7
– Loans and receivables	0.8	1.4
	6.3	6.1
Total revenue	**6,623.2**	**6,457.7**
Rents from operating leases	34.3	32.9
Income from investment property	7.5	8.9
	41.8	41.8
Net gain on disposal of land and buildings	11.2	11.7
Net gain on disposal of plant and equipment	2.8	4.9
Net gain on disposal of investment property	2.4	8.8
Gain on disposal of subsidiary	13.6	–
Change in fair value of investment property	93.5	32.2
Other income	18.6	5.1
	142.2	62.7
Total other income	**184.0**	**104.5**
Total income	**6,807.2**	**6,562.2**

1. Related entities – related to the Commonwealth Government.
2. External entities – not related to the Commonwealth Government.

Recognition and measurement

Rendering of services
Revenue is recognised when the Group has the right to be compensated for services performed and the stage of completion can be reliably measured. It is recorded at the amount likely to be received for the provision of that service, usually set out on the invoice or contractually defined terms, excluding GST. Revenue is recognised on a commission basis where the Group acts as an agent rather than a principal in the transaction.

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and the costs incurred or to be incurred can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Allowance is made for the assessed amount of revenue from postage sales as at balance date in respect of which service has not yet been provided. Refer to note B7 for further discussion on the Group's policy for unearned postage revenues.

Interest revenue
Interest income is recognised in profit or loss as it accrues using the effective interest method and if not received at balance date, is reflected in the balance sheet as a receivable.

Rental income
Income received from leasing Group-owned investment properties to external parties under an operating lease arrangement is recorded on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

Key Estimates: International mail revenue

The Group recognises an accrual for the amount of revenue earned from delivery of international mail where statements have not been received. At 30 June 2017, included within accrued revenue, international mail related accrual was $174.4 million (2016: $132.6 million).

Revenue is determined based on a number of factors including the volume of articles delivered, the international postal organisation for which we are delivering mail and with reference to the International Postal Union guidelines.

Notes to the financial statements
for the year ended 30 June 2017

A3 Expenses

Expenses for the year

The components of expenses for the year ended 30 June are as follows:

Consolidated ($m)	2017	2016
Salaries and wages	2,402.2	2,291.2
Leave and other entitlements	211.1	265.3
Superannuation expense	276.5	252.0
Other employee expenses	117.5	100.2
Employee benefits expense	**3,007.3**	**2,908.7**
Purchase of services from external entities	2,798.0	2,682.0
Purchase of goods from external entities	202.6	232.9
Operating lease rentals	197.8	197.0
Investment property expenditure	4.1	4.4
Supplier-related expenses	**3,202.5**	**3,116.3**
Depreciation	188.5	195.3
Amortisation	160.1	135.0
Depreciation and amortisation	**348.6**	**330.3**
Impairment of assets:		
Receivables	4.0	1.9
Inventory	6.8	9.6
Property, plant and equipment	4.1	16.9
Computer software	–	7.0
Goodwill and other intangibles	3.1	47.3
Other	0.6	–
	18.6	82.7
Restructuring costs	–	10.8
Net foreign exchange loss	4.6	2.6
Sundry expenses	58.4	35.0
Other expenses	**81.6**	**131.1**
Total expenses	**6,640.0**	**6,486.4**

The components of finance costs for the year ended 30 June are as follows:

Consolidated ($m)	2017	2016
Bonds	33.4	31.7
Interest rate swaps	0.7	0.1
Other interest	13.5	2.7
Total finance costs	**47.6**	**34.5**

Recognition and measurement

Employee benefits expense

Refer to notes C1 and C3 for employee benefits accounting policies.

Operating lease rentals

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expenditure and reduction of the liability. Refer to note E3 for further discussion on specific operating leases entered into by the Group.

Depreciation and amortisation

Refer to notes B3 and B4 for depreciation and amortisation policy discussions respectively.

Impairment

Impairment expenses are recognised when the carrying amount of an asset or cash generating unit exceeds its recoverable value. Refer to note B4 for further discussion specifically around impairment of non-financial assets.

Restructuring costs

Refer to note B8 for provision related accounting policies.

Financing costs

Finance costs are recognised as an expense as they are incurred, except for certain interest charges attributable to major projects, for which interest is capitalised into the cost of the asset. Interest expense is calculated using the effective interest method.

Provisions are discounted to their present value. The impact of unwinding of discounted provisions and any changes in discount rate adjustments are also recognised in finance costs. The impact of unwinding of discounted employee provisions and changes in discount rate adjustments are recognised as employee benefits expense.

Notes to the financial statements

for the year ended 30 June 2017

A4 Taxation

Taxation for the year

The major components of tax expense are:

Consolidated ($m)	2017	2016
Statement of comprehensive income		
– current income tax charge	38.3	41.2
– adjustments for current income tax of previous years	0.7	(34.5)
– deferred income tax relating to origination and reversal of temporary differences	(9.0)	(33.3)
– adjustments for deferred income tax of previous years	0.7	31.2
Income tax expense/(benefit) reported in the statement of comprehensive income	**30.7**	**4.6**
Other comprehensive income		
Net remeasurements on defined benefit plans	104.7	(51.8)
Sundry items	(4.9)	4.7
Income tax expense/(benefit) reported in other comprehensive income	**99.8**	**(47.1)**

Tax reconciliation:		
Profit/(loss) before income tax	126.1	41.0
At the Group's statutory income tax rate of 30% (2016: 30%)	37.8	12.3
Adjustments relating to prior years	1.4	(3.3)
Capital gains and losses	(10.2)	(12.2)
Sundry items	1.7	7.8
Income tax expense/(benefit) on profit/(loss) before tax	**30.7**	**4.6**

Recognition and measurement

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities, using tax rates and laws that are enacted or substantively enacted at reporting date.

Current income tax relating to items recognised directly in other comprehensive income is also recorded in other comprehensive income.

Deferred tax assets and liabilities

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent it is probable that taxable profit will be available against which they can be utilised.

Deferred tax asset balances are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are:

- measured at the tax rates (and tax laws) that have been enacted or substantively enacted at reporting date and that are expected to apply to the year when the asset is realised or the liability is settled; and
- offset only if a legally enforceable right exists to set off current tax assets and liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Deferred tax items are recognised in correlation to the underlying transaction either in the statement of comprehensive income or in other comprehensive income.

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts determined under applicable Australian Accounting Standards. Deferred tax is recognised for all taxable temporary differences except:

- when they arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries and equity-accounted investees:
  1. Deferred tax liabilities are not recognised if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.
  2. Deferred tax assets are not recognised if it is not probable that the temporary differences will reverse in the foreseeable future and taxable profit will not be available to utilise the temporary difference.

Notes to the financial statements

for the year ended 30 June 2017

A4 Taxation (continued)

Deferred income tax in the balance sheet relates to the following:

Consolidated ($m)	2017	2016
Superannuation asset	(210.1)	(121.1)
Accrued income and other	(88.3)	(70.7)
Research and development	(30.3)	(28.2)
Intangibles	(21.3)	(22.8)
Accelerated depreciation	–	(5.0)
Other	(6.4)	(1.8)
Deferred tax liabilities	**(356.4)**	**(249.6)**
Provisions	326.6	328.1
Accrued and other payables	25.9	28.5
Make good	13.2	12.7
Accelerated depreciation	5.1	–
Capital gains and losses	11.9	5.9
Other	17.7	11.9
Deferred tax assets	**400.4**	**387.1**
Net deferred tax assets	**44.0**	**137.5**

Deferred income tax in the statement of comprehensive income relates to the following:

Superannuation asset	(15.7)	(10.9)
Accelerated depreciation	(9.7)	(4.6)
Capital gains and losses	(6.0)	(4.7)
Intangibles	(3.6)	(6.1)
Make good	(0.5)	(0.8)
Accrued income and other	17.6	8.3
Accrued and other payable	2.6	(5.7)
Research and development	2.1	(8.4)
Provisions	1.5	34.3
Other	3.3	(3.5)
Deferred income tax expense	**(8.4)**	**(2.1)**

Tax consolidation

Australian Postal Corporation (the head entity) and its 100% owned Australian resident subsidiaries (members) formed a tax consolidated group effective 1 July 2002. DFE Pty Ltd (the head entity) and its 100% owned Australian resident subsidiaries formed a tax consolidated group effective 31 March 2016.

Members of each tax consolidated group continue to account for their own current and deferred tax amounts and have entered into a tax sharing arrangement in order to allocate income tax expense to the subsidiaries on a pro-rata basis. This agreement allows the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Members have also entered into a tax funding agreement which provides for the allocation of current taxes to members of the tax consolidated group in accordance with their contribution to the actual tax payable by the head entity for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes* and UIG 1052 *Tax Consolidation Accounting.*

Notes to the financial statements

for the year ended 30 June 2017

A5 Cash flows

Consolidated ($m)	2017	2016
Cash on hand	442.7	547.6
Total cash and cash equivalents	**442.7**	**547.6**

The reconciliation of net profit after tax to net cash provided by operating activities for the period ending 30 June is as follows:

Net profit/(loss) for the year	**95.4**	**36.4**
Depreciation and amortisation	348.6	330.3
Net revaluation (gain)/loss on investment property	(93.5)	(32.2)
Write-down of property, plant and equipment and other	4.7	16.9
Write-down of intangibles (including goodwill)	3.1	54.4
Write-down of receivables and inventory	10.8	11.5
Net gain from sales of property, plant and equipment and subsidiary	(30.0)	(25.4)
Sundry items	(4.3)	0.8
	239.4	356.3

Changes in assets and liabilities adjusted for the acquisition and disposal of businesses

(Increase)/decrease in assets:		
Receivables	8.4	(51.9)
Other current assets	(39.5)	(42.2)
Deferred income tax asset	(12.9)	26.4
Superannuation asset	52.2	36.4
Increase/(decrease) in liabilities:		
Creditors, other payables and accruals	44.8	10.7
Employee entitlements	6.4	38.8
Income tax payable	46.7	20.2
Deferred income tax liability	(0.0)	(23.9)
	106.1	14.5
Net cash from operating activities	440.9	407.2

Recognition and measurement

Cash and cash equivalents comprise cash at bank, on hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as part of operating cash flows.

A6 Dividends

The breakdown of dividends paid during the year ended 30 June is as follows:

Consolidated ($m)	2017	2016
Final ordinary dividend (from prior year results)	20.0	–
Interim ordinary dividend	30.1	–
Total dividends paid	**50.1**	**–**
Dividend not recognised as a liability	33.2	20.0

Notes to the financial statements

for the year ended 30 June 2017

Our asset platform

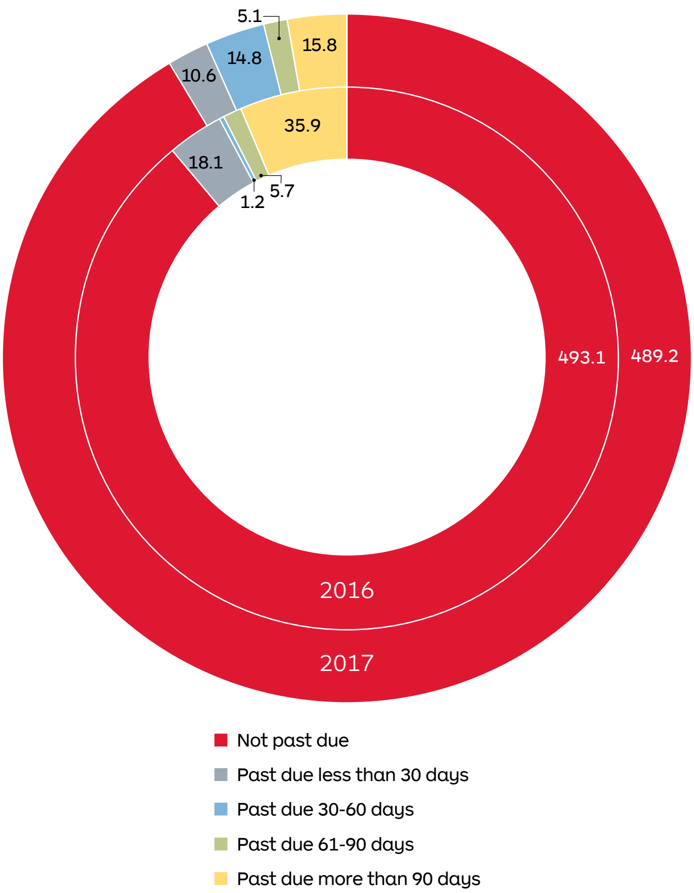
This section analyses the primary elements of our asset platform used to generate the Group's financial performance and operating liabilities incurred as a result.

B1 Receivables

The composition of trade and other receivables at 30 June is:

Consolidated ($m)	2017	2016
Trade receivables	526.4	536.1
Allowance for doubtful debts	(16.0)	(12.3)
	510.4	523.8
Accrued revenue	202.8	156.6
Other receivables	9.1	17.9
Total current trade and other receivables	**722.3**	**698.3**

Total trade and other receivables are aged as follows ($m):



Recognition and measurement

Receivables for the sale of goods or performance of services (trade receivables) are recognised initially at the price on the invoice issued to the customer and subsequently at the amount considered receivable from the customer (amortised cost using the effective interest rate method) less any accumulated impairment. Accrued revenues in relation to the sale of goods or performance of services are recognised when the good has been transferred or the service has been performed, but an invoice has not yet been issued.

These receivables are interest-free and for Australian customers, they normally have settlement terms of between 10 and 30 days, and for international customers, they are settled in accordance with Universal Postal Union (UPU) arrangements that may be longer than 30 days.

Analysis of ageing and recoverability

At 30 June 2017, no material receivables are individually determined to be impaired, with the total receivables determined to be impaired being $16.0 million (2016: $12.3 million).

Refer to note D2 for further discussion on how the Group manages its credit risk and note A3 for the total write down of receivables.

B2 Asset held for sale

The amount recognised in the balance sheet at 30 June is represented by the following:

Consolidated ($m)	2017	2016
Asset held for sale	138.2	–

Recognition and measurement

Investment properties are classified as held for sale where their carrying amount will be recovered principally through a highly probable sale transaction rather than continuing use and measured at fair value.

Spencer Street investment property

During the year, the Group entered into contracts to sell its interest in the land and development of the former Melbourne City Mail Centre (Spencer Street) site investment property, subject to satisfaction of conditions precedent.

The gain recognised, as a result of measuring the investment property at fair value, as represented by the contracted sale price, is $88.4 million. The Group categorises this as a level one measurement as per the fair value hierarchy described in note D4.

Subsequent to balance date, all remaining conditions precedent were satisfied and cash settlement occurred on 28 July 2017.

Notes to the financial statements
for the year ended 30 June 2017

B3 Property, plant and equipment

The reconciliation of the opening and closing balances of property, plant and equipment at 30 June is as follows:

Consolidated ($m)	Land	Buildings	Total land & buildings	Plant & equipment	Total
Gross book value	218.0	1,323.1	1,541.1	1,858.2	3,399.3
Accumulated depreciation	–	(707.2)	(707.2)	(1,096.8)	(1,804.0)
Net book value at 30 June 2015	**218.0**	**615.9**	**833.9**	**761.4**	**1,595.3**
Additions	8.9	55.1	64.0	206.0	270.0
Depreciation	–	(62.5)	(62.5)	(132.8)	(195.3)
Disposals	(2.0)	(3.8)	(5.8)	(6.1)	(11.9)
Sundry items[1]	3.8	(3.7)	0.1	(132.4)	(132.3)
Gross book value	228.7	1,325.1	1,553.8	1,401.9	2,955.7
Accumulated depreciation	–	(724.1)	(724.1)	(705.8)	(1,429.9)
Net book value at 30 June 2016	**228.7**	**601.0**	**829.7**	**696.1**	**1,525.8**
Additions	0.3	62.1	62.4	168.0	230.4
Depreciation	–	(67.5)	(67.5)	(121.0)	(188.5)
Disposals	(4.1)	(2.1)	(6.2)	(4.6)	(10.8)
Sundry items[1]	–	6.7	6.7	(3.8)	2.9
Gross book value	224.9	1,384.2	1,609.1	1,506.5	3,115.6
Accumulated depreciation	–	(784.0)	(784.0)	(771.8)	(1,555.8)
Net book value at 30 June 2017	**224.9**	**600.2**	**825.1**	**734.7**	**1,559.8**

1. Sundry items include revaluation increments of nil (2016: $5.2 million increment), $0.5 million of additions from acquisition of subsidiary (2016: $0.1 million), $7.0 million of transfers from Intangible Assets (2016: $114.9 million of transfers to Intangible Assets), $0.5 million transfers to investment properties (2016: $5.8 million) and impairment losses of $4.1 million (2016: $16.9 million).

Recognition and measurement

Property, plant and equipment assets are measured at the cost of the asset, less depreciation and impairment. The cost of the asset also includes the cost of replacing parts that are eligible for capitalisation and the cost of major inspections. Where the replacement of part of an asset is considered significant, the Group recognises these as separate assets with specific useful lives. All other repairs and maintenance are recognised in the statement of comprehensive income as incurred. The expected cost for decommissioning an asset after its use is included in the cost of the respective asset at its present value, if the recognition criteria for a provision are met.

Depreciation

Property, plant and equipment assets, excluding land and any assets under construction, are depreciated to their estimated residual values over their estimated useful lives using the straight-line method of depreciation. Useful lives and methods are reviewed annually and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

A summary of the useful lives of property, plant equipment assets is as follows:

Asset	Useful Life
Buildings	General Post Offices: 70 years Other facilities: 40-50 years
Plant and equipment	Motor vehicles: 3-10 years Specialised plant and equipment: 7-20 years Leasehold improvements: lower of lease term and 10 years Other plant and equipment: 3-10 years

Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no further future economic benefits are expected from its use.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

Commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

Consolidated ($m)	2017	2016
Property, plant & equipment	111.0	111.1

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for the year ended 30 June 2017

B4 Intangible assets

The reconciliation of the opening and closing balances of intangible assets at 30 June are as follows:

Consolidated ($m)	Computer software	Goodwill	Brand names & trade marks	Customer relationships	Other intangibles	Total intangibles
Gross book value	812.9	511.7	64.0	136.0	–	1,524.6
Accumulated amortisation	(480.0)	–	(1.2)	(104.5)	–	(585.7)
Net book value at 30 June 2015	**332.9**	**511.7**	**62.8**	**31.5**	**–**	**938.9**
Additions	60.6	9.6	4.2	–	11.3	85.7
Amortisation expense	(126.1)	–	(0.9)	(7.0)	(1.0)	(135.0)
Sundry items[1]	108.0	(22.4)	(0.7)	(24.2)	–	60.6
Gross book value	963.0	498.9	66.4	2.2	11.3	1,541.8
Accumulated amortisation	(587.6)	–	(1.1)	(1.9)	(1.0)	(591.6)
Net book value at 30 June 2016	**375.4**	**498.9**	**65.3**	**0.3**	**10.3**	**950.2**
Additions	66.8	4.8	6.4	0.6	0.5	79.1
Amortisation expense	(147.9)	–	(7.9)	(0.4)	(3.9)	(160.1)
Sundry items[1]	(7.2)	(3.1)	–	–	0.1	(10.2)
Gross book value	1,022.8	500.6	72.8	2.8	11.8	1,610.8
Accumulated amortisation	(735.7)	–	(9.0)	(2.3)	(4.8)	(751.8)
Net book value at 30 June 2017	**287.1**	**500.6**	**63.8**	**0.5**	**7.0**	**859.0**

1. $7.0 million of transfers to property, plant & equipment (2016: $114.9 million of transfers from property, plant & equipment), disposals of $0.1 million (2016: nil) and $3.1 million of goodwill impairment (2016: $22.3 million of goodwill impairment and $32.0 million of other impairments).

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for the year ended 30 June 2017

Recognition and measurement

Goodwill

Goodwill is initially measured at the excess of the aggregate consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Brand names, trademarks, computer software, customer relationships and other intangibles

Brand names, trademarks, computer software, customer relationships and other intangibles that are either acquired separately or in a business combination are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. After initial recognition, intangible assets are measured at cost less amortisation and any impairment losses. Intangible assets with finite useful lives are tested for impairment whenever there is an indication of impairment while intangible assets with indefinite lives are tested for impairment in the same way as goodwill, as discussed in note B5.

Derecognition

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

Commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

Consolidated ($m)	2017	2016
Intangible assets	3.0	1.8

Amortisation

Intangible assets with finite lives are amortised over their useful life. Amortisation is calculated on a straight-line basis over the anticipated useful lives. The amortisation period and the amortisation method for each intangible asset with a finite useful life is reviewed annually.

A summary of useful lives of intangible assets is as follows:

Asset	Useful Life
Computer software	Finite between 4-8 years
Brand names and trade marks	P|StarTrack brand names: indefinite Others: finite not exceeding 10 years
Customer relationships	Finite up to 7 years
Other intangibles	Finite up to 3 years

P|StarTrack brand names are considered to have indefinite useful lives as they are not considered to have foreseeable brand maturity dates; accordingly they are not amortised and are carried at cost less accumulated impairment losses. These brand names are allocated to the P|StarTrack cash generating unit and subject to annual impairment testing.

An assessment of indefinite useful life is performed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Goodwill and brand names with indefinite useful lives acquired through business combinations have been allocated to individual cash generating units (CGUs) as follows:

Consolidated ($m)	2017	2016
Goodwill – P|StarTrack	488.1	488.1
Goodwill – Other CGUs	12.5	10.8
Brand Names – P|StarTrack	61.3	61.3
	561.9	560.2

Notes to the financial statements
for the year ended 30 June 2017

B5 Impairment of non-financial assets

Assessing for impairment

The Group tests property, plant and equipment, intangibles and goodwill for impairment:

- at least annually for indefinite life intangibles and goodwill; and
- where there is an indication that the asset may be impaired (which is assessed at least each reporting date); or
- where there is an indication that previously recognised impairment (on an asset other than goodwill) may have changed.

If the asset does not generate independent cash inflows and its value in use cannot be estimated to be close to its fair value, the asset is tested for impairment as part of the CGU to which it belongs. Assets are impaired if their carrying value exceeds their recoverable amount. The recoverable amount of an asset or CGU is determined as the higher of its fair value less cost of disposal or value in use. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Recognised impairment

The Group has tested the following non-financial assets for impairment:

- goodwill and indefinite life intangibles allocated to CGUs, in accordance with annual impairment testing (refer to note B4); and
- customer relationship intangible assets for which impairment indicators have been identified.

Impairment calculations

The recoverable amount of each CGU is determined using a value in use calculation based on a discounted cash flow model. Cash flow forecasts are extracted from four year corporate plans approved by senior management and the Board. The corporate plans are developed annually with a four year outlook and, for the purpose of value in use calculations, are adjusted on the understanding that actual outcomes may differ from the assumptions used. The forecasts are extrapolated for a further one year and a terminal value applied based on Group estimates, taking into consideration historical performance and that do not exceed the consensus forecasts of the long-term average growth rate for the industry of each CGU or asset.

A post-tax discount rate applicable to the specific CGU or asset has been applied. Discount rates used are based on the weighted average cost of capital determined by prevailing or benchmarked market inputs, risk adjusted where necessary. Other assumptions are determined with reference to external sources of information and use consistent, conservative estimates for variables such as terminal revenue growth rates. Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amounts to fall below carrying values.

Key assumptions and impairment testing results

The value in use calculations used to determine the recoverable amount of all CGUs include management estimates to determine income, expenses, capital expenditure and cash flows for each CGU.

The revenue growth rate applied to the one year period outside the corporate plan, terminal growth rate and post-tax discount rate applicable to each CGU are as follows:

	Revenue growth rate one year outside Corporate Plan (%)		Terminal growth rate (%)		Discount rate (%)	
Consolidated	2017	2016	2017	2016	2017	2016
P|StarTrack CGU	4.2	3.0	2.0	2.0	7.8	7.5
Other CGUs	3.5 – 15.0	7.0 – 15.0	2.5	3.0	8.5 – 9.0	9.0 – 9.3

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of any CGUs containing goodwill and brand names to change materially.

Notes to the financial statements

for the year ended 30 June 2017

B6 Investment property

Investment property as at 30 June is as follows:

Consolidated ($m)	2017	2016
Investment property	169.0	213.2

Investment property is held by the Group for leasing to third parties for rental return as well as capital appreciation. Direct operating expenses of the investment properties are disclosed in note A3. Approximately 75% (2016: 70%) of the Group's investment properties generate rental return with the remainder being held for development and capital appreciation. Rental income is disclosed in note A2.

Recognition and measurement

Investment property is measured initially at cost, including transaction costs. The cost of the asset also includes the cost of replacing parts that are eligible for capitalisation, but excludes the costs of day-to-day servicing.

Subsequent to initial recognition, investment property is measured at fair value, with gains or losses arising from changes in the fair value recognised in the statement of comprehensive income.

Derecognition

When investment properties are disposed of or permanently withdrawn from use and no future economic benefit is expected, they are derecognised with the difference between the net disposal proceeds and the carrying amount of the investment property recorded in the statement of comprehensive income.

Transfers

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to a third party. Where an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where an investment property is reclassified to owner-occupied property, the deemed cost of the property for subsequent accounting is its fair value at the date of change in use.

Key estimates:

Valuation

At each period end, the Group reassesses the fair value of its investment property portfolio. This assessment is conducted by Savills Pty Ltd (Savills), an accredited, external and independent valuer. Savills is an industry specialist in valuing these types of investment properties in accordance with Australian Valuation Standards. The fair value for each property has been determined by reference to the highest and best use of the property taking into account the specific characteristics and location of the asset. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, information is considered from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows; or
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

At 30 June 2017 investment properties comprise only level 2 properties. Refer to note D4 for fair value categories. In addition, the Group has no restrictions on the use of its investment property portfolio but is subject to an annual maintenance requirement on a number of properties subject to heritage requirements.

Classification

The classification of property as investment property requires management judgement, with the determination subject to change over time depending on how the property is being used by the Group. The Group has determined that these properties classified as investment property are held for the primary purposes of generating rental income or for capital appreciation. Where a property is also used for internal use, it is classified as an investment property where an insignificant portion of total floor space is occupied.

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for the year ended 30 June 2017

B7 Payables

The components of trade and other payables at 30 June are as follows:

Consolidated ($m)	2017	2016
Trade creditors	575.9	468.7
Agency creditors[1]	104.3	112.8
Salaries and wages	59.7	52.5
Unearned postage revenue	57.4	61.9
Other advance receipts	141.4	158.0
Borrowing costs	3.9	4.5
Other payables	159.5	165.4
Total trade and other payables	**1,102.1**	**1,023.8**

1. Non-interest bearing and normally settled on next business day terms.

Recognition and measurement

Trade and other payables are carried at the amount owing to counterparties for goods and services provided, which is usually the invoice amount, and remain unpaid. Trade creditors includes both domestic and international non-interest bearing creditors. Domestic creditors are normally settled on 30-day terms, while international creditors are settled in accordance with Universal Postal Union (UPU) arrangements, which may be longer than 30 days. Salaries and wages are accrued for in accordance with note C1.

Unearned postage revenue arises where payment has been received from an external party, but the associated service has yet to be performed.

Other advance receipts is comprised predominantly of deferred revenue from post office boxes and bags which are rented out to the public, and advanced contributions to marketing and promotional activities.

Other payables includes amounts accrued for capital expenditure, GST obligations and other accruals of the Group.

Key estimate: Unearned postage revenue

With respect to revenue generated from postage product sales, an allowance is made at balance date where products have not yet been used. An actuarial valuation is undertaken every three years incorporating updates to key input assumptions including changes to product mix and patterns of purchase and use. The actuarial valuation also makes certain assumptions including applying an average initial credit balance before each postage meter reset, constant postage meter usage between resets and that the timing of resets follows a reasonably random process for business customers. The provision is reassessed every six months and where necessary, an update to the actuarial factors is made where a significant change in assumption is observed.

Notes to the financial statements
for the year ended 30 June 2017

B8 Other provisions

The Group's other provisions at 30 June are as follows:

Consolidated ($m)	Property make good provision	Surplus lease space provision	Other provision[1]	Total
Balance at 30 June 2015	**51.9**	**26.6**	**34.4**	**112.9**
– current provision	**12.4**	**12.1**	**34.4**	**58.9**
– non-current provision	**39.5**	**14.5**	**–**	**54.0**
Reassessments and additions	3.2	(5.4)	12.5	10.3
Unused amount reversed	(1.9)	(3.2)	(11.1)	(16.2)
Utilised	(1.3)	(0.7)	(17.5)	(19.5)
Discount rate adjustment	0.9	0.5	(0.9)	0.5
Balance at 30 June 2016	**52.8**	**17.8**	**17.4**	**88.0**
– current provision	**8.8**	**9.0**	**17.4**	**35.2**
– non-current provision	**44.0**	**8.8**	**–**	**52.8**
Reassessments and additions	0.3	1.6	13.3	15.2
Unused amount reversed	(1.2)	(3.3)	(3.2)	(7.7)
Utilised	(2.2)	(8.2)	(13.3)	(23.7)
Discount rate adjustment	1.9	–	–	1.9
Balance at 30 June 2017	**51.6**	**7.9**	**14.1**	**73.6**
– current provision	**11.3**	**4.0**	**14.1**	**29.4**
– non-current provision	**40.3**	**3.9**	**–**	**44.2**

1. Includes legal provisions $6.5 million (2016: $4.2 million), onerous agreement provisions $1.3 million (2016: nil) and other provisions $6.3 million (2016: $13.3 million).

Recognition and measurement

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a financing cost.

Key estimates: Other provisions

Surplus lease space provisions

Surplus lease space provisions represent the estimated lease cost of property leases surplus to the Group's requirements or where sub-let agreements are on terms substantially below market rates. The estimated cost is based on the contractually required lease payments over the remaining term of each lease agreement, less any amounts received through sub-lease agreements where applicable.

Property make good provisions

Property make good provisions represent the estimated cost to make good operating leases entered into by the Group. The estimated cost is based on management's best estimate of the cost to restore a square metre of floor space and is dependent on the nature of the building being leased. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised by adjusting both the expense or asset (if applicable) and provision. The expected timing of the make good cost is based on the expiry of each underlying individual lease agreement.

Notes to the financial statements

for the year ended 30 June 2017

Our people

This section describes a range of employment and post employment benefits provided to our people.

C1 Employee provisions

The components of employee provisions at 30 June are as follows:

Consolidated ($m)	2017	2016
Current provisions		
Employee provisions:		
Annual leave	179.8	181.2
Long service leave	370.0	373.5
Separations and redundancy[1]	93.4	100.6
Incentives/bonuses	89.9	54.1
Other employee	2.5	5.1
	735.6	**714.5**
Employee related provisions:		
Workers' compensation	34.1	30.5
Balance at 30 June	**769.7**	**745.0**
Non-current provisions		
Employee provisions:		
Long service leave	55.6	64.2
Separations and redundancy[1]	78.9	99.6
Incentives/bonuses	2.3	9.4
	136.8	**173.2**
Employee related provisions:		
Workers' compensation	136.1	119.6
Balance at 30 June	**272.9**	**292.8**

1. The provision recognised comprises the expected severance payments, employee entitlements (including notice period), outplacement costs and payroll tax based on the location of the employee, staff level affected by the restructuring and their anticipated years of service. In estimating the expected severance payments, historical severance payments have also been considered.

Recognition and measurement

Employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Annual leave

The liability for annual leave where the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date is recognised in current provisions. Liabilities for benefits which are expected to be settled beyond 12 months are discounted to present value using market yields on corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows, and recognised in current provisions.

Incentives/Bonuses

The Group recognises a liability and expense for incentive/bonus plan payments to be made to employees. The Group recognises a provision where past practice and current performance indicate that a probable constructive obligation exists.

Separation and redundancy

Separation and redundancy provisions are recognised when the recognition criteria for provisions are fulfilled, and steps have been taken to implement a detailed plan and discussions with affected personnel have created a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

Notes to the financial statements

for the year ended 30 June 2017

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to key assumptions as below. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Key estimates

The long service leave provision at balance date required management judgement and independent actuarial assessment of key assumptions including, but not limited to:

- future salaries and wages increases;
- future on-cost rates; and
- period of service and experience of employee departures.

Workers' compensation

The Group self-insures the majority of its liability for workers' compensation as a licence holder under the *Safety, Rehabilitation and Compensation Act 1988* (SRC Act). A provision is recognised in the financial statements based on claims reported, and an estimate of claims incurred but not reported. The provision is measured using an independent actuarial assessment at each balance date, with the estimate of present value taking into account key assumptions as below, as well as pay increases, attrition rates, interest rates and the time over which settlement is made.

The liability for workers' compensation at balance date includes $24.5 million of claims made in the 2017 financial year (2016: $21.7 million).

Key estimates

The self-insured risk liability required management judgement and independent actuarial assessment of key assumptions including, but not limited to:

- future inflation;
- interest rates;
- average claim size;
- claim development; and
- claim administration expenses.

C2 Key management personnel remuneration and retirement benefits

This note has been prepared in accordance with the requirements of the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* and AASB 124 *Related Party Disclosures*. Certain additional information has also been voluntarily disclosed.

For the purposes of this note, the Group has defined key management personnel as directors and those employees who report directly to the Managing Director & Group CEO and have managerial responsibility for a business unit of the Group. These employees are the only employees considered to have the capacity and responsibility for decision making that can have a significant and direct impact on the strategic direction and financial performance of the Group. Executive directors are classified as senior executives and are disclosed in this note.

Key management personnel remuneration by category

Remuneration received directly or indirectly by key management personnel under an accrual basis for the year ended 30 June is as follows:

	Key management personnel	
Corporation and Consolidated ($)	2017	2016
Short-term employee benefits[1]	14,291,611	12,730,978
Post employment benefits	2,064,963	1,536,193
Other long-term benefits[2]	3,058,727	4,067,430
Termination/retirement benefits	–	368,052
Total key management personnel remuneration	**19,415,301**	**18,702,653**

1. Short-term employee benefits comprises cash salary, accrued annual leave, bonuses (if payable within 12 months of the end of the period) and non-monetary benefits.
2. Other long-term benefits comprises accrued long service leave, deferred bonuses and the cost of a long-term incentive (LTI) program implemented for a number of senior executives which requires performance against Board approved hurdles over a number of years.

Total number of key management personnel

The total number of key management personnel who held office at any time during the year is disclosed below:

	Key management personnel	
Corporation and Consolidated (number)	2017	2016
Senior executives	8	8
Directors	10	12
	18	20

Notes to the financial statements

for the year ended 30 June 2017

C2 Key management personnel remuneration and retirement benefits (continued)

Key management personnel remuneration by individual

The tables below reflect an extract from the Australia Post remuneration report contained on pages 66 to 70 of the Annual Report. These tables should be read in conjunction with the remuneration report.

Short-term remuneration

Remuneration received directly or indirectly (excluding long-term benefits) by key management personnel under an accrual basis for the most recent financial year 2017 and previous financial year 2016 is as follows:

		Short-term benefits[13]			Post employment contributions		
Directors ($)	Year	Base salary & fees	Short-term incentives (STI)/bonuses	Non-monetary benefits	Super-annuation	Termination & retirement benefits	Total (excluding long-term benefits)
John Stanhope AM	2017	182,520	–	–	17,339	–	199,859
	2016	182,520	–	–	17,339	–	199,859
Holly Kramer[1]	2017	102,498	–	–	9,737	–	112,235
	2016	67,381	–	–	6,401	–	73,782
Dominique Fisher	2017	100,290	–	–	9,528	–	109,818
	2016	92,720	–	–	8,808	–	101,528
Bruce McIver[2]	2017	101,850	–	–	9,676	–	111,526
	2016	54,418	–	–	5,170	–	59,588
The Hon. Michael Ronaldson[3]	2017	100,290	–	–	9,528	–	109,818
	2016	14,351	–	–	1,363	–	15,714
Paul Scurrah[4]	2017	750	–	–	71	–	821
	2016	–	–	–	–	–	–
Jan West AM[3]	2017	110,761	–	–	10,522	–	121,283
	2016	8,158	–	–	775	–	8,933
Deidre Willmott[4]	2017	750	–	–	71	–	821
	2016	–	–	–	–	–	–
Former Directors ($)							
Brendan Fleiter[5]	2017	96,228	–	–	10,393	–	106,621
	2016	118,525	–	–	12,801	–	131,326
Susan Bitter[6]	2017	–	–	–	–	–	–
	2016	8,650	–	–	822	–	9,472
Michael Byrne[7]	2017	46,879	–	–	4,453	–	51,332
	2016	67,381	–	–	6,401	–	73,782
Peter Carne[8]	2017	–	–	–	–	–	–
	2016	50,179	–	5,166	5,419	–	60,764
Michael D'Ascenzo AO[9]	2017	–	–	–	–	–	–
	2016	87,747	–	–	8,336	–	96,083
Talal Yassine OAM[6]	2017	–	–	–	–	–	–
	2016	7,754	–	–	737	–	8,491
Total (10 directors)	**2017**	**842,816**	**–**	**–**	**81,318**	**–**	**924,134**
Total (12 directors)	2016	759,784	–	5,166	74,372	–	839,322

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for the year ended 30 June 2017

Senior Executives ($)	Year	Short-term benefits[13] Base salary & fees	Short-term incentives (STI)/bonuses	Non-monetary benefits	Post employment contributions Super-annuation	Termination & retirement benefits	Total (excluding long-term benefits)
Ahmed Fahour AO[10]	2017	2,040,019	2,174,850	102,562	1,747,914	–	6,065,345
	2016	1,971,152	2,342,993	73,985	1,239,829	–	5,627,959
Peter Bass[11]	2017	520,083	368,430	–	54,298	–	942,811
	2016	–	–	–	–	–	–
Robert Black	2017	894,260	691,688	–	19,616	–	1,605,564
	2016	883,426	595,000	–	19,308	–	1,497,734
Chris Blake	2017	784,296	610,313	–	19,616	–	1,414,225
	2016	781,514	521,500	–	19,308	–	1,322,322
Christine Corbett	2017	777,308	671,345	–	83,353	–	1,532,006
	2016	767,305	677,500	–	82,350	–	1,527,155
Laz Cotsios[1]	2017	585,097	488,250	–	19,616	–	1,092,963
	2016	410,238	276,356	–	19,308	–	705,902
Janelle Hopkins	2017	763,849	610,313	–	19,616	–	1,393,778
	2016	534,929	385,000	–	19,308	–	939,237
Andrew Walduck[1]	2017	708,802	610,313	47,017	19,616	–	1,385,748
	2016	513,120	351,726	35,490	19,308	–	919,644
Former Senior Executives ($)							
Ewen Stafford[12]	2016	429,794	415,000	–	43,102	368,052	1,255,948
Total (8 executives)	**2017**	**7,073,714**	**6,225,502**	**149,579**	**1,983,645**	**–**	**15,432,440**
Total (8 executives)	2016	6,291,478	5,565,075	109,475	1,461,821	368,052	13,795,901

1. Appointed October 2015.
2. Appointed December 2015.
3. Appointed May 2016.
4. Appointed June 2017.
5. Retired May 2017.
6. Retired August 2015.
7. Appointed October 2015 & retired December 2016.
8. Retired December 2015.
9. Retired May 2016.
10. Superannuation of the Managing Director & Group CEO includes a lump sum payment which was payment of an amount to restore the value in the Managing Director & Group CEO's original contract as a result of erosion through unexpected impacts of legislation with respect to superannuation contributions from February 2010.
11. Appointed July 2016
12. Retired January 2016
13. Short-term employee benefits includes cash salary, accrued annual leave, accrued short-term incentives/bonuses, and non-monetary benefits. Accrued short-term incentives for 2017 represent the actual incentive outcomes. The 2016 amounts represent the best estimate as at the time of preparation of the 2016 financial report. The following senior executives final performance outcomes differed from the accrued amounts as follows (inclusive of any deferred STI):
    - Chris Blake – final short-term incentive outcome was $183,813 higher than accrued;
    - Robert Black – final short-term incentive outcome was $191,250 higher than accrued;
    - Christine Corbett – final short-term incentive outcome was $92,813 higher than accrued; and
    - Ahmed Fahour AO – final short-term incentive outcome was $136,675 lower than accrued.

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for the year ended 30 June 2017

C2 Key management personnel remuneration and retirement benefits (continued)

Long-term remuneration

In addition to the short-term benefits in the previous table, based on progress against the long-term incentive (LTI) performance hurdles, 80% (2016: 80%) of the maximum annual value of the long-term potential reward was accrued for the senior executives and nil accrued for the Managing Director & Group CEO. Actual LTI accruals and payment amounts are subject to Board approval. With regard to the Managing Director & Group CEO's LTI scheme, $4.0 million of a potential $6.0 million was awarded in July 2017.

Senior Executives ($)	Year	STI deferral	Long service leave	Accrual of potential LTI	Total long-term benefits
Ahmed Fahour AO	2017	733,449	38,133	–	771,582
	2016	390,499	64,399	2,000,000	2,454,898
Peter Bass	2017	38,338	72,202	167,200	277,740
	2016	–	–	–	–
Robert Black	2017	160,969	17,340	330,000	508,309
	2016	–	20,799	330,000	350,799
Chris Blake	2017	85,406	11,968	298,000	395,374
	2016	–	21,110	298,000	319,110
Christine Corbett	2017	94,359	2,914	320,000	417,273
	2016	–	36,904	320,000	356,904
Laz Cotsios	2017	23,625	13,593	146,667	183,885
	2016	–	8,539	146,667	155,206
Janelle Hopkins	2017	29,531	31,006	146,667	207,204
	2016	2,938	19,098	104,667	126,703
Andrew Walduck	2017	29,531	17,829	250,000	297,360
	2016	–	17,673	179,452	197,125
Former Senior Executives ($)					
Ewen Stafford	2016	–	16,685	90,000	106,685
Total	**2017**	**1,195,208**	**204,985**	**1,658,534**	**3,058,727**
Total	2016	393,437	205,207	3,468,786	4,067,430

Related party transactions

Transactions entered into directly by directors or director-related entities with the Australian Postal Corporation have been either domestic or trivial in nature.

A number of directors of the Australian Postal Corporation are also directors of or have interests in other entities which have transacted with the Australian Postal Corporation Group. These transactions have occurred on terms and conditions no more favourable than those which it is reasonable to expect the Group would have adopted if dealing with any third party on normal commercial terms.

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C3 Post employment benefits

Until 1 January 2012 for Contract employees and 1 July 2012 for Award employees, employees could choose to join either the Australia Post Superannuation Plan (APSS – the Scheme) or an accumulation fund. After these dates, the APSS closed to new employees and from that point, all new employees have joined accumulation funds. All employees who are members of an accumulation fund receive Superannuation Guarantee employer contributions. Australia Post and StarTrack Award employees receive 12% of their ordinary time earnings and all other employees receive 9.5% of their ordinary time earnings.

Defined benefit post employee benefits

Amount recognised in the statement of comprehensive income and in the balance sheet

The amount recognised in the statement of comprehensive income for the year ended 30 June is as follows:

Consolidated ($m)	2017	2016
Current service cost	193.0	194.9
Past service cost	–	–
Interest cost on benefit obligation	113.7	143.6
Interest income on plan assets	(122.3)	(164.0)
Plan expenses	12.8	12.0
Defined benefit superannuation expense	**197.2**	**186.5**

The reconciliation of the changes in the present value of the amounts recognised in the balance sheet at 30 June is as follows:

Changes in the present value of defined obligation

Opening defined benefit obligation at 1 July	3,506.8	3,310.7
Interest cost	113.7	143.6
Current service cost	193.0	194.9
Benefits paid and payable	(283.7)	(254.1)
Past service cost	–	–
Actuarial gain/(loss) due to changes in financial assumptions	(169.5)	163.7
Other remeasurements	(9.7)	(52.0)
Closing defined benefit obligation at 30 June[1]	**3,350.6**	**3,506.8**

Consolidated ($m)	2017	2016
Changes in the fair value of the plan assets		
Opening fair value of plan assets at 1 July	3,910.4	3,923.6
Return on plan assets	189.6	(40.4)
Interest income on plan assets	122.3	164.0
Contributions by employer	145.0	150.0
Benefits paid and payable	(283.7)	(254.1)
Plan expenses	(12.8)	(12.0)
Contributions tax reserve	(19.8)	(20.7)
Fair value of plan assets at 30 June[1]	**4,051.0**	**3,910.4**
Amount recognised in other comprehensive income		
Remeasurements on liability	179.2	(111.7)
Return on plan assets excluding interest income	189.6	(40.4)
Contributions tax	(19.8)	(20.7)
Total amount to be recognised in other comprehensive income	**349.0**	**(172.8)**

1. Excluded from the obligation and plan assets above is $3,578.4 million (2016: $3,524.3 million) relating to member financed accumulated benefits.

Recognition and measurement

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating the terms of the related obligation.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised in the statement of comprehensive income as past service costs at the earlier of the date on which the amendment or curtailment occurs or when associated restructuring costs are recognised. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Superannuation plan

The Corporation is an employer sponsor of the APSS. In addition, Star Track Express Pty Ltd, Post Super Pty Ltd and Decipha Pty Ltd are associated employers of the scheme. The APSS provides employer-financed defined benefits to all employees who are members. The APSS also enables members to open an accumulation account for personal contributions only, as well as accounts for their spouse and maintain the account on leaving employment. Balances in the accumulation section at 30 June 2017 totalled $3,578.4 million (2016: $3,524.3 million) and have been excluded from the disclosures.

Notes to the financial statements

for the year ended 30 June 2017

C3 Post employment benefits (continued)

Regulatory framework and governance

The APSS is governed by the rules as set out in the APSS Trust Deed. The current Trust Deed (including amendments contained in the Deed of Modifications 1 to 17) was consolidated in August 2016. APSS is a "regulated fund" under the provisions of the *Superannuation Industry (Supervision) Act 1993* (SIS). The Scheme is treated as a complying defined benefit superannuation fund for taxation purposes.

The APSS is operated by the APSS Trustee. By law, the APSS Trustee is required to act in good faith and in the best interests of members, and operate in accordance with the APSS Trust Deed. The Board of the Trustee is comprised of three Union or Australian Council of Trade Unions appointed directors, three employer-appointed directors, and an independent director.

Funding arrangement and requirements

The APSS is funded by the Corporation and its associated employers, with the funding requirements being based on the recommendations of the APSS Actuary. The current funding recommendations are based on a methodology that calculates a long-term normal cost to provide the APSS benefits, plus additional contributions being required in the event that the assets are not sufficient to meet members' vested benefits.

The Group is expected to make employer contributions (excluding any employee salary sacrifice contributions) of $134.0 million for the year ended 30 June 2018.

As under the current arrangements, the Corporation can cease making contributions at any time to the APSS, the Corporation has no legal requirement to contribute to the APSS. As such, the Corporation does not currently have any minimum funding requirements in respect of the APSS.

Categories of plan assets ($m)[1]

The fair value of total plan assets is as follows:

Consolidated ($m)	2017	2016
Active Market		
Cash	339.8	64.4
Australian public equities	411.6	275.0
International public equities	1,027.0	834.9
Emerging markets public equities	261.0	279.2
Australian public debt	575.8	532.8
International public debt	166.6	200.1
Inactive Market		
Equities and Debt	1,078.6	1,401.3
Real Estate	190.6	322.7
	4,051.0	3,910.4

1. There are no in-house assets included in the fair value of the APSS assets. However there may be an immaterial amount of indirect investments in shopping centres where the Corporation has leased certain areas for Post shops.

Related party transactions

The Group performs administrative services on behalf of the APSS. These services are provided on normal commercial terms. Payment received by Australia Post for these services for the year ended 30 June 2017 is $12.7 million (2016: $12.0 million).

Amount recognised in the balance sheet

The amount recognised in the balance sheet as at 30 June is as follows:

Consolidated ($m)	2017	2016	2015	2014	2013
Present value of benefit obligation (wholly funded)	(3,350.6)	(3,506.8)	(3,310.7)	(3,685.9)	(3,433.3)
Fair value of plan assets	4,051.0	3,910.4	3,923.6	3,726.5	3,431.9
Contributions tax reserve	–	–	–	7.2	(0.2)
Net superannuation asset/(liability)[1]	700.4	403.6	612.9	47.8	(1.6)

1. The Corporation's entitlement to any surplus in the Scheme is limited by the terms of the relevant Trust Deed and applicable superannuation laws. On termination, any money and other assets remaining in the Scheme after the payment of benefits and expenses of the Scheme would ultimately be realised and the proceeds distributed to the employers (including the Corporation) in such shares as determined by the Corporation. Outside termination, there is scope for the Corporation to request a return of surplus, which may be no more than the amount (as determined by the Scheme's actuary) by which the total fund value exceeds the total accrued benefit value. In addition, the Corporation benefits from the surplus through reduction in future superannuation expense and contributions.

Management of the plan risks

The funding of the plan is dependent upon future experience. Material adverse risks in respect of funding include market risk, salary inflation risk, liquidity risk, and the risk of higher than expected death and disability benefits.

Notes to the financial statements

for the year ended 30 June 2017

Key assumptions and sensitivities

The significant actuarial assumptions used in determining superannuation obligations for the Group's plan are shown below (expressed as weighted averages), as well as the sensitivity for each significant assumption:

			Sensitivity ($m)			
	Actuarial assumption (%)		Rate increase of 1%		Rate decrease of 1%	
Consolidated	2017	2016	2017	2016	2017	2016
Discount rate	3.8	3.2	(232.1)	(253.5)	259.7	292.5
Future inflationary salary increases (for year to 30 June 2020)*	2.0	n/a	–	–	–	–
Future inflationary salary increases (the period thereafter)*	2.5	2.5	141.4	239.8	(132.3)	(208.9)

*Excludes promotional salary increases.

The determination of the defined benefit obligation requires a number of other assumptions to be made regarding the future including the demographic profile of membership and level of benefits to be provided by the fund.

Certain changes to the APSS that were announced in the 2014 financial year and resulted in a reduction in the defined benefit obligation have been subject to a Federal Court action. The matter was heard in March 2017 and the judgement is outstanding. In the event of an adverse judgement, it is possible that a past service cost expense will need to be recognised and that the defined benefit obligation will increase. Conversely, in the event of a favourable judgement, the defined benefit obligation will decrease.

Maturity Profile

The duration of the liabilities is approximately 8 years (2016: 8.5 years), calculated using expected benefit payments on an accrual basis.

Accumulation post employment benefits

Australia Post pays the Superannuation Guarantee contribution (9.5%, except Australia Post and StarTrack Award level employees who receive 12% of ordinary time earnings) to the nominated superannuation funds of employees who have employer contributions paid to an accumulation fund on their behalf.

Accumulation post employment benefits are expensed by the Group as service is rendered by the Group's employees. The accumulation superannuation expense recognised in respect of post employee benefits is as follows:

Consolidated ($m)	2017	2016
Accumulation superannuation expense	79.3	65.2

Superannuation Act 1976

Some of the Corporation's current and past employees are also entitled to benefits under the *Superannuation Act 1976*, but the Group has no contribution obligation in respect of these benefits. The superannuation asset or liability relating to the Commonwealth Superannuation Scheme (CSS) under the *Superannuation Act 1976* is recognised in the financial statements of the Commonwealth and is settled by the Commonwealth in due course. The Commonwealth takes full responsibility for the CSS liabilities for any Australia Post employees (past and present) remaining in the CSS.

Disclosures regarding the CSS Scheme are located in the Department of Finance Annual Financial Report.

Notes to the financial statements

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Our funding structure and management of our financial risks

As a result of its operations, the Group is exposed to multiple forms of risk. This note sets out the nature of the financial risks and their quantification & management. This section also sets out the strategies and practices the Group utilises to minimise the exposure to these risks in order to execute our enterprise strategy as well as outlining the current Group funding structure.

D1 Capital management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern while maximising the return to the Commonwealth Government. The Group recognises the impact on shareholder returns of the level of equity capital employed and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possible with some leverage. A further consideration when managing capital is maintenance of an investment grade rating. The Group holds a AA- rating (2016: AA-) from the independent ratings agency Standard & Poor's.

The capital structure of the Group (which has not changed from prior year) consists of debt, which comprises bonds payable and syndicated revolving committed facilities cash and cash equivalents and equity attributable to equity holders of the Corporation, comprising contributed equity, reserves and retained profits. The capital structure is reviewed annually as part of the Corporate Plan, which includes analysis of the return on equity, return on average operating assets and debt to debt plus equity ratios implicit in the Corporate Plan.

D2 Managing our financial risks

Financial risk management objectives

The Board reviews and agrees policies for managing the Group's financial risks. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. Exposure to commodity risk in relation to the bulk purchase of fuel and third party contract pricing mechanisms, managed through the use of hedging derivatives, is considered insignificant.

Credit risk

The Group makes sales on credit terms and therefore it is exposed to the risk that a customer may not repay their entire obligations in full as required. In addition to the above, the Group provides financial guarantees to third parties, which commit the Group to make payments on behalf of these parties upon their failure to perform under the terms of the relevant contract. At 30 June, the maximum credit risk in respect to guarantees is $236.0 million (2016: $232.4 million) which relates to bank guarantees over projected workers' compensation claims liabilities provided by the Group.

Credit risk management: trade and other receivables

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, individual receivable balances are monitored on an ongoing basis with the result that the exposure to bad debts is not significant.

Credit risk management: financial instruments

Counterparty limits are reviewed regularly by the treasury group with recommended limits endorsed by the Board. Investment of surplus funds is made only with approved high investment grade counterparties as rated by Standard & Poor's. Surplus funds invested with bank counterparties are all rated A- or better (2016: A- or better).

Accordingly, credit risk on derivative financial instruments is limited and managed using the principle of the APRA 'Current Exposure Method' as described in its guidance note AGN 112.2, taking into account both current credit exposure and potential future credit exposure.

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Liquidity risk management

Liquidity Risk is the risk that the Group will not be able to meet its obligations, such as the provisions and payables outlined in notes B7 and B8 respectively, when they fall due. The Group's liquidity risk management seeks to ensure that there are sufficient funds available to meet financial commitments in a timely manner and plan for unforeseen events which may cause pressure on liquidity. The Group measures and manages liquidity risk by forecasting liquidity and funding requirements for the next three years as a minimum, which is reviewed annually by the Board as part of the Treasury Strategy Paper. The treasury group also prepares and reviews a rolling daily cash forecast for the quarter to manage short term liquidity requirements.

Financing facilities

The Group has a five-year revolving credit facility of $200.0 million expiring on 25 June 2020 which is available for draw down for a minimum of 30 days, in addition to $230.0 million of uncommitted short-term borrowing facilities.

Maturity of financial liabilities

The table below details the Group's remaining contractual maturity for its material non-derivative financial liabilities, as well as cash outflows arising from derivative financial instruments.

The table presents undiscounted cash flows based on the earliest date on which the Group can be required to pay compared to the carrying amount of the relevant financial liabilities. The table includes both interest and principal cash flows. Where interest flows are floating rate, the undiscounted amount is derived from the interest rate curves at the end of the reporting period. For financial guarantee contracts and undrawn loan commitments, the maximum amount of the guarantee and undrawn loan commitment are allocated to the earliest period in which the guarantee or loan commitment can be called.

The table also includes cash outflows arising from derivative financial instruments, based on the undiscounted net cash outflows on derivative instruments that settle on a net basis and the undiscounted gross cash outflows on those derivatives that require gross settlement. The amount disclosed has been determined by reference to the projected cash outflows illustrated by the yield or forward curves existing at reporting date.

	Contractual maturity (nominal cash flows)					
Consolidated ($m)	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total nominal cash flows	Carrying amount (assets)/liabilities
As at 30 June 2017						
Trade and other payables	756.2	–	–	–	756.2	756.2
Bonds payable	32.1	32.2	428.1	401.8	894.2	702.7
Interest rate swaps	–	–	–	–	–	–
Hedge foreign exchange contracts (net settled)	1.8	0.3	–	–	2.1	2.1
	790.1	**32.5**	**428.1**	**401.8**	**1,652.5**	**1,461.0**
As at 30 June 2016						
Trade and other payables	665.9	–	–	–	665.9	665.9
Bonds payable	317.5	22.1	310.1	199.1	848.8	708.5
Interest rate swaps	(8.2)	–	–	–	(8.2)	(6.1)
Hedge foreign exchange contracts (net settled)	(5.6)	(0.5)	–	–	(6.1)	(6.1)
	969.6	**21.6**	**310.1**	**199.1**	**1,500.4**	**1,362.2**

Notes to the financial statements

for the year ended 30 June 2017

D2 Managing our financial risks (continued)

Interest rate risk management

The Group's objective in managing interest rate risk is to minimise interest rate exposure by matching asset and liability positions to achieve a natural hedge, whilst ensuring that an appropriate level of flexibility exists to accommodate potential changes in funding requirements. Interest rate risk is measured by regularly reviewing the net exposure from interest-bearing assets and liabilities. The risk can be managed by the use of interest rate swap contracts wherein the Group agrees to exchange the difference between the fixed and floating-rate interest amounts calculated on agreed notional principal amounts.

Exposure

The Group's primary exposure to interest rate risks of interest-bearing financial assets and financial liabilities is set out below. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed-rate is fixed until maturity of the instrument.

	Carrying amount	
Consolidated ($m)	**2017**	**2016**
Financial assets		
Cash and cash equivalents (floating-rate)	294.7	389.6
Financial liabilities		
Bonds payable (fixed-rate)	602.7	708.5
Bonds payable (floating-rate)	100.0	–
Interest rate swaps (fixed-rate)	–	(285.3)
Interest rate swaps (floating-rate)	–	279.2

Interest rate risk sensitivity

An interest rate sensitivity analysis of the Group at the reporting date has been performed, using a 30 basis point (2016: 30) change to quantify the possible risk based on Australian Government Department of Finance guidance and holding all other variables constant.

Using the exposure to interest rates from financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the period, the sensitivity analysis indicated that the impact on profit after tax at reporting date would be $0.4 million (2016: $0.8 million) increase/decrease in profit after tax.

Interest bearing liabilities

The consolidated borrowing position of the Group at 30 June comprises the following fixed-rate unsecured bonds, which are repayable in full with $250.0 million maturing on 13 November 2020, $175.0 million maturing on 13 November 2023, $180.0 million maturing on 1 December 2026 and a floating rate note of $100.0 million maturing on 1 December 2021 (2016: fixed-rate unsecured bonds, which are repayable in full with $250.0 million maturing on 13 November 2020, $175.0 million maturing on 13 November 2023, $180.0 million maturing on 1 December 2026).

On this basis, the weighted average duration of debt is 5.8 years (2016: 3.6 years).

Consolidated ($m)	2017	2016
Payable in less than 1 year[1]	–	285.3
Current loan liabilities	–	285.3
Payable in 1-5 years[2]	349.5	249.4
Payable in over 5 years[2]	353.2	173.8
Non-current loan liabilities	702.7	423.2
Total	702.7	708.5

1. Designated in fair value hedge relationships at amortised cost and adjusted by the gain/loss attributable to interest rate risk.
2. Measured at amortised cost.

Foreign currency risk management

The Group has obligations with overseas postal administrations which are invoiced in Special Drawing Rights (SDR) and settled mostly in Euros (EUR) and United States Dollars (USD). The SDR is a basket currency composed of fixed quantities of the five major traded currencies (USD, Japanese Yen, EUR, British Pound and Chinese Renminbi). The composition of the basket is set by the International Monetary Fund. International mail receipts and payments are highly variable in amount and timing as well as being ongoing in nature. For the Group, the requirement to settle in a foreign currency exposes it to the risk that future cash payment amounts may fluctuate due to changes in the foreign exchange rates. The Group undertakes hedging strategies with respect to the SDR exposure using forward exchange contracts, options & collars. These aim to mitigate the volatility experienced in the income statement caused by movements in the SDR/AUD exchange rate. Each foreign currency exposure, other than SDR, is measured and managed on an item by item basis and individual exposures over $0.5 million are hedged through the use of forward currency contracts.

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Exposure

The carrying amount of monetary assets and monetary liabilities as at balance date is shown in the table below.

Other major sources of foreign exchange transaction risk are as a result of foreign sourced and priced capital equipment, purchases or sales in foreign currencies (including fuel purchases) and foreign currency bank accounts.

Foreign currency sensitivity

The following table also details the effect on profit after tax as at 30 June from a 10.2 per cent (2016: 10.5 per cent) favourable/unfavourable change in the Australian Dollar based on Australian Government Department of Finance guidance with all other variables held constant. The sensitivity analyses below have been determined based on the exposure to foreign currencies from financial instruments at the reporting date.

		Exchange +10.2%		Exchange -10.2%	
Consolidated ($m)	**Exposure**	**Impact on profit**	**Impact on equity**	**Impact on profit**	**Impact on equity**
2017					
Financial assets					
Cash on hand	5.4	(0.3)	–	0.3	–
Trade and other receivables	225.8	(15.5)	5.4	15.5	(5.4)
Available-for-sale financial assets	–	–	–	–	–
Financial liabilities					
Trade and other payables	(78.2)	5.6	–	(5.6)	–
Net Exposure	**153.0**	**(10.2)**	**5.4**	**10.2**	**(5.4)**

		Exchange +10.5%		Exchange -10.5%	
	Exposure	**Impact on profit**	**Impact on equity**	**Impact on profit**	**Impact on equity**
2016					
Financial assets					
Cash on hand	127.5	(8.5)	–	8.5	–
Trade and other receivables	163.7	(12.0)	(5.6)	12.0	5.6
Available-for-sale financial assets	11.9	–	(0.8)	–	0.8
Financial liabilities					
Trade and other payables	(80.6)	5.9	–	(5.9)	–
Net Exposure	**222.5**	**(14.6)**	**(6.4)**	**14.6**	**6.4**

Of the total $153.0 million of foreign currency denominated exposures, $144.3 million is SDR, $4.2 million is USD, $4.2 million is HKD and $0.3 million in EUR. (2016: Total of $222.5 million of foreign currency denominated exposures, is $122.0 million is USD, $83.1 million is SDR and $11.9 million AED. Remaining $5.5 million is made up of GBP, EUR and NZD).

The receivables and payables denominated in SDR, on which the sensitivity is shown in the table above, are not necessarily representative of the Group's exposure to currency risk for the years ended 30 June 2017 and 30 June 2016. The receivables and payables denominated in SDR are highly variable in amount and timing, in particular due to the timing of receipts and settlements with overseas postal administrations.

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for the year ended 30 June 2017

D3 Using derivatives to hedge risks

Types of hedging instruments
The Group uses the following types of derivative financial instruments as part of its risk management strategy:

Interest rate swaps

Interest rate swaps are used to manage the exposure to interest rate movements arising from Group borrowings. Under interest rate swap contracts the Group agrees to exchange the difference between fixed and floating-rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held.

During the year, the Group had interest rate swap contracts which settled on a quarterly basis. The floating rate on the $280.0 million interest rate swaps was quarterly BBSW plus 131 basis points. These matured in February 2017.

The following table details the notional principal amounts and remaining terms of fixed for floating interest rate swap contracts as at balance date (Nil at 30 June 2017).

Consolidated	Fixed interest rate %	Notional principal amount ($m)
2017		
From 1-5 years	–	–
2016		
From 1-5 years	5.5	280.0

Interest rate swap contracts are designated as fair value hedges in respect of interest rates. The gain or loss from remeasuring the hedging instrument at fair value is recorded in profit or loss and to the extent that the hedge is effective, the carrying amount of the borrowing is adjusted by the gain or loss attributable to the hedged risk through profit or loss.

Foreign currency derivatives

All foreign currency contracts are entered into on the basis of known or projected exposures. For the year, the Group has elected to adopt hedge accounting in respect of some of its foreign currency hedging exposures, excluding SDR receipts prior to 30 June 2017. However the Group has elected to adopt hedge accounting for SDR revenue exposures relating to the 2018 financial year and beyond. The fair value of foreign currency contracts designated as hedging instruments is a net liability of $2.1 million (2016: net asset of $6.1 million) for the Group.

The portion of the gain or loss on the designated forward currency contracts that are determined to be effective hedges is deferred in other comprehensive income and will be recognised in the measurement of the underlying transaction.

As at balance date, the aggregate amount of unrealised gains/losses under foreign forward currency contracts deferred in the hedging reserve related to contracted future payments for inventory, capital expenditure and exposures for SDR revenue receipts. It is anticipated that the payments will mostly take place within 24 months after reporting date at which stage the amount deferred in equity will be included in the initial cost of the inventory and capital equipment.

It is anticipated that the hedged amounts in relation to inventory will impact the statement of comprehensive income over the next one year and amounts in relation to equipment capital expenditure will impact the statement of comprehensive income over the next 5 to 20 years after the assets are available for use.

The Group hedges its expected SDR revenue flows and for the current year's exposures has elected not to adopt hedge accounting on these contracts. The gain/loss from remeasuring these SDR contracts is recorded in the income statement. Effective 1 July 2017, the hedged SDR Revenue exposures will be in a hedge accounting relationship with gains/losses being recorded in both the statement of comprehensive income and equity.

Hedging of SDR can be undertaken with counterparties in either SDR directly or the individual currencies that make up the SDR basket.

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The following table details the foreign currency contracts outstanding as at balance date:

Consolidated	Average exchange rate	Notional amount (foreign currency) ($m)
2017		
BUY USD		
0-6 months	0.759	7.2
		7.2
BUY EUR		
0-6 months	0.670	17.6
		17.6
BUY JPY		
0-6 months	86.757	2,077.2
		2,077.2
SELL USD		
0-6 months	0.767	15.4
7-12 months	0.765	8.6
		23.9
SELL EUR		
0-6 months	0.668	8.0
7-12 months	0.661	7.7
		15.8
SELL JPY		
0-6 months	85.452	314.2
7-12 months	84.483	171.4
		485.5
SELL GBP		
0-6 months	0.588	2.3
7-12 months	0.583	1.2
		3.5
SELL CNH		
0-6 months	5.237	26.9
7-12 months	5.308	14.7
		41.5
SELL SDR		
0-6 months	1.812	19.5
7-12 months	1.818	58.8
over 12 months	1.825	15.8
		94.1
2016		
BUY USD		
0-6 months	0.741	14.7
		14.7
BUY EUR		
0-6 months	0.689	4.1
7-12 months	0.678	8.2
over 12 months	0.671	13.5
		25.8
BUY JPY		
over 12 months	89.208	2,436.6
		2,436.6

Recognition and measurement of derivatives

Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value.

Any gains/losses arising from changes in the fair value of derivatives are taken directly to the statement of comprehensive income, except for derivatives designated in cash flow hedge arrangements with the effective portion recognised in other comprehensive income.

The fair value of non-optional derivatives is determined based on discounted cash flow analysis using the applicable yield curve or forward curve (commodity) for the duration of the instrument. The fair value of optional derivatives is determined based upon valuation techniques consistent with accepted industry practice.

Derivative instruments are classified as current or non-current based on an assessment of the facts and circumstances pertaining to the derivative (i.e. the underlying contracted cash flows) and whether it is designated in a hedge relationship.

Hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine their effectiveness.

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for the year ended 30 June 2017

D3 Using derivatives to hedge risks (continued)

Hedge accounting designations

Cash flow hedges

Used by the Group to hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a highly probable forecast transaction.

For cash flow hedges, the portion of the gain/loss on the hedging instrument that is effective is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts recognised in equity are transferred to the statement of comprehensive income when the hedged transaction affects profit/loss, such as when hedged income or expenses are recognised or when a forecast sale occurs or the asset is consumed. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or roll over, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

The Group uses cash flow hedges to mitigate the risk of variability of future cash flows attributable to foreign currency fluctuations over the hedging period associated with foreign exchange business activities. These are principally revenues earned from overseas postal authorities and purchases of equipment from overseas suppliers.

The maturity profile of cash flow hedges is shown in note D2.

Fair value hedges

Used by the Group to hedge the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitment.

The carrying value of the hedged item is adjusted for gains/losses attributable to the risk being hedged. The derivative is also remeasured to fair value, with the net gain/loss recognised in the statement of comprehensive income.

If the hedged item is a firm commitment (and therefore not recognised), the subsequent cumulative change in the fair value of the hedged risk is recognised as an asset or liability with a corresponding gain/loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of comprehensive income.

The Group discontinues fair value hedge accounting if the hedge instrument expires or is sold, is terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

If the hedged item is a financial instrument for which the effective interest method is used, the accumulated changes in its carrying value are amortised to profit or loss over the remaining life of the instrument from the point at which hedge accounting is discontinued.

The Group uses fair value hedges to mitigate the risk of changes in the fair value of borrowings from interest rate fluctuations over the hedge period. The Group has used interest rate swap contracts to convert fixed-rate interest exposures to floating rate exposures although there were no longer any outstanding hedges at 30 June 2017.

The maturity profile of fair value hedges is shown in note D2.

D4 Fair value measurement

Valuation of financial instruments

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The methods and assumptions used to estimate the fair value of financial instruments are as follows:

Cash
The carrying amount is fair value due to the asset's liquid nature.

Receivables/payables
Due to the short-term nature of these financial rights and obligations, carrying amounts are estimated to represent fair values.

Derivatives
The fair values are calculated as the present value of estimated future cash flows using a market based yield curve and forward-rates sourced from available market data quoted for all major currencies and commodities. Accordingly, these financial instruments are classified as Level 2.

The fair value of forward contracts is calculated by reference to forward exchange market rates at reporting date for contracts with similar maturity profiles. As market rates are observable they are classified as Level 2.

Interest-bearing loans and borrowings
Quoted market prices or dealer quotes for similar instruments are used to value long-term debt instruments, except corporate bonds, based on discounting expected future cash flows at market rates.

Fair value measurements recognised in the balance sheet
Except as detailed in the table below, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated balance sheet approximates their fair value.

Consolidated ($m)	Carrying Amount	Fair Value
2017		
Financial assets		
Finance lease receivable	103.2	120.1
Financial liabilities		
Bonds payable	702.7	744.4
2016		
Financial assets		
Finance lease receivable	103.2	135.8
Financial liabilities		
Bonds payable	708.5	759.7

The financial assets and liabilities not measured at fair value in the consolidated balance sheet are disclosed above. In valuing them at fair value, they would be categorised as Level 2 with the fair value of each financial asset and liability determined by discounting the expected future cash flows using the applicable yield curve for assets and liabilities with similar risk and maturity profiles.

There were no transfers between Levels during the year.

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Other information

This section includes additional financial information that is required by either accounting standards or the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015.

E1 Our subsidiaries

The below is a list of the Group's controlled entities, all of which are incorporated in Australia unless otherwise noted:

Consolidated ($m)	2017 %	2016 %
AlphaCommerceHub Pty Ltd (formerly DFE Transport Pty Ltd)[1]	100	100
AP Innovation Ventures Pty Ltd[1]	100	100
AP International Holdings Pty Ltd[1]	100	100
APeCom Fund – An Incorporated Limited Partnership[9]	–	100
APost Accelerator Pty Ltd[1]	100	100
APost Innovation Pty Ltd[1]	100	100
Australia Post Digital ID Pty Ltd (formerly SB Parcels Pty Ltd)[1]	100	100
Australia Post Digital MailBox Pty Ltd[10]	100	100
Australia Post Licensee Advisory Council Limited[5]	50	50
Australia Post Services Pty Ltd[6]	100	100
Australia Post Transaction Services Pty Ltd[2]	100	100
Australian Express Transport Pty Limited[1,14]	100	100
Australian Express Freight Pty Limited[1,15]	100	100
AUX Investments Pty Ltd[4]	100	100
corProcure Pty Ltd[1]	100	100
Decipha Pty Ltd[4]	100	100
Discount Freight Express Pty Limited[1]	100	100
DFE Pty Limited[1,8]	75	75
Geospend Pty. Ltd.[1]	100	100
Lakewood Logistics Pty Ltd[11]	–	100
Mail Call Bikes Pty Ltd[1,12]	100	–
Mail Call Commercial Pty Ltd[1,12]	100	–
Mail Call Couriers Pty Limited[4,12]	100	–
Mail Call Couriers Melbourne Pty Ltd[1,12]	100	–
Mail Call Motor Bikes Pty Ltd[1,12]	100	–
Mail Call Non Commercial Pty Ltd[1,12]	100	–
Mail Call Queensland Pty Ltd[1,12]	100	–
Mail Call Services Pty Ltd[1,12]	100	–
Mail Call South Australia Pty Ltd[1,12]	100	–
Mail Call Western Australia Pty Ltd[1,12]	100	–
Mail Plus Pty Ltd[1,8]	75	75
Mardarne Pty. Ltd.[1,16]	100	100
MP Rights Pty Ltd[1,8]	75	75
Multigroup Distribution Services Pty Limited[1]	100	100
Our Neighbourhood Pty. Ltd.[1]	100	100
Our Neighbourhood Trust[7]	100	100
POLi Payments Pty Ltd[1]	100	100
Post Fulfilment Online Pty Ltd[1]	100	100
Post Logistics Australasia Pty Ltd[11]	–	100
Postcorp Developments Pty Ltd[1]	100	100
PostLogistics (Hong Kong) Pte Limited[3]	100	100
SecurePay Holdings Pty Ltd[4]	100	100
SecurePay Pty. Ltd.[4]	100	100
Sprintpak Pty. Ltd.[1]	100	100
ST Couriers Holdings Pty Ltd[4]	100	100
Star Track Couriers Pty Limited[1]	100	100
Star Track Express Holdings Pty Limited[4]	100	100
Star Track Express Investments Pty Limited[4]	100	100
Star Track Express Pty Limited[4]	100	100
Star Track Pty Limited[1]	100	100
StarTrack Retail Pty Ltd[4]	100	100
Star Track Special Services Pty Limited[1]	100	100
STI Co (Aust) Pty Ltd[1,13]	–	100
Wantitnow Australia Pty Ltd[1,12]	100	–

1. Small proprietary entity not required to prepare and lodge audited financial statements with Australian Securities and Investments Commission (ASIC).
2. Large proprietary company required to prepare and lodge audited financial statements with ASIC.
3. Entity incorporated in Hong Kong and not audited by the Australian National Audit Office.
4. Large proprietary company and has entered into a deed of cross guarantee with Australia Post Transaction Services Pty Ltd as the holding entity. Therefore, this entity is not required to prepare and lodge audited financial statements with ASIC in accordance with the relief provisions set out in ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.
5. Entity limited by guarantee required to prepare audited financial statements in accordance with the company's constitution. Australia Post controls the voting rights and has exposure to variability in returns and therefore consolidates this entity.
6. Small proprietary entity which holds an Australian Financial Services Licence and is required to prepare and lodge audited financial statements with ASIC.
7. Not-for-profit entity required to prepare and lodge audited financial statements with the Australian Charities and Not-for-profits Commission. The Trust was wound up during the financial year with effect from 30 June 2017.
8. Entity required to prepare audited financial statements in accordance with the requirements of the DFE Pty Limited Shareholders Agreement.
9. Incorporated limited partnership governed by a deed required to prepare audited financial statements. The partnership was dissolved during the year with effect from 20 September 2016.
10. Small proprietary entity not required to prepare and lodge audited financial statements with ASIC. Entity has entered into a deed of cross guarantee with Australia Post Transaction Services Pty Ltd as the holding entity.
11. Entity deregistered 21 June 2017.
12. Entity acquired 31 August 2016.
13. Entity disposed 30 September 2016.
14. Trust company of Darra No 1 Trust and Minchinbury No 1 Trust.
15. Trust company of Darra No 2 Trust and Minchinbury No 2 Trust.
16. Trust company of Mardarne No 1 Trust.
17. The parent entity, Australian Postal Corporation, is the trustee of The Australia Post Shelf Trust (Number 1) and The Australia Post Shelf Trust (Number 2).

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for the year ended 30 June 2017

E2 Equity-accounted investees

Consolidated ($m)	2017	2016
Equity-accounted investees	247.9	2.2

Consolidated ($m)	2017	2016
Net profits/(losses) from operations	6.5	(0.3)
Other comprehensive income/(losses)	(4.2)	(0.2)
Total comprehensive income	2.3	(0.5)

Recognition and measurement

Equity accounted investees comprise the Group's investments in associates and investments in joint ventures. The Group has no investments in joint operations. Under the equity method, investments are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the investee.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the investees, and its share of post-acquisition movements in equity of the investees.

Key judgement: significant influence

The Group considers a range of factors in determining whether it has control, joint control or significant influence over an investee. The Group assesses its interest in the investee by considering the rights it holds to either make or participate in key decisions over the relevant activities, and the magnitude and variability of the Group's exposure to variable returns associated with its involvement in the investee.

Individually immaterial investees (in aggregate)

The Group has interests in a number of individually immaterial investees. In aggregate, the carrying amount and share of profits/(losses) and other comprehensive income/(losses) of these associates are as follows:

Consolidated ($m)	2017	2016
Carrying amount	7.9	2.2
Group's share of:		
Net income (losses) from operations	(0.4)	(0.3)
Other comprehensive income (losses)	(1.1)	(0.2)
Total comprehensive income (losses)	(1.5)	(0.5)

Individually material investee

The Group has acquired a shareholding in Aramex PJSC of approximately 10.1 per cent of its share capital, and considers this investment an individually material investee. Aramex PJSC is a leading global provider of comprehensive logistics and transport solutions, and is a listed entity on the Dubai Financial Market. In addition to the shareholding, the Group maintains a strategic eCommerce alliance with Aramex which complements the Group's existing range of global partnerships, and will allow Australian businesses and consumers to take advantage of growth in cross-border eCommerce.

The Group accounts for its interest as an equity-accounted associate, as it has determined it has significant influence primarily because it has representation on the Board of the investee.

In applying the equity method, the Group uses publicly available quarterly financial statements of the investee. The investee has a reporting date of 31 December, and was incorporated in and principally operates in the United Arab Emirates.

The Group determines the fair value of its investment with reference to the observable market price of Aramex PJSC shares on the Dubai Financial Market. The Group considers this a Level 1 investment. Refer to note D4 for fair value categories.

Summarised financial information of the investee is as follows:

Consolidated ($m)	2017
Ownership interest	10.1%
Current assets (including cash & cash equivalents $247.8m)	620.8
Non-current assets	832.6
Current liabilities (including financial liabilities excluding payables & provisions $117.7m)	(504.4)
Non-current liabilities (including financial liabilities excluding payables & provisions $124.0m)	(194.0)
Net assets (100%)	755.0
Group's share of net assets (10.1%)	76.0
Fair value adjustments on acquisition	21.4
Accounting policy & other adjustments	9.1
Goodwill	133.5
Carrying amount of interest in associate	240.0
Fair value of interest in associate	270.6
Revenue	666.4
Depreciation and amortisation	16.1
Interest expense	(3.8)
Income tax expense	(9.7)
Total comprehensive income (100%)	52.4
Group's share of total comprehensive income (10.1%)	5.3
Accounting policy & other adjustments	(1.5)
	3.8
Comprising Group's share (10.1%) of:	
Net profits/(losses) from operations	6.9
Other comprehensive income/(losses)	(3.1)
Group's share of total comprehensive income	3.8
Dividends received by the Group	8.4

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for the year ended 30 June 2017

E3 Leases

Recognition and measurement

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the date of inception. It also requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. The Group is party to both finance leases and operating leases. A finance lease transfers substantially all the risks and benefits incidental to ownership of the leased item, whereas an operating lease does not transfer substantially all these risks and benefits.

Below outlines the leases that the Group is party to where the underlying leased assets are not on the consolidated balance sheet.

Finance leases for assets the Group leases to external parties

The Group has a finance lease receivable relating to the disposal in 1996/97 of the Sydney GPO heritage site under a 99 year lease. The agreement included a seven-year rent-free period to the lessee, followed by a guaranteed minimum rental. This finance lease receivable has been sold subsequent to balance date, on 24 July 2017.

The reconciliation of minimum lease payments to finance lease receivable is as follows:

Consolidated ($m)	2017	2016
Gross minimum finance lease rentals receivable	516.8	523.3
Finance lease revenue not yet recognised	(413.6)	(420.1)
Total	**103.2**	**103.2**
Minimum finance lease rentals receivable:		
– within 1 year	6.5	6.5
– from 1 year to 5 years	26.0	26.0
– over 5 years	484.3	490.8
Total	**516.8**	**523.3**
Finance lease receivable[1]	103.2	103.2
– Current	6.5	6.5
– Non-current	96.7	96.7

1. The lease payments receivable at year-end equal the minimum lease payments, as there are no material contingent payments or unguaranteed residual value relating to this lease agreement.

Operating leases for assets the Group leases to external parties

The Group leases or sub-leases a total of 144 sites to external parties. These are under operating leases with various occupancy terms that are due to expire in the next 1 to 22 years. The leased property portfolio comprises 13 commercial, 28 industrial and 103 retail sites.

Lease payments receivable generally comprise a base amount plus an incremental contingent rental based on movements in the Consumer Price Index and reviews to market-based levels.

The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

Consolidated ($m)	2017	2016
– within 1 year	33.3	35.7
– from 1 year to 5 years	85.9	86.0
– over 5 years	50.9	56.7
Total	**170.1**	**178.4**

Operating leases for assets the Group leases from external parties

The Group leases a total of 929 properties. These are under operating leases with various occupancy terms that are due to expire in the next 1 to 15 years. The leased property portfolio comprises 152 commercial, 280 industrial, 7 residential, 488 retail and 2 general sites.

Leases generally provide the Group with a right of renewal, at which time the commercial terms are renegotiated. Lease payments generally comprise a base amount plus an incremental contingent rental based on movements in the Consumer Price Index and reviews to market-based levels.

Consolidated ($m)	2017	2016
Minimum lease payments	197.4	196.2
Contingent rentals	0.4	0.8
Operating lease rentals	**197.8**	**197.0**

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Consolidated ($m)	2017	2016
– within 1 year	171.6	169.4
– from 1 year to 5 years	441.0	410.9
– over 5 years	273.9	234.5
Total	**886.5**	**814.8**

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for the year ended 30 June 2017

E4 Australian Postal Corporation

Corporation ($m)	2017	2016
Current assets	1,393.8	1,360.4
Total assets	5,380.4	4,920.9
Current liabilities	1,913.6	2,087.3
Total liabilities	3,276.8	3,105.9
Contributed equity	400.0	400.0
Retained profits	1,696.0	1,397.6
Asset revaluation reserve	11.6	11.1
Hedging reserve	(4.0)	6.3
Net equity	**2,103.6**	**1,815.0**
Net profit/(loss) of the parent entity	104.2	26.6
Total comprehensive income/(losses) of the parent entity	244.3	(120.9)
Dividends paid	(50.1)	–

Australian Postal Corporation, which is the Group's ultimate parent and controlling entity of the Australian Postal Corporation Group, also has:

- contingent liabilities which relate to legal liability claims that have been lodged against the Corporation, including motor vehicle accident and personal injury claims in the amount of $5.4 million (2016: $2.5 million).
- issued bank guarantees amounting to $164.3 million (2016: $160.5 million) which represent guarantees supporting worker compensation self insurance licences in various jurisdictions.
- contractual obligations which relate to sub-lease rent receivables and operating lease receivables in the amount of $157.1 million (2016: $168.1 million). Capital commitments of the parent entity in relation to land and buildings and plant and equipment amount to $110.3 million (2016: $109.1 million); and
- operating lease commitments of $699.8 million (2016: $620.8 million).

E5 Auditors' remuneration

The Corporation's auditor is the Australian National Audit Office who has retained Ernst & Young (Australia) to assist with the assignment.

Amounts received or due and receivable by the Corporation's auditors' are as follows:

Consolidated ($)	2017	2016
An audit or review of the financial report of the Group and any other entity in the consolidated Group	1,878,500	1,749,000
– assurance related	288,000	300,000
– other non-audit related[1]	873,000	583,500
Total auditors' remuneration	**3,039,500**	**2,632,500**

1. These services are performed by Ernst & Young (Australia) directly and include governance and compliance services.

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E6 Contingencies

The Group has the following contingent assets and liabilities as at 30 June 2017. Due to the nature of the Group's contingent liabilities, the Group is not able to ascertain with any certainty the expected timing of any cash outflow that may arise, or the probability of reimbursement.

	Guarantees		Claims for damages or other costs		Total	
Consolidated ($m)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Balance from previous period	232.4	226.2	2.4	38.5	234.8	264.7
New contingent liabilities recognised	3.5	23.4	9.8	4.4	13.3	27.8
Re-measurement	11.3	(13.0)	2.1	(0.7)	13.4	(13.7)
Liabilities realised	–	–	(6.7)	(4.5)	(6.7)	(4.5)
Obligations expired	(11.2)	(4.2)	(1.8)	(35.3)	(13.0)	(39.5)
Total contingent liabilities	**236.0**	**232.4**	**5.8**	**2.4**	**241.8**	**234.8**
Balance from previous period	8.0	9.3	–	–	8.0	9.3
New contingent assets recognised	3.4	–	–	–	3.4	–
Assets realised	–	–	–	–	–	–
Obligations expired	(3.0)	(1.3)	–	–	(3.0)	(1.3)
Total contingent assets	**8.4**	**8.0**	**–**	**–**	**8.4**	**8.0**
Net contingent liabilities	**227.6**	**224.4**	**5.8**	**2.4**	**233.4**	**226.8**

Recognition and measurement

Contingent liabilities and contingent assets arise when:

- there is sufficient uncertainty as to the existence of a liability or asset; or
- there is an existing liability or asset where settlement is not probable; or
- the amount of a liability or asset cannot be reliably measured.

They are not recognised in the balance sheet but are reported in the relevant schedules and notes. Contingent assets are disclosed when settlement is probable, and contingent liabilities are disclosed when settlement is considered remote.

Guarantees

Related to non-financial guarantees, including bank guarantees over projected workers' compensation claims liabilities arising from the Group's self insurance of its liability for workers' compensation as a licence holder under the *Safety, Rehabilitation and Compensation Act 1988* (SRC Act).

Claims for damages or other costs

These arise from legal liability claims that have been lodged against the Corporation and subsidiaries, including motor vehicle accident and personal injury claims.

Insurance

Generally, the Corporation self-insures its own risks. However, with respect to catastrophic losses appropriate insurance coverage for both the Corporation and its subsidiaries has been arranged with general insurers. Payments received on account of losses in any year are recognised in other income or as an offset against the cost incurred, as is appropriate. Insurance premiums are recognised in other expenses as incurred. Where appropriate, the subsidiaries insure their other risks with general insurers. At 30 June 2017, there is no material contingent liability with respect to the Group's self insurance activities.

Notes to the financial statements

for the year ended 30 June 2017

E7 Other accounting policies

a) Accounting for goods and services taxes

Revenues, expenditures and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

b) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. Initial cost of inventories also includes the transfer of gains and losses on qualifying cash flow hedges, recognised in other comprehensive income. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price including import duties and other taxes (other than those subsequently recoverable by the Group from the taxation authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase; and
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Where this is lower than cost, inventory impairment is recognised.

c) Current/non-current classification

Assets are disclosed as current when they are expected to be converted to cash or receivable within 12 months of 30 June 2017. Liabilities are disclosed as current when they are due within 12 months of 30 June 2017 or when there is no unconditional right to defer settlement of the liability for at least 12 months after 30 June 2017.

d) New and amended Australian Accounting Standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2016:

Reference	Description
AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*	AASB 116 *Property Plant and Equipment* and AASB 138 *Intangible Assets* both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. There were no material changes to the Group's financial statements from the initial application of these amendments.
AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*	AASB 2014-9 amends AASB 127 *Separate Financial Statements*, and consequentially amends AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 128 *Investments in Associates and Joint Ventures*, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. There were no material changes to the Group's financial statements from the initial application of these amendments.
AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle*	The amendment makes changes to a number of accounting policies including the methods of disposal in AASB 5 *Non-current Assets Held for Sale* and Discontinued Operation, disclosure requirements in AASB 7 *Financial Instruments: Disclosures* and AASB 134 *Interim Financial Reporting* and clarification of discount rates utilised in AASB 119 *Employee Benefits*. There were no material changes to the Group's financial statements from the initial application of these amendments.
AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*	The standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The initial application of these amendments did not result in material changes to the Group's financial statements.
AASB 1057 *Application of Australian Accounting Standards*	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. The initial application of these amendments did not have any material impact on the Group's financial statements.

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E7 Other accounting policies (continued)

Reference	Description
AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception*	This makes amendments to AASB 10 *Consolidated Financial Statements*, AASB 12 *Disclosure of Interests in Other Entities* and AASB 128 *Investment in Associates and Joint Ventures* arising from the IASB's narrow scope amendments associated with Investment Entities. The initial application of these amendments did not have any material impact on the Group's financial statements.
AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]*	This Standard inserts scope paragraphs into AASB 8 *Operating Segments* and AASB 133 *Earnings per Share* in place of application paragraph text in AASB 1057 *Application of Australian Accounting Standards*. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133. The initial application of these amendments did not have any material impact on the Group's financial statements.

e) New and amended Australian Accounting Standards not yet adopted

The following standards, amendments to standards and interpretations are relevant to current operations but have not been applied by the Group in this financial report.

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	This Standard amends AASB 112 *Income Taxes* (July 2004) and AASB 112 *Income Taxes (August 2015)* to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2017	1 July 2017
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2017	1 July 2017
AASB 2017-2	Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	The amendments clarify the scope of AASB 12 *Disclosure of Interests in Other Entities* and include the application of requirements to interests that are classified as held for sale or distribution. These amendments are not expected to have any material impact on the Group's financial statements.	1 January 2017	1 July 2017
AASB 9, and relevant amending standards	Financial Instruments	This standard aims to improve the model for classification and measurement of financial instruments providing a single forward looking "expected loss" impairment model. The new hedge accounting requirements are more principles based, less complex, and provide stronger links to an entity's risk management activities, allowing for hedge accounting to be applied more broadly to manage profit or loss mismatches. Management will complete a detailed assessment of the impact of the new standard on the Group's financial statements over the course of the next financial year.	1 January 2018	1 July 2018

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for the year ended 30 June 2017

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
AASB 15, and relevant amending standards	Revenue from Contracts with Customers	AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 118 *Revenue*, AASB 111 *Construction Contracts and related Interpretations*) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 *Leases*, once applied). The standard establishes a five-step model which, when applied, ensures that revenue is recognised in a manner that depicts the transfer of goods and services to the customer, at an amount reflecting the consideration to which an entity expects to be entitled in exchange for the goods and services. The Group will apply AASB 15 for the first time for the financial year beginning 1 July 2018. The Group's project to facilitate application of the standard is underway, with a dedicated project team and project sponsors. Using the prescribed five-step model, the project team is progressing with detailed analysis of certain material Postal revenue streams. The assessment to date indicates that the Group will need to examine the timing of revenue recognition for delivery related performance obligations. A full impact assessment will be completed during the course of the next financial year, including the selection and development of an appropriate transition approach.	1 January 2018	1 July 2018
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments require: (a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. Management is yet to complete its assessment of the likely impact on the Group's financial statements.	1 January 2018	1 July 2018
AASB 2017-1	Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments	The amendments clarify certain requirements in AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures* and AASB 140 *Investment Property* around changes in the use of properties when transferring to or from investment property. These amendments are not likely to have a material impact on the Group's financial statements.	1 January 2018	1 July 2018

Notes to the financial statements

for the year ended 30 June 2017

E7 Other accounting policies (continued)

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
AASB Interpretation 22	Foreign Currency Transactions and Advance Consideration	This interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency, and is not anticipated to have a material impact on the Group's financial statements.	1 January 2018	1 July 2018
AASB 16	Leases	AASB 16 will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. The accounting by lessors, however, will not significantly change. The changes under AASB 16 are significant and will have a pervasive impact, particularly for lessees with operating leases. A project team has been formed to complete an assessment of the implications of the new standard over the course of the next financial year. As such, management is yet to complete its assessment of the likely impact on the Group's financial statements.	1 January 2019	1 July 2019
IFRIC 23	Uncertainty over Income Tax Treatments	Interpretation clarifies the application of the recognition and measurement criteria in IAS 12 Income Taxes when there is uncertainty over income tax treatments. An Australian-equivalent interpretation has not yet been issued. As such, the Group is yet to complete its assessment of the likely impact on the Group's financial statements; however, we do not anticipate this to have a material impact on the Group's financial statements.	1 January 2019	1 July 2019

Community service obligations

for the year ended 30 June 2017

Australia Post's community service obligations (CSOs) are set out in s27 of the *Australian Postal Corporation Act 1989* (the Act) which requires that:

- the corporation provide a letter service for both domestic and international letter traffic;
- the service be available at a single uniform rate within Australia for standard letters;
- the service be reasonably accessible to all Australians wherever they reside; and
- the performance standards for the service reasonably meet the social, industrial and commercial needs of the community.

Performance standards

Regulations made under s28C of the Act detail the particular standards required to meet these obligations. Performance against these standards is subject to independent audit by the Australian National Audit Office (ANAO).

All of the prescribed standards were met or exceeded in 2016/17. The actual result for each standard is outlined in the table below. The associated ANAO Audit Report is reproduced on pages 136 to 137.

Organisational arrangements

The ongoing focus on CSO compliance is maintained by Australia Post's Head of Board & Shareholder Liaison in its headquarters and nominated CSO representatives nationally.

Community service obligations costs

There is a financial cost associated with meeting CSOs. That cost arises when the charge made for any mandated service does not recover the cost of its delivery. The cost is measured on a net basis (i.e. after reduction of related revenue) and is funded by internal cross-subsidy within the letters service.

For 2016/17 (calculated on the avoidable cost methodology), CSO costs are estimated to be $191.5 million.

Performance Standard			2016/17 performance
Lodgement 10,000 street posting boxes			15,217
Delivery timetables			
	PRIORITY	REGULAR	
Delivery within a State			
Metro to metro	next business day	3 business days	Maintained
Same/adjacent country to country	next business day	3 business days	Maintained
All else	2 business days	4 business days	Maintained
Delivery between States			
Metro to metro	2 business days	5 business days	Maintained
Country to metro	3 business days	6 business days	Maintained
Metro to country	3 business days	6 business days	Maintained
Between country areas	4 business days	7 business days	Maintained
On-time delivery 94.0% of reserved services letters			98.7%
Access			
4,000 retail outlets (2,500 in rural and remote areas)			4,379 (2,546 in rural and remote areas)
Retail outlets located so that:			
• in metropolitan areas at least 90% of residences are within 2.5km of an outlet			93.7%
• in non-metropolitan areas at least 85% of residences are within 7.5km of an outlet			88.8%
Delivery frequency			
• 98.0% of delivery points to receive deliveries five days a week			98.8%
• 99.7% of delivery points to receive deliveries no less than twice a week			99.9%

Auditor General's report performance standards

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT ASSURANCE REPORT

To the Minister for Communications

Opinion

I have undertaken a reasonable assurance engagement on Australia Postal Corporation's compliance, in all material respects, with the Prescribed Performance Standards of the *Australian Postal Corporation (Performance Standards) Regulations 1998* which are made under the *Australian Postal Corporation Act 1989* for the year ended 30 June 2017.

The Prescribed Performance Standards require the Australian Postal Corporation to:

(a) service 98% of all postal delivery points daily (except on a Saturday, a Sunday or a public holiday) and 99.7% of all postal delivery points at least two days each week (Regulation 5);

(b) deliver at least 94% of reserved services letters to the indicated or appropriate address within the delivery time mentioned for the address according to the prescribed timetable (Regulation 6);

(c) maintain mail lodgement points in Australia for the lodgement of postal articles (other than bulk mail) at each of its retail outlets and maintain at least 10,000 street posting boxes (Regulation 8); and

(d) maintain at least 4,000 retail outlets at which products and services can be purchased; locate at least 50% of the retail outlets in zones classified as rural or remote, and in any event, not fewer than 2,500 retail outlets; locate a retail outlet in a metropolitan area such that at least 90% of residences are within 2.5 kilometres of a retail outlet; and locate a retail outlet in a non-metropolitan zone such that at least 85% of residences are within 7.5 kilometres of a retail outlet (Regulation 9).

In my opinion, the Australian Postal Corporation has, in all material respects, complied with the Prescribed Performance Standards prescribed in the *Australian Postal Corporation (Performance Standards) Regulations 1998* for the year ended 30 June 2017.

Basis for Opinion

I have conducted the engagement in accordance with the Australian National Audit Office Auditing Standards, which include the relevant Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* issued by the Auditing and Assurance Standards Board.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Auditor General's report performance standards

Directors' Responsibilities

The Directors of the Australian Postal Corporation are responsible for:

(a) the compliance activity undertaken to meet the requirements of the Prescribed Performance Standards; and
(b) identification of risks that threaten compliance with the Prescribed Performance Standards and controls which will mitigate those risks and monitor ongoing compliance.

Independence and Quality Control

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

Auditors' Responsibilities

My responsibility is to express an opinion on compliance with the Prescribed Performance Standards by the Australian Postal Corporation for the year ended 30 June 2017. ASAE 3100 *Compliance Engagements* requires that I plan and perform my procedures to obtain reasonable assurance about whether the Australia Postal Corporation has complied, in all material respects, with the Prescribed Performance Standards for the year ended 30 June 2017.

An assurance engagement to report on the Australian Postal Corporation's compliance with the Prescribed Performance Standards involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the Prescribed Performance Standards. My procedures included obtaining an understanding of the compliance measures and examining, on a test basis, evidence supporting the operation of these compliance measures. These procedures have been undertaken to form a conclusion whether, in all material aspects, the Australian Postal Corporation has complied with the Prescribed Performance Standards during the year ended 30 June 2017.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error or non-compliance with compliance requirements may occur and not be detected.

A reasonable assurance engagement for the year ended 30 June 2017 does not provide assurance on whether compliance with the Prescribed Performance Standards will continue in the future.

Australian National Audit Office

Grant Hehir
Auditor-General

Canberra
24 August 2017

Domestic Letter service monitor (TNS)

KANTAR TNS.

Suite 301/2 Wellington Parade
East Melbourne, VIC 3002
T +61 (3)8862 5900

July 24, 2017

To The Board of the Australian Postal Corporation

Re: Yearly Basic Monitor Result Certification

We have undertaken an independent monitor of Australia Post's domestic letter service (Priority and Regular) against its delivery undertakings for the year ended June 2017 in accordance with the requirements of the Australian Postal Corporations Act 1989.

Our monitor was based on a properly prepared, statistically valid sample of approximately 381,661 test letters. The sample size was determined with regard to information that Australia Post supplied about the postal network design parameters.

Our testing involves comparing the delivery time taken for each test letter with Australia Post's delivery undertaking for the mail path concerned.

Test letters represented the full range of letter sizes and types recognised as ordinary mail, posted in locations having a daily clearance to locations having a daily delivery, from small to large and including window-faced envelopes. They were addressed by hand and machine fonts, reflecting the varied mailing practices of postal users.

All addressing was in accordance with Australia Post's specifications for the proper preparation of letter mail. The letters, as specified under the terms of our contract, were indistinguishable from other mail flowing through the Australia Post network.

Our process for calculating the delivery performance was independently audited by Deloitte.

For the year ended June 2017 the sample used by TNS Australia was consistent with the sample frame provided by Australia Post. The attached certification from Deloitte states that "nothing has come to our attention that would suggest that the results reported by TNS Australia for the year ended 30/06/2017 have not been calculated in accordance with the agreed business rules or do not fairly represent the performance of Australia Post's basic letter service for that period."

Results

For the year ended June 2017, the monitor showed that Australia Post delivered 98.7 per cent of all letters early or on time, and 99.7 per cent of letters were delivered on time or not more than one working day after your delivery undertakings.

Domestic Letter service monitor (TNS)

KANTAR TNS

Opinion

In our opinion based upon the audit procedures conducted, at a 95 per cent confidence level and with a maximum weighted actual precision limit of 0.1 per cent, these results present fairly the performance of Australia Post's domestic letter service for the year ended June 2017 against the scope provided.

Yours faithfully,

Tania Kullmann
CEO Insights Australia
Kantar

Margaret Persico
Director
Kantar TNS

WINNER

Survey certification

Deloitte.

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21 July 2017

Tania Kullmann
CEO Insights Australia
Kantar
Suite 301, Level 3
2 Wellington Parade
East Melbourne VIC 3002
Australia

Independent Assurance Practitioner's Limited Assurance Report on TNS Australia recalculation of Australia Post Performance Metric for Basic letter service

We have undertaken a limited assurance engagement relating to the Taylor Nelson Sofres ("TNS") Australia recalculation of Australia Post performance metric for the period 01 July 2016 to 30 June 2017.

TNS is conducting an external mail monitor for Australia Post within a defined set of agreed delivery timetables that have been agreed between Australia Post and TNS Australia ('Agreed Business Rules") extracts of these have been provided by TNS Australia as per the TNS Service Measurement Program document (11 August 2016).

The external mail monitor covers basic (domestic) letters and bulk (domestic) letters across the Australia Post Network. Deloitte conducted a limited assurance engagement to re-perform TNS Australia's calculation of the delivery performance figure by using the data output from the Computer Information System (CIS) and the associated business rules which are integral to the TNS Australia monitor.

***TNS Australia*'s Responsibility**

TNS Australia is responsible for:

- Ensuring that the Australia Post performance metric calculation and delivery of performance metrics to Australia Post is in accordance with the Agreed Business Rules
- Confirming the evaluation of the performance metrics relating to basic and bulk letters against the applicable Agreed Business Rules
- Designing, establishing and maintaining internal controls to monitor the accuracy of the calculation of the performance metrics in accordance with the Agreed Business Rules
- Providing Deloitte a copy of the data outputs from the panellist database on a monthly basis for the purpose of the engagement.

Assurance Practitioner's Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Survey certification

Deloitte.

Page 2
21 July 2017

Assurance Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on TNS Australia recalculation of Australia Post performance metric based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with Australian Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information,* issued by the Australian Auditing and Assurance Standards Board, in order to express a conclusion whether, based on the procedures performed and the evidence obtained, anything has come to our attention that causes us to believe that the results reported by TNS Australia for the period have not been, in all material respects in accordance with the Agreed Business Rules or do not fairly represent the performance of Australia Post's basic/bulk letter service for that period as per the Agreed Business Rules. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Australia Post performance metric is free from material misstatement.

A limited assurance engagement in accordance with ASAE 3000 involves identifying areas where a material misstatement of TNS Australia recalculation of Australia Post performance metrics is likely to arise, addressing the areas identified and considering the process used to prepare and calculate Australia Post performance metrics. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and consisted primarily of:

- Independent re-performance of the calculation of the delivery performance metric using data extracted from the Computer Information System (CIS)
- Choosing a random sample of invalidated ('dudded') transactions, and obtaining supporting evidence to identify for those transactions in the sample, whether the process (as agreed to between TNS Australia and Australia Post) for 'dudding' transactions was adhered to.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance about whether the results reported by TNS Australia for year ended 30 June 2017 have not been calculated all material respects, in accordance with the agreed business rules or do not fairly represent the performance of Australia Post's basic letter service for that period.

Inherent Limitations

The accuracy of the recalculations relied upon the data provided by TNS Australia being accurate, complete and valid, the Agreed Business Rules being current and correct at the time of TNS Australia providing the details to Deloitte as well as the full population for testing.

The scope of this engagement did not include providing assurance on the design and operating effectiveness of internal controls relating to the processing of data. Because of the inherent limitations of any internal control structure it is possible that fraud, error, or non-compliance with the agreed business rules may occur and not be detected. Further, the internal control structure, within which the processes that we have reviewed operate, has not been reviewed and no opinion is expressed as to its effectiveness.

A review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis.

Any projection of the operation of the monitoring processes to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The conclusion expressed in this report has been formed on the above basis.

Survey certification

Deloitte.

Page 3
21 July 2017

Limitations of use

This report has been prepared solely for the information and internal use of TNS Australia in accordance with our engagement letter dated 12 August 2016 and is not intended to be and should not be used by any other person or entity. We understand that a copy of this report will be provided to Australia Post by TNS Australia for their information only. We disclaim any assumption of responsibility for any reliance on this report to Australia Post or to any other persons or users, other than TNS Australia, or for any purpose other than that for which it was prepared. We accept no duty, responsibility or liability to any party, other than TNS Australia, in connection with this report or this engagement

Findings

The table below compares the national average of the delivery performance metric as calculated by TNS Australia and by Deloitte:

Type of Letter	TNS Australia figure	Deloitte figure
Basic	98.7% (±0.1)	98.7%

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the results reported by TNS Australia for year ended 30 June 2017 have not been calculated all material respects, in accordance with the Agreed Business Rules or do not fairly represent the performance of Australia Post's basic letter service as per the Agreed Business Rules for that period.

DELOITTE RISK ADVISORY PTY LTD

Kevin Nevrous
Partner

Reserved/ Non-reserved services

	Reserved		Non-Reserved		Total	
FY2017	$m	%	$m	%	$m	%
Revenue	2,065.0	30.4%	4,735.9	69.6%	6,800.9	100.0%
Expenditure	2,062.0	31.1%	4,571.5	68.9%	6,633.5	100.0%
Profit before interest and income tax expense	**3.0**	**1.8%**	**164.4**	**98.2%**	**167.4**	**100.0%**
Net Interest					(41.3)	
Profit before tax					**126.1**	
Income tax expense					(30.7)	
Net profit for the year					**95.4**	

	Reserved		Non-Reserved		Total	
FY2016	$m	%	$m	%	$m	%
Revenue	1,937.3	29.5%	4,618.8	70.5%	6,556.1	100.0%
Expenditure	1,951.6	30.1%	4,535.1	69.9%	6,486.7	100.0%
Profit before interest and income tax expense	**(14.3)**	**(20.6%)**	**83.7**	**120.6%**	**69.4**	**100.0%**
Net Interest					(28.4)	
Profit before tax					**41.0**	
Income tax expense					(4.6)	
Net profit for the year					**36.4**	

Statutory reporting requirements index

for the year ended 30 June 2017

This Australia Post Annual Report is compliant with the reporting requirements of, and contains information required to be included by, the *Public Governance, Performance and Accountability Act* 2013, the *Australian Postal Corporation Act* 1989, and other applicable legislation. To assist readers to locate information in this Annual Report that is required to be included by legislation, the following index identifies where relevant information can be found in this Annual Report.

Section	Subject	Pages
Australian Postal Corporation Act 1989 – general reporting requirements		
s43(1)(a)	Statement of corporate objectives under the corporate plan	83
s43(1)(b)(i)	Overall strategies and policies under the corporate plan	83
s43(1)(b)(ii)	Performance indicators and targets under the corporate plan	83
s43(1)(c)	Assessment of extent to which objectives under s43(a) have been achieved	83
s43(1)(d)	Strategies and policies relating to Community Service Obligations (CSOs)	83,135
s43(1)(e)	Directions by the Minister under s40(1)(CSOs)	N/A
s43(1)(f)	Assessment of appropriateness and adequacy of strategies and policies for CSOs	135
s43(1)(fa)	Performance standards relating to CSOs	135
s43(1)(g)(i)	Notifications by the Minister under s22 of the PGPA Act	146
s4 s43(1)(g)(ii)	Directions by the Minister under s49 of the APC Act	N/A
s43(1)(h)(i)	Impact of Ministerial notifications under s22 of the PGPA Act and directions under s49 of the APC Act	146
s.43(1)(h)(ii)	Impact of other Government obligations	146-148
s43(1)(j)	Ministerial power under s33(3) to disapprove postage determinations	N/A
s43(1)(k)	Companies and other associations established or sold	126-127
s43(1)(m)(i)&(ii)	Shares purchased and disposed of	126-127
s43(1)(m)(iii)	Subsidiaries	126
s43(1)(n)	Authority to open or examine the contents of postal articles	149
s43(1)(o)	Disclosure of information	149-150
s44(1)(a)	Financial targets	83
s44(1)(b)	Ministerial direction under s40(i) to vary the financial targets	N/A
s44(1)(c)	Progress in achieving the financial targets	83
s44(1)(d)	Dividend payable to the Commonwealth	6, 12-13, 83, 91, 101, 129,152
s44(1)(e)	Ministerial direction under s54(3) as to dividend	N/A
s44(1)(f)	Capital repaid to the Commonwealth	N/A
s44(1)(g)(i)	Cost impact of CSOs	135
s4 s44(1)(g)(ii)	Cost impact of Ministerial notifications under s22 of PGPA Act	N/A
s44(1)(g)(iii)	Cost impact of Ministerial directions under s49 of APC Act	N/A
s44(1)(g)(iv)	Cost impact of other Government obligations	146
s44(1)(h)(i)&(ii)	Financial information requested by the Minister in relation to the reserved services and other activities	N/A
Work Health and Safety Act 2011 – reporting requirements		
Sch.2,s4(2)(a)	Health, safety and welfare initiatives	147-148
Sch.2,s4(2)(b)	Health and Safety Outcomes	147-148
Sch.2,s4(2)(c)	Statistics requiring the giving of notice	147-148
Sch.2,s4(2)(d)&(e)	Details of investigations and other matters as prescribed	147-148

Statutory reporting requirements index

for the year ended 30 June 2017

Section	Subject	Pages
Superannuation Benefits (Supervisory Mechanisms) Act 1990		
s6(1)(b)	Report on operation of superannuation arrangement	146
Environment Protection and Biodiversity Conservation Act 1999		
s516A(6)(a)&(b)	Report on the compliance with and contribution to the principles of ecologically sustainable development	40-43, 48, 153
s516A(6)(c)	Effect of activities on environment	40-43, 48, 153
s516A(6)(d)	Measures taken to minimise environmental impact	40-43, 48, 153
s516A(6)(e)	Mechanisms for reviewing and increasing the effectiveness of measures	40-43, 48, 153
Public Governance, Performance and Accountability Rule 2014		
s17BB(c)	Approval of Annual Report by Accountable Authority	82
s17BB(d)	s46 Compliance Statement	82
s17BE(a)	Enabling Legislation	92, 146
s17BE(b)(i)	Objects and functions of the entity	92, 146
s17BE(b)(ii)	Purposes of the entity as included in the entity's corporate plan	83
s17BE(c)	Names and titles of responsible Ministers	146
s17BE(d)	Any directions given to the entity by a Minister under an Act or instrument	146
s17BE(e)	Any government policy orders that applied under section 22 of the Act	146
s17BE(f)	Non-compliance with a direction or order referred to in paragraph (d) or (e)	N/A
s17BE(g)	Annual Performance Statement	83
s17BE(h)	Non compliance with the finance law under section 19(1)(e) of the Act	N/A
s17BE(i)	Actions taken to remedy the non compliance under s17BE(h)	N/A
s17BE(j)	Details of the Accountable Authority and each member	50-51
s17BE(k)	Organisational Structure (including subsidiaries)	126, 151
S17BE(l)	Location of major activities or facilities	96, 153
s17BE(m)	Corporate governance statement	54-65
s17BE(n)	Related entity transactions	97
s17BE(o)	Details of related entity transactions	97
s17BE(p)	Significant activities and changes affecting the operations or structure	N/A
s17BE(q)	Judicial decisions or decisions of administrative tribunals	N/A
s17BE(r)	Reports made by outside bodies	N/A
s17BE(s)	Obtaining information from subsidiaries	N/A
s17BE(t)	Indemnity and insurance premiums for officers	146
s17BE(u)	Index of annual report requirements	144-145
s17BF(1)(a)(i)	Significant changes in financial structure	N/A
s17BF(1)(a)(ii)	Events that may affect future operating results	N/A
s17BF(1)(b)	Dividends paid or recommended	6, 12-13, 83, 91, 101,129, 152
s17BF(1)(c)	Community service obligations	IC, 6, 9, 14, 135, 152

Statutory reporting requirements

for the year ended 30 June 2017

Introduction

Australia Post is subject to various statutory reporting requirements, including under the *Australian Postal Corporation Act 1989*, the *Public Governance, Performance and Accountability Act 2013*, the *Work Health and Safety Act 2011*, the *Superannuation Benefits (Supervisory Mechanisms) Act 1990*, and the *Environment Protection and Biodiversity Conservation Act 1999*.

The index on page 3 shows where the relevant information can be found in this Annual Report.

A number of matters are dealt with in the main body of the report. Others are covered below.

Legislation

The powers and functions of Australia Post are set out in Sections 14-19 of the *Australian Postal Corporation Act 1989*.

Shareholder Ministers

The Minister for Communications, Senator The Hon Mitch Fifield has portfolio responsibility for Australia Post. Under a dual shareholder model, overall responsibility for Australia Post is exercised jointly with the Minister for Finance, Senator The Hon Mathias Cormann.

Indemnities and insurance premiums for directors and officers

Australia Post has in place a directors' and officers' liability insurance policy. The policy provides cover in respect of any person who is or was a director or officer of Australia Post, when acting in these capacities. Confidentiality requirements within the insurance contracts prohibit additional disclosure.

Directors of Australia Post are also indemnified by Australia Post, to the extent permitted by law, against any liability incurred in their capacity as a director.

Government policies

In February 2004, the Minister of Communications, Information Technology and the Arts provided formal notification under section 28 of the *Commonwealth Authorities and Companies Act 1997* that the Government's National Code for the Construction Industry and associated implementation guidelines were to apply to all construction-related activity undertaken by and on behalf of Australia Post. The notification has had no major impact on the corporation as Australia Post had, since their introduction in 1997, made compliance with the code and guidelines a condition of all of its construction related tenders.

Section 49 of the *Australian Postal Corporation Act 1989* empowers the Minister to give the Board written directions in relation to the performance of Australia Post's functions as appear to be necessary in the public interest. No notification or direction has been issued under this provision.

There have been no instances of non-compliance with any direction referred to above.

Other government obligations

Administrative Law

The cost of meeting Commonwealth administrative requirements in 2016/17 is estimated at approximately $1.5 million.

Postal Industry Ombudsman

The Postal Industry Ombudsman has estimated the costs of investigating complaints relating to Australia Post during 2016/17 to be $565,000.

ACCC record keeping

The cost of the regulatory compliance with the ACCC's record keeping rules in 2016/17 is estimated at $250,000.

Maintaining heritage properties

The cost of repairing and maintaining heritage listed properties in 2016/17 was $2.9 million.

Medical/Educational Remote Area Parcel service

The Medical/Educational Remote Area Parcel service provides reduced postage rates for parcels containing health and educational material that are sent to and from people living in remote communities.

In 2016/17, revenue foregone in relation to the service is estimated to be $71,000.

Superannuation

All Australia Post employees are provided superannuation benefits of at least the minimum required by law.

From 1 January 2012, Australia Post ceased to offer membership of the Australia Post Superannuation Scheme, which pays a lump sum defined benefit, to new employees engaged under a management contract of employment. From 1 July 2012, this decision was extended to all new employees. New employees may instead join a new default defined contribution superannuation fund, the Australia Post Superannuation Plan, or nominate a complying superannuation fund of their choice.

Statutory reporting requirements

for the year ended 30 June 2017

Work Health and Safety (WHS) report

The following information is presented in accordance with the requirements of Schedule 2, Part 3 and Part 4 of the *Work Health and Safety Act 2011* (Act).

Australia Post's new Enterprise Safety and Wellbeing Strategy was finalised in 2016/17, with the following key focus areas:

1. Safety Leadership
   - the safety leadership program roll out was completed, including rural and remote locations (over 1000 leaders have been involved in the program so far);
   - version 2 of the program is being piloted – 'exposure recognition and response';
   - a safety leadership journal was created and distributed to 3200 leaders across the business; and
   - 200 headquarters staff completed safety leadership sessions.
2. Serious Injury & Fatality (SIF) and Life Saving Rules
   - observations took place to verify serious injury and fatality exposure behaviours; and
   - a trial commenced for senior leader incident investigation to include SIF potential incidents.
3. Mental Health and Wellbeing
   - the Executive Committee now receives reporting on mental health;
   - education has commenced to HR, injury management and safety teams;
   - procedures and policies have been updated; and
   - a health and wellbeing calendar of events has been implemented.
4. Contractor Safety
   - updated procedures & twelve month safety checks for mail and parcel contractors have been implemented;
   - two WHS e-learning modules have been developed for both principal contractors and operations managers;
   - face-to-face education on WHS requirements for operations managers commenced, including the partnering to deliver program; and
   - safety now included in-source to contractor pay portal.

During the year, Australia Post undertook the following activities aimed at reducing the incidence of work-related injuries and illnesses and complying with WHS regulatory requirements. These included:

Enterprise

- a refreshed senior leader commitment to WHS, including convening of the Enterprise Safety Council as a peak decision-making body, and senior leaders attending sites across the country to conduct serious injury incident investigations;
- 'Safety Time' was implemented for the sixth year in a row, with a theme of embedding safety as one of our core values;
- manual handling was a focus, including ergonomic design and use of new technology;
- development of a safety dashboard for greater transparency of data and improved decision making;
- our WHS management system continued to be upgraded; and
- WHS committees continued to meet at local sites, and at State and national levels.

Letters & Mail Network

- delivery 'Safety teams' were created, involving peer-to-peer and conversation training (bottom up approach). Rollout is complete for Victoria and Tasmania and is being planned for other States;
- we focused on hazard identification in delivery – reviewing round hazard profiles & hazard videoing;
- we encouraged near miss reporting and conversations by team members about near misses;
- roundabout reduction in delivery rounds – 3,163 roundabouts identified & 545 removed;
- 40 senior leader visits to facilities for safety checks were completed;
- dog awareness training was completed at identified hot spots in all States; and
- Bubble Wrap Postie and Postie's Worst Nightmare social media campaigns.

Chief Customer Office

- blackspot program – exposure reduction in retail stores;
- 'aggressive customer' training – mindset, tips, de-escalation and self-awareness;
- safety circles – peer review of safety issues by State;
- safety leadership – a revisited and refreshed approach; and
- safety input and discussions at LPO expos.

Statutory reporting requirements

for the year ended 30 June 2017

Parcels & eCommerce Delivery

- exercise physiologists were made available at all major facilities and further rollout is planned to reduce manual handling injuries;
- focused Safety Observation training, targeting load shifting equipment operations;
- strong arm straps for trucks were introduced;
- instructional videos were developed for high exposure tasks;
- a senior leadership focus, with facility visits and participation in a safety leadership program;
- a focus on floor traffic management plan improvements;
- fortnightly national incident review meetings to share learnings; and
- regular communications pack safety briefings to ensure consistent messaging.

Also during 2016/17:

- seventy five incidents were notified to Comcare under section 38 of the Act;
- two investigations/compliance inspections occurred;
- no seizures made under section 175 or 176 of the Act;
- no improvement notice issued under section 191 of the Act;
- no prohibition notices issued under section 195 of the Act;
- one non-disturbance notice was issued under section 198 of the Act;
- no remedial action was taken under section 211 or 212 of the Act;
- no written undertakings were accepted by Comcare under section 216 of the Act;
- no applications for internal review were made under section 224 of the Act;
- no applications for external review were made under section 229 of the Act;
- no infringement notices were given under section 243 of the Act; and
- no prosecution was instituted under the Act.

There were 34 in-house Health & Safety Representative training courses run during the year, with a total of 257 participants trained.

Freedom of information report

In 2016/17, Australia Post received 125 applications under the *Freedom of Information Act 1982*.

Including the 11 applications already on hand at 1 July 2016, and with 4 applications outstanding at 30 June 2017, a total of 132 Freedom of Information applications were resolved in the year.

These were handled as follows:

Granted in full	20
Granted in part	53
Access refused	38
Withdrawn	21
Total Resolved	132
On hand at 30 June 2017	4

There were seven applications for internal review received during the year.

No additional costs were incurred in the handling of Freedom of Information requests and related responsibilities in 2016/17.

Categories of documents

The categories of documents maintained by Australia Post include those relating to:

- corporate organisation and administration;
- Australia Post's financial management;
- management of assets;
- internal administration including policy development and program administration, reports, briefings, correspondence, minutes, submissions, statistics and other documents;
- Board submissions relating to the business of Australia Post;
- reference material used by staff including guidelines and manuals;
- working files;
- legal advice; and
- operational documents.

The categories of documents listed above are maintained by Australia Post in a variety of formats. Some of these documents, along with information on Australia Post's organisation, structure and activities, can be obtained free of charge by accessing Australia Post's website at www.auspost.com.au.

Statutory reporting requirements

for the year ended 30 June 2017

Access to documents

Access to documents under the Freedom of Information Act can be obtained by forwarding a written request to:

Freedom of Information Officer
Legal
Australia Post Headquarters
GPO Box 1777
MELBOURNE VIC 3001
foi@auspost.com.au

Privacy and access to personal information

Under the *Privacy Act 1988* individuals have, subject to certain exceptions permitted by law, a right to request access to their personal information that is held by Commonwealth agencies and private-sector organisations.

Individuals may apply for access to their personal information held by Australia Post by writing to:

Privacy Manager
Risk & Compliance
Australia Post Headquarters
GPO Box 1777
MELBOURNE VIC 3001

Fraud control

Australia Post has an integrity framework in place that includes the implementation of a fraud management plan for fraud control governance, prevention, detection and response for Australia Post.

This framework is aligned to Australia Post's values, and how we manage fraud is supported by the following Group integrity policies: *Our Ethics, Group Whistleblower Policy, Group Delegations of Authority, Group Gifts, Benefits & Hospitality Policy, Group Conflicts of Interest Policy, Group Information Technology Policy, Group Information Security Policy* and *Group Fraud & Corruption Policy*. The Australia Post Board Audit & Risk Committee is provided with an annual fraud & crime report, which confirms the adequacy of, and compliance with, the fraud management plan.

The Assurance business unit comprises a number of specialist groups responsible for providing risk and compliance, audit, assurance, legal, and security and investigation services to Australia Post.

The Risk and Compliance team is responsible for an enterprise-wide approach to risk management, including identification, measurement and mitigation of business risks across all areas of the business. The framework and underpinning processes are consistent with the principles of relevant standards.

The Business Integrity and Risk Analytics team designs and manages the enterprise fraud strategy, aligned to the Group Fraud and Corruption Policy and Integrity Framework, and leverages advanced analytics to measure performance, identify threats and issues and deliver key fraud and corruption prevention strategies.

The Internal Audit team applies a systematic risk-based, control and governance methodology to review business operations and related systems, including policies and procedures, which make up the control environment.

The Security team, is a dedicated assurance function for physical security and criminal investigations, providing security consultancy and crime analysis. The Security team works closely with law enforcement agencies.

Examination of mail

International mail

Australia Post is authorised under the *Australian Postal Corporation Act 1989* to open mail, as required by the Australian Customs and Border Protection Services, in the following circumstances:

- when it is suspected that articles may contain prohibited substances; or
- to determine that appropriate duties/taxes are met.

Australian Customs and Border Protection Services personnel have also been authorised under section 90T of the Act to remove and open articles in excess of a particular weight that Customs reasonably believes may contain certain drugs or other chemical compounds being carried in contravention of a law of the Commonwealth. Customs personnel are also authorised under section 90FB(3) of the *Australian Postal Corporation Act 1989* to act as authorised examiners for the purpose of examining mail without opening (for example, by x-ray or with drug detection dogs).

Domestic mail

Biosecurity Inspection and Quarantine officers from a prescribed state or territory (ie. Western Australia, Tasmania or Northern Territory) are authorised under section 90U of the *Australian Postal Corporation Act 1989* to request Australia Post to open, for inspection, any article for delivery in that prescribed state or territory; where the inspection officer has reasonable grounds to believe the item consists of, or contains, quarantine material.

Section 90UA authorises Australia Post to remove articles from the mail stream where it is suspected that the article consists of, or contains scam mail. Suspected scam mail may also be withdrawn from the mail upon receipt of a written request from a consumer protection agency.

In accordance with section 90FB of the *Australian Postal Corporation Act 1989*, Australia Post has appointed authorised examiners at designated locations where mail can be opened for inspection.

Authorised Australia Post staff may open undeliverable articles at approved locations for the purpose of identifying intended recipient or return addresses. They may also open mail to repair an article or its contents so that the article can be made safe for carriage by post.

Disclosure of information

Australia Post is authorised to disclose information to agencies that have the legislative power to obtain such information in certain circumstances. This includes instances relating to enforcement of the criminal law, the protection of the public revenue, the reduction of threats to life and notification of next of kin.

Statutory reporting requirements

for the year ended 30 June 2017

As required under sub-sections 43(o)(i) & (ii) of the *Australian Postal Corporation Act 1989*, tables 1 and 2 below detail the number of times that such information was disclosed during the year, and the authorities or bodies to whom the information was disclosed. Agencies listed in the tables are Commonwealth agencies, unless otherwise indicated.

Table 1 – Disclosure of information/documents (Section 90J "Authority")*

(Applies to all information or documents)

Authority for disclosure	Number of disclosures	Disclosures made to
Disclosure under warrants [s. 90J(3)]	23	• Australian Border Force (Federal) • Police (New South Wales) • Police (Queensland) • Police (Victoria)
Disclosure under a law of the Commonwealth [s. 90J(5)]	3,785	• Australian Border Force (Federal) • Australian Sports Anti-Doping Authority (Federal) • Department of Agriculture (DAFF) • Department of Agriculture, Fisheries & Forestry (Federal) • Department Foreign Affairs & Trade (Federal) • Department Health & Ageing – TGA (Federal) • Department of Human Services (Federal) • Department Immigration & Multicultural & Indigenous Affairs (Federal) • Department of Veterans Affairs (Federal) • Police (Australian Federal) • Therapeutic Goods Administration TGA
Disclosures under certain laws establishing commissions [s. 90J(6)]	175	• Australian Building & Construction Commission (Federal) • Australian Crime Commission (Federal) • Building Commission – Department of Commerce (WA) • Corruption Crime Commission (WA) • Crime and Misconduct Commission (QLD) • Crime Commission (NSW) • Independent Commission Against Corruption (ICAC) (NSW)

* There were no disclosures made under ss. 90J (7), (8) or (9).

Table 2 – Disclosure of information/documents (Section 90K "Authority")*

(Applies to information or documents not specially protected)

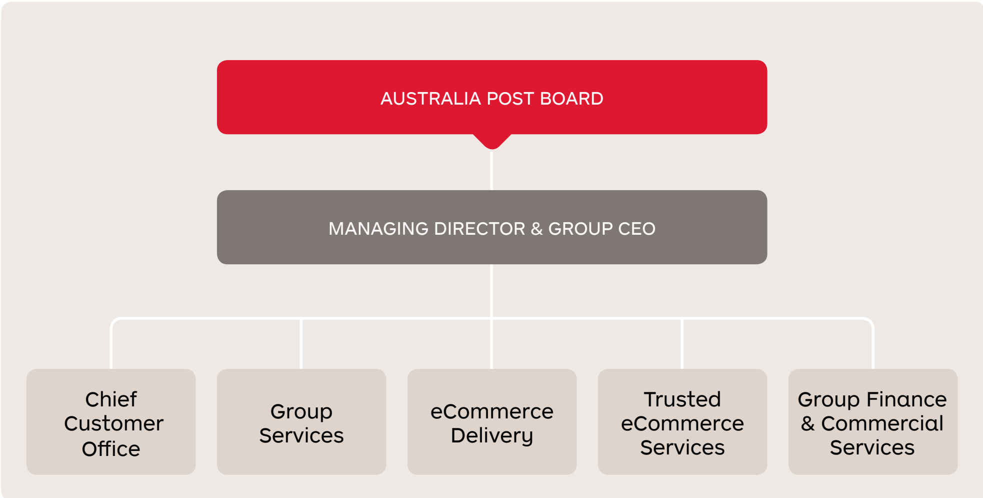
Authority for disclosure	Number of disclosures	Disclosures made to
Disclosure to authorised ASIO officer [s. 90K(4)]	48	• Australian Security Intelligence Organisation (Federal)
Disclosure for the enforcement of laws or protection of public revenue [s. 90K(5)]	3,444	• Consumer & Business Affairs (VIC) • Consumer & Business Affairs (Department Justice NT) • Department of Consumer & Business Service (SA) • Department of Commerce, Consumer Protection (WA) • Department of Environment, Land, Water & Planning • Department of Parks and Wildlife (WA) • Department of Primary Industries (QLD) • Office of Consumer & Business Affairs (SA) • Police (Australian Capital Territory) • Police (New South Wales) • Police (Northern Territory) • Police (Queensland) • Police (South Australia) • Police (Tasmania) • Police (Victoria) • Police (Western Australia) • State Revenue Department (WA)

* There were no disclosures made under ss. 90K(2) or (3).

Statutory reporting requirements

for the year ended 30 June 2017

Our organisational structure



Australia Post – the statistics

Table 1 – Five Year Statistical Summary

Consolidated	Restated 2012/13	2013/14	2014/15	2015/16	2016/17
Revenue ($m)	5,893.2	6,383.3	6,373.8	6,562.2	6,807.2
Expenditure ($m)[1]	5,682.3	6,280.3	6,726.2	6,520.9	6,687.6
Profit before tax ($m)[1]	210.7	103.0	(352.1)	41.0	126.1
Total assets ($m)	4,401.5	4,651.2	5,094.4	5,043.2	5,537.3
Return on Average Operating Assets (%)[1]	6.2%	3.4%	-8.2%	1.8%	4.0%
Community service obligations ($m)	173.9	205.8	211.6	183.6	191.5
Total taxes and government charges ($m)	447.3	494.2	433.9	399.3	469.5
Dividends paid ($m)	243.7	142.3	0.0	0.0	50.1
Dividends declared ($m)	192.7	78.8	0.0	20.0	63.3
Operations[2]					
Full-time Employees	23,526	27,315	27,371	26,939	27,132
Part-time Employees	8,938	8,613	8,395	7,990	7,838

1. Changes to AASB 119 Employee Benefits took effect on 1 July 2013. 2013 has been restated for like for like comparison. Years prior to 2013 have not been adjusted to reflect the changes as a result of this change in accounting standard.
2. Excludes casuals and external contractors.

Table 2 – Employee breakdown by contract, type, and gender at 30 June 2017

	Workforce Representation		Female		Male	
	No	%	No	%	No	%
Permanent						
Full-time	26,411	75.5%	7,995	62.3%	18,416	83.2%
Part-time	7,199	20.6%	4,434	34.6%	2,765	12.5%
Total Permanent	33,610	96.1%	12,429	96.9%	21,181	95.7%
Fixed Term						
Full-time	721	2.1%	186	1.4%	535	2.4%
Part-time	639	1.8%	213	1.7%	426	1.9%
Total Fixed Term	1,360	3.9%	399	3.1%	961	4.3%
Total Employment	**34,970**	**100.0%**	**12,828**	**36.7%**	**22,142**	**63.3%**

Table 3 – Basic Postage Rate[3] (BPR) and consumer price index (CPI)

	2013	2014	2015	2016	2017
BPR cents	60	70	70	100	100
BPR concession cents	0	60	60	60	60
CPI all groups 8 capitals base 2011/12=100	102.8	105.9	107.5	108.6	110.7
Year on year change in BPR (%)	0.0%	16.7%	0.0%	42.9%	0.0%
Year on year change in CPI (%)	2.4%	3.0%	1.5%	1.0%	1.9%
Change in real postage (%)	-2.4%	13.7%	-1.5%	41.8%	-1.9%

3. Postage rates applicable to standard letters carried within Australia by ordinary post.

Australia Post – the statistics

Table 4 – Post offices at 30 June 2017

	NSW/ACT	VIC/TAS	QLD	WA	SA/NT	Total
Corporate offices						
1 July 2016	260	200	123	77	62	722
30 June 2017	260	198	124	77	61	720
Licensed post offices						
1 July 2016	864	946	468	290	318	2,886
30 June 2017	862	945	465	290	318	2,880
Community postal agencies						
1 July 2016	146	95	203	107	233	784
30 June 2017	141	92	200	108	238	779
Total outlets						
1 July 2016	1,270	1,241	794	474	613	4,392
30 June 2017	1,263	1,235	789	475	617	4,379

Environmental Performance Summary

Indicator	2013	2014	2015	2016	2017
Scope 1 Emissions (tonnes)	120,367	116,251	115,620	119,345	118,291
Natural Gas	5,819	4,756	4,787	5,278	5,547
LPG (All)	5,796	5,962	5,753	5,399	5,845
Diesel including generation	97,320	95,809	95,954	100,301	99,318
Petrol	11,432	9,724	9,126	8,368	7,581
Scope 2 emissions (tonnes)	201,490	188,855	181,920	169,447	161,446
Electricity Grid	201,490	188,855	181,920	169,447	161,446
Scope 3 Emissions (tonnes)	457,328	651,563	642,795	592,888	505,556
Energy and fuel losses	36,120	39,479	34,061	29,483	28,353
Subcontracted Road Transport	109,654	214,232	264,494	237,061	222,046
Sub-Contracted Air transport	294,299	351,013	286,104	272,874	202,866
Sub-contracted rail	834	5,636	3,538	5,695	5,659
Sub-contracted ship	0	1,143	2,324	2,678	3,574
Business Travel	2,678	3,434	4,116	4,910	4,872
LPO Electricity	13,743	26,086	36,996	27,270	25,187
Waste	N/A	10,539	11,162	12,917	12,999
Other Indicators					
Energy Consumed (GJ)	2,633,936	2,499,868	2,426,095	2,443,571	2,404,018
Renewable Energy Production (GJ)	0	291	1,648	3,072	5,403
Waste to landfill (Tonnes)		11,060	9,899	9,381	9,285
Waste Recycled – Operational		7,141	9,092	8,484	10,532
Waste Recycled and reuse – (Customers)			3,364	4,056	4,156
Water (kilolitres)				479,000	449,300

Notes – Australia Post has only included StarTrack scope 3 emissions from 2014 when the organisation was integrated for a full reporting year. Australia Post reports all scope 3 related transport emissions based on the calendar year which is then reported to the International Postal Corporation.

Australia Post – the statistics

GHG Emissions Commentary

- **Scope 1** – Australia Post has seen a 6% reduction, in diesel emissions in 2017 arising from reduction in the size of the StarTrack fleet, small increases were seen in the Natural Gas and LPG category.
- **Scope 2** – Australia Post has seen a 7% reduction in electricity emissions arising from a combination of: emission factor changes, energy efficiency and property consolidation.
- **Scope 3** – Australia Post has seen a 6% reduction in scope 3 emissions primarily associated with a continued focus on consolidation including in the transportation of air freight. In addition we have seen an improved emission factor from our supplier, Qantas.

Other Indicators

- **Energy Consumption** – Australia Post total energy usage has seen no significant change
- **Renewable Energy Production** - Australia Post continues to increase the amount of solar generation available across the Australia Post network with a total of 1,473kW of solar now in network at 48 sites.
- **Waste Recycled** – Australia Post has reported an increase in total recycling of 2,149 tonnes primarily an increase in the recycling of pallets.
- **Water** – Australia Post has reported water of 449,300kL a small reduction on FY17.

Criteria

- Scope 1 and 2 emissions have been calculated in accordance with the NGA Factors August 2016.
- Scope 3 emissions have been calculated in accordance with the NGA Factors August 2016, including an air freight factor from Qantas and our sub-contracted road transport being based on the fuel efficiency of the Australia Post Fleet.

There are inherent limitations with reporting of scope 3 emissions. This includes limitation with regard to the quality of underlying data that require assumptions to be made and methodologies for quantifying emissions to be developed. The calculation of scope 3 emissions has relied on the best available data that was able to be obtained and the assumptions used are based on the best available information at the time of preparing the Annual Report.

Copies of the report

The 2017 Annual Report and supporting documentation can be found online at auspost.com.au

To order a printed copy of the Report email annual.report@auspost.com.au or phone 13 POST (13 76 78)

Feedback

We'd like to hear your feedback so we can continue to improve our business, including how we report on our performance. To provide feedback, visit our website or email annual.report@auspost.com.au

Contact details

Australia Post Headquarters
111 Bourke Street
Melbourne VIC 3000

GPO Box 1777
Auspost.com.au/contactus
Twitter: @auspost

Awards in 2017

Australia Post received a Silver award for its 2016 Annual Report at the 2017 Australasian Reporting Awards.

arawards.com.au

Commitments to external initiatives

We are an active supporter of leading national and international sustainability initiatives, including:

- Australia Network on Disability (member since 2004)
- Australian Packaging Covenant (a signatory since 2002)
- Carbon Disclosure Project (since 2015)
- Catalyst (member since 2015)
- Diversity Council Australia (member since 2010)
- Earth Hour (supporter since 2007)
- Equal Employment Opportunity Network (EEON) (member since 2016)
- Global Reporting Initiative (reported in line since 2010)
- International Postal Corporation
- London Benchmarking Group (member since 2009)
- National Association of Women in Operations (NAWO) (since 2010)
- Reconciliation Australia - Reconciliation Action Plan program (member since 2011)
- Safety and Rehabilitation and Compensation Licensees Association (SRCLA) (President representation & member since 2009)
- Social Traders Connect (member since 2015)
- Supply Nation (member since 2010)
- United Nations Global Compact (signatory since 2010)
- UN Sustainable Development Goals and the Global Compact Network Australia's *CEO Statement of Support* (signatory since 2016)

Credits

Editor/Project Manager
Elizabeth Trethewey

Design
RifleMedia.com.au


auspost.com.au