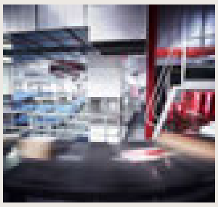
Everyone Matters

Annual Report 2018

Performance highlights

1



Our business performance

This year, we:

- made a profit after tax of $134.2 million
- achieved a 10% increase in parcel volumes
- achieved a 46% increase in international inbound parcel volumes
- delivered 92.5% of parcels on our first attempt
- conducted a strategic review of the business.

2

Our people

We proudly:

- progressed four enterprise agreements, providing certainty and security for our people
- saw 40% of parcels delivered by posties
- maintained gender pay parity for the second year running
- paid $442 million to licensees
- launched our refreshed three-year safety strategy
- improved domestic and family violence leave, and parental leave for our people
- achieved an employee engagement score of 60%.

3

Our customers, Our communities

This year, we:

- met or exceeded our Prescribed Performance Standards (PPS)
- contributed $593 million to the community, via government taxes, duties and dividend payments
- gave our customers more choices with MyPost delivery options
- achieved 17.1 net promoter score (NPS) (uncalibrated), + 5.8 points since 2016/17
- increased local support for Australia's small businesses through Small Business Champions
- invested in portable post offices for disaster affected areas.

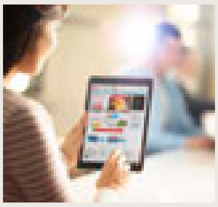
4

Our network

This year, we:

- maintained 4,356 post offices
- maintained 2,538 post offices in rural and regional areas (58% of our retail network)
- increased the number of parcels collected from 24/7 parcel lockers and other parcel collect locations by 14.4%
- successfully delivered the Australian Marriage Law Postal Survey.

5



Our innovation, Our expertise

This year, we:

- launched our warehousing and fulfilment startup Fulfilio
- improved the parcel delivery experience with our Text Your Choice innovation
- invested $316.5 million in strategic projects and asset replacement
- worked with entrepreneurs and online sellers to improve the online shopping experience and create new solutions for their customers.

6

Our environment

We are working towards a better future for our planet. This year, we:

- launched our first Environmental Action Plan 2018–2020
- installed the largest (at the time) on-roof solar system in the Southern Hemisphere, at our Sydney Parcel Facility
- reduced emissions by 21% compared to 2000 levels, keeping us on track to meet our target of a 25% reduction by 2020
- recycled or reused 14,506 tonnes of materials
- continued to champion the UN Sustainable Development Goals, through circular economy, social procurement, safety and energy efficiency initiatives.

About
Australia Post

At Australia Post we proudly provide trusted ways for people, businesses and communities to connect with each other and the world. As our world changes, so too does our business. While we deliver over three billion articles a year, the mix is shifting dramatically to parcels as the community embraces eCommerce and new forms of digital communication. Today, Australia Post facilitates 82 per cent of the nation's eCommerce, while new financial and identity services are changing the role of our post offices.

Our business has changed significantly over the last decade. In 2008, Australian letter volumes reached an all-time peak. Since then, the number of addressed letters has declined by over 50 per cent – with more and more Australians choosing digital communication platforms and online transaction methods over the post. But the consumer shift to online channels has also opened up a whole new world of opportunity for our business.

With more people choosing to buy and sell online – both in Australia and around the world – we are delivering a record volume of parcels. This increase in online transactions has led to a growing demand for our trusted eCommerce services, as businesses look for secure, quick and convenient solutions to support their customers online.

Our extensive networks and history of community service gives us a unique advantage in this evolving landscape. Operating as the Australia Post Group, we are one of the country's most trusted brands. We operate mostly in Australia, with headquarters in Melbourne, and offices and facilities across the country.

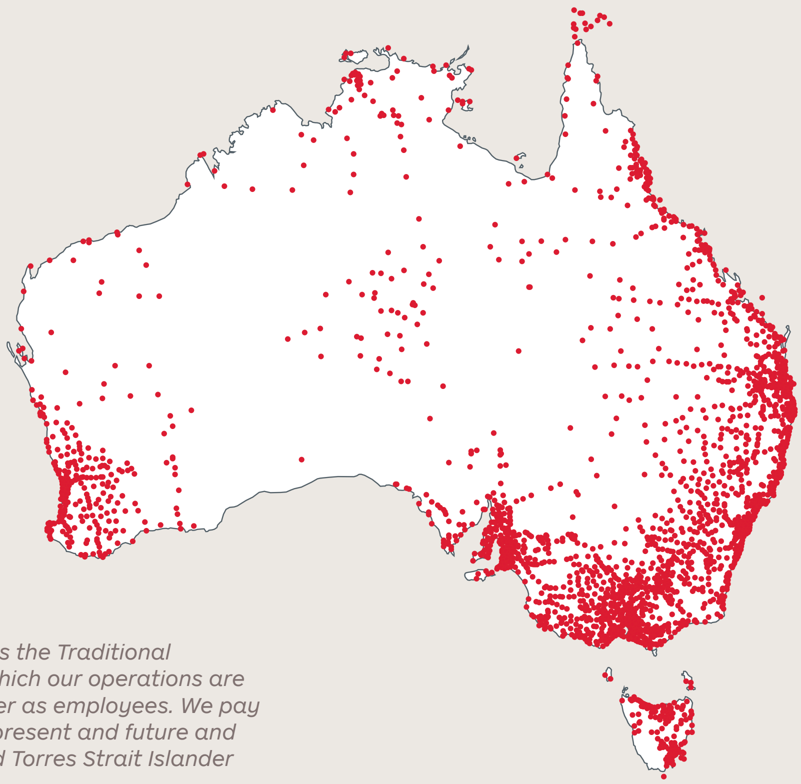
We directly employ around 35,000 people across our integrated delivery, logistics, retail and eCommerce network. Counting the thousands of people we employ indirectly – including Licensed Post Office operators, Community Postal Agents and delivery drivers – our extended workforce exceeds 70,000. Deloitte Access Economics recently found that for every worker Australia Post employed, another job was secured in the community.

As a Government Business Enterprise (GBE) operating under the *Australian Postal Corporation Act 1989* (APC Act), we are required to earn a commercial rate of return while meeting our community service obligations.

We are also completely self-funded, and we use our assets and resources for two clear purposes, which are outlined in the APC Act:

- to deliver a community service that connects all Australians no matter where they live
- to earn a profit that we use to pay dividends to the Commonwealth, and to reinvest in our business.

Our network of 4,356 post offices enables convenient, local access to essential services in communities everywhere.



Australia Post acknowledges the Traditional Custodians of the land on which our operations are located and where we gather as employees. We pay our respect to Elders past, present and future and acknowledge Aboriginal and Torres Strait Islander people across our country.

About this report

Each year, we prepare an Annual Report to summarise our financial, social and environmental activities. This report covers 1 July 2017 to 30 June 2018 and is based on our legislative requirements, the Global Reporting Initiative (GRI) Standards Core option and the International Integrated Reporting Council's Integrated Reporting Framework. A summary of how we are addressing the UN Global Compact (UNGC) and Sustainable Development Goals (SDGs) is included in the Appendix, on page 64.

As part of the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987*, we are required to report on how we are developing and implementing our Equal Employment Opportunity program. This year we have included this program report with our Annual Report, rather than creating a separate Diversity and Inclusion Report.

This is the second year we have included a Remuneration Report that explains in detail our approach to executive and director remuneration. We have broken down the key components of the remuneration and bonuses of our Board members, Group Chief Executive Officer and Managing Director and senior executives.

By following the Integrated Reporting <IR> Framework, we are actively considering the relationship between our business and our societal impact. We have structured our report around the six 'capitals' outlined in the Framework.

The disclosures in this Annual Report are aligned with the main principles outlined in the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

The Australia Post Annual Report Steering Committee guides the content used here. The approach was endorsed by the EGM Corporate Services, with final approval of the Annual Report given by the Australia Post Board.

Unless otherwise stated, the information in this Annual Report refers to the entire Australia Post Group for the reporting period outlined. If we use information from previous years (due to changes in cost allocations or to allow like-for-like comparisons), this is clearly noted and explained.

There were no significant changes in the boundary or scope of this report in 2017/18.

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 community.

We conduct an annual materiality assessment before starting this report, to determine what will be included and ensure we are reporting on what matters most to our stakeholders. More information about the materiality index is included on page 63.

In 2018, the top ten material issues nominated by our internal and external stakeholders were:

1. Employee safety, health and wellbeing
2. Workforce engagement
3. Fair labour practices
4. Operating profitably
5. Customer experience
6. Changing competitive landscape
7. Diversity and inclusion
8. Meeting our Community Service Obligations
9. Viable parcel business
10. Transparency and disclosure

The Australia Post Board is responsible for preparing and giving the annual report to Australia Post's Shareholder Ministers in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*.

The 2018 Annual Report and supporting documentation can be found online at auspost.com.au/about-us/news-media/publications. This includes our full Corporate Governance Statement and London Benchmarking Group verification statement.

Contents

Our strategy and focus

By connecting people and businesses to each other and the world, we are helping Australian communities to make the most of their opportunities.

At Australia Post, we are still driven by our original purpose – which is to provide trusted, essential services that are accessible for all Australians, in every community.

Our dedicated team of people have created a strong heritage over generations, supporting thousands of communities around the country. Today, we have an unrivalled network that reaches every home and business in Australia. And we have a number of unique competitive advantages – including our people, our networks, our trusted brand and our connection with communities across Australia.

However, with the digitisation of services, we are managing rapid changes in our core business. Our letter volumes are falling, our parcel volumes are growing and the role of our post offices is changing.

In early 2018, we reviewed the opportunities for our business – and identified six areas that we will focus on as our strategic priorities.

1. Safety, health and wellbeing of our people

We are making our people a priority by creating a dedicated People & Culture business unit. This new business unit will focus on how we can improve the safety and overall wellbeing of our people. It will also address the rate of injuries in our business and transform the support we offer our people.

2. Strengthen our united parcel and letter delivery network

We have already done a lot of work to bring together our parcel and letter networks. Today, we are seeking to improve the customer experience by investing heavily in increasing the capacity and efficiency of our delivery network and improving customer tracking.

3. Enhance our role in the community and with consumers, including through our post office network

Post offices offer great economic and social value to local communities across Australia. We are committed to maintaining that community presence and developing and improving the services we offer, so that our post offices are equipped to meet the changing needs and expectations of the community. We will do this by boosting customer services, improving our retail offer and refining in-store executions.

4. Bring together our sales and service teams to support government and business customers

We are creating a unified team to improve the sales, service and support we offer to all of our customers. This will enable us to proactively manage accounts and create simplified or bundled solutions for our major business and government customers. By creating talent pathways for our sales and service personnel, we will also be able to offer these customers a consistent level of service and support.

5. Capture international growth opportunities

Our newly established international business unit will build on our strong domestic footprint and support Australian businesses that are selling to the world. This new team will also work with our overseas partners and customers to capture more inbound parcels at their source, and ensure we are being compensated fairly for the inbound items that we are delivering within Australia.

6. Unite our innovation and product activities

By bringing our product and innovation activities together in one business unit, we can create better solutions and services for our customers. We are endeavouring to extend our role in government services and to refresh our Bank@Post offering. And we are also exploring a range of new services, including temperature-controlled delivery capabilities.


POST
POST

Our strategy and focus

How we create value

Australia Post's operations and strategy create value for our customers and diverse stakeholders by drawing on all six capitals discussed throughout this report. We contribute to Australia's economic growth and reinvest into the community to advance our belief that Everyone Matters.

Our capitals	Key inputs	Key activities in 2017/18	Key outcomes
Our business performance: Contributing to Australia's economic growth and prosperity	• $219.7m net cash from operations • $5,591m gross assets • $316.5m cash used in investing • $7.5b managed under Australia Post Superannuation Scheme	• Diversifying growth areas • Creating new services to enable businesses and governments to serve all Australians • Reforming the letters business as letter demand declines • Strategic alliances and international partnerships • Supporting rural and regional Australia • Strategic review of the business	• Group Revenue up 1% to $6,877m • Profit after tax up 41% to $134.2m • $78.5m dividend paid to our Shareholder • $6b in economic contribution - every job at Australia Post supports another job in the community • Reaffirmed strong credit rating of AA- (standalone rating of BBB+) • 10.9% decline in letter volumes • 10% increase in parcel volumes • Delivered 92.5% of our customers' parcels first time • Achieved a 46% increase in international inbound parcel volumes
Our people: The skills, productivity, diversity and wellbeing of our people are critical to our long-term success	• 70,000 employees, community postal agents, licensees and contractors across Australia • Diverse and engaged people • Trusted employee relations • Proficient technical skills	• Investment in attracting, retaining and developing talent to foster a diverse, innovative and customer-centric culture • Promotion of diversity and inclusion • Established new Safety Council to deliver our safety strategy and create safer working environments for our people • Retraining and redeployment of posties for parcel operations • Consultation with licensed post offices • Made our Employee Assistance Program available to our extended workforce and their families • Improved domestic and family violence leave, and parental leave for our people	• Gender pay parity • Appointed our first female CEO • Greater representation of women in management • Advancing our Reconciliation Action Plan and Accessibility Action Plan • Employee engagement of 60% • AOIFR down 6.7% to 18.1, but needs further improvement • $3,051m distributed in salaries and benefits • Paid $442m to licensees • 40% of parcels delivered by posties • Began to migrate posties from motorbikes to safer three-wheeled electric vehicles
Our customers, Our communities: Being a trusted and reliable partner for all our stakeholders	• 235.7m retail customer visits • 276.8m digital customer visits • Trusted brand • Positive relations with stakeholders	• Continuous improvements to enhance customer experience • Proactive engagement with customers and community through the Online Community platform • Expanding our social and indigenous procurement program • Delivering strategic investments in the community to advance social inclusion and digital literacy	• Exceeded all our community service obligations • Surpassed our 94% on time target in delivering letters, with a result of 98.5% • 17.1 NPS (uncalibrated), +5.8 points since 2016/17 • $7.4m spent with social and indigenous enterprises • Contributed $593m in government taxes, duties and dividends
Our network: A modern and competitive network that delivers quality service to our customers	• 11.9m delivery points • 4,356 post offices • 15,085 street posting boxes • 7,000 motorbikes • 6,500 delivery vans • 2,600 trucks • 6 airline freighters • 500 facilities • 325 parcel lockers	• Continuous investment in our assets to deliver quality service to our customers • Adopting efficiency and cost reduction initiatives in letters to align with declining volumes • Invested $1.2b in the post office network	• Over 3 billion items delivered • More than 1.3 million parcels per day • Successful delivery of the Australian Marriage Law Postal Survey • Increasing the number of parcels collected from 24/7 Parcel Lockers and other parcel collect locations by 14.4%
Our innovation, Our expertise: An agile and competitive organisation that meets the needs and expectations of customers	• Skilled and talented workforce • Strategic partnerships and collaborations with customers and entrepreneurs	• Reimagining the home, logistics, and trusted services of the future • Supporting entrepreneurs to develop innovative ideas	• Digital iD™ won the Consumer Markets category in the 2018 Victorian State iAwards and the Federal Government category of the iTnews Benchmark Awards • Introduced Text Your Choice, offering more delivery options to customers, with 2.7 million text notifications sent each month
Our environment: Reducing the environmental footprint of our operations	• Property asset electricity consumption of around 185,000 MWh • Licensee network consumption of 21,221MWh • Self-generation of 2,700 MWh (from on-site solar) • 40m litres of fuel used by our own fleet • 69m litres of fuel used by contractor road fleet	• Developing energy efficiency initiatives • Reuse and recycling initiatives to reduce waste • Supporting our customers to solve environmental problems • Resilience building to ensure we are prepared for the transition to a carbon-constrained economy	• Launched our inaugural Environmental Action Plan 2018–2020 • Annual savings of 3,977 tonnes of carbon against last year • Reduced carbon emissions from electricity by 3% since 2016/17 • Installed the largest (at the time) on-roof solar system in the Southern Hemisphere, at Sydney Parcel Facility

Our approach to corporate responsibility

Below image
Group Chief Executive Officer and Managing Director, Christine Holgate with Australia Post Stakeholder Council member and Banksia Foundation Chief Executive Officer, Graz van Egmond at the launch of our special edition UN Sustainable Development Goals stamp pack.

In 2018, we continued to deliver on our corporate responsibility commitments to:

- increase the social and economic inclusion and wellbeing of all Australians
- minimise our environmental impacts
- help customers and communities prosper in a digital world.

Some highlights from the past year include:

- appointing our first female Group Chief Executive Officer and Managing Director, and retaining gender pay parity for the second year in a row
- achieving gender equality in our Executive Team with 55.6 per cent female representation
- making our Employee Assistance Program available to all members of our extended workforce and their families – some 70,000+ people
- installing the country's largest (at the time) on-roof solar system at our Sydney Parcel Facility in Chullora.

We are strengthening our understanding of sustainability

In our 2018 say2action employee engagement survey, we found 64 per cent of our people believe that Australia Post is a socially and environmentally responsible organisation – up from 58 per cent in 2016. We regularly address sustainability issues with our partner workforces – and run an outreach program that involves our Green Team – as well as a Lunch 'n' Learn series for our people.

We are championing the UN Sustainable Development Goals

Our approach to corporate responsibility is in-line with the United Nations (UN) Global Compact, and informed by the UN Sustainable Development Goals (SDGs). The SDGs are a common set of 17 goals that make up a global strategy for individual and collective action for sustainable development.

In 2016, we were one of the first Australian organisations to embrace the SDGs. Since then, our approach has evolved – from initially prioritising six goals, to identifying a number of specific SDGs that intersect with each stage of our operations and value chain. We believe that addressing these key issues is critical for the prosperity and inclusion of our customers, communities and business.

Over the past year, we have reflected this global agenda by creating and implementing a number of strategies – including a refreshed enterprise safety strategy, our inaugural Environmental Action Plan, and our new 'stretch' Reconciliation Action Plan.

In June 2018, we launched a special edition stamp pack that featured the SDGs at Banksia Ignite, part of Vivid Sydney. This is just one way we are actively raising awareness about this important agenda with the Australian public.

We also released the following three white papers in 2018, to increase awareness and encourage commitment to the SDGs:

- *Making sustainability part of everyday*
  This paper considers the crucial role that small businesses play in building a sustainable future through responsible business practices.
- *Digital participation*
  This paper looks at Australia's internet behaviours, and recognises that a digitally inclusive society is a fundamental part of achieving a number of the SDGs.
- *Transitioning to a circular economy*
  In this paper, we explore how we can all move from a linear 'take, make and dispose' society of waste, to a more circular economy.

Modern Slavery legislation

We noted the Australian Government's proposed new legislation to address the transnational crime of modern slavery. We have undertaken a comprehensive review of our risks and practices to ensure our partner workforces – and anyone working in our supply chains – are protected against exploitation. We are committed to preventing modern slavery at every level of our operations, and will draft our first Modern Slavery statement in 2019.

Chairman's message

"We undertook a significant strategic review this year that will guide the continued transformation of Australia Post as we seek to consistently deliver outstanding customer services and delivery experiences."

Australia's leading delivery business

Once again in 2017/18, Australia Post balanced its twin objectives of delivering a quality community service, while performing commercially and earning a profit that can be reinvested in our business for the benefit of all Australians.

The underpinning theme of the year was, again, the ongoing transformation of Australia Post from being primarily a letters-focused business into an eCommerce delivery business. This shift in our core business is evident in the fact that this year we enjoyed double-digit growth in parcels volumes (as more Australians shopped online), while recording double-digit declines in the volume of letters that we deliver.

The fact that we have managed the operational and cultural changes associated with this transformation, while maintaining profitability and customer service performance, is a triumph of strategic planning and implementation.

And, most importantly, this shift has been achieved while staying true to our original purpose. Australia Post has always been the organisation that connects Australians to each other and the world – and that still remains the case today.

Post offices

Our nationwide retail network gives us a unique strategic advantage, in that it enables Australia Post to deliver for communities right across the country. However, our retail network has also been affected by digital disruption, with customer visitation to post offices falling over the past decade, due to the declining use of mail and the shift to handling services and transactions online.

We remain absolutely committed to maintaining post offices, so we can support our customers and communities in every corner of the nation. Our challenge will be to leverage this community-based network to offer a greater range of financial and government services and ensure the true value of that network is recognised by all who use it.

Strategic review

We welcomed Christine Holgate as our new Group Chief Executive Officer and Managing Director in October 2017 – and, with her arrival, we embarked on a significant strategic review of our business.

In the second half of the year, the Board was focused on supporting and advising Christine as she led that review and appointed a new executive leadership team. As a result of that thorough process, I believe we now have the right team and the correct strategic focus for the next phase of our transformation.

Customer centricity

We are operating in an era where customer-centric sales, service and experience design must be at the heart of all that we do as a business. For this reason, there is an important emphasis on creating a great customer experience in the design of our new organisational structure and our strategic priorities.

We now have one unified team to serve our major business and government customers – and a product and innovation team that is dedicated to simplifying our product set and designing improvements to the customer experience.

Championing sustainability

We remain focused on carefully balancing our commercial performance with the social and environmental impacts of our business. Given this focus, this report contains information on our corporate responsibility approach and achievements in accordance with the Integrated Reporting <IR> Framework, the GRI Standards Core option and the Ten Principles of the UN Global Compact. I am proud to say that we are reinforcing this commitment to corporate responsibility by championing the United Nations' Sustainable Development Goals (SDGs) in Australia.

Thank you

Finally, I would like to acknowledge the hard work and commitment of my fellow directors and the management team – as well as the thousands of employees, licensees, agents and delivery contractors who do such a wonderful job of serving our customers and connecting the Australian community. Everyone matters.

John Stanhope AM
Chairman

Group Chief Executive Officer and Managing Director's message

"We are proud that Australia Post plays such an important role in our country, contributing $6 billion to the economy. For every person we employ, we secure another in Australia and two in regional and rural areas."

I am pleased to share that Australia Post reported a full-year profit after tax of $134 million for the 2018 financial year, which is up 41 per cent on our profit result last year. Excluding the benefit of property items, pre-tax profit was up 280 per cent, from $19 million to $72 million.

This result was underpinned by strong parcel volume growth, both domestically (up 10 per cent) and internationally (up 19 per cent) – and a range of efficiency measures across our operational and support functions. Together, this helped offset the impact of an 11 per cent volume decline in our important letters business.

Once again, this year, we either met or exceeded all of the prescribed performance standards that underpin our community service obligations. Importantly, we maintained broad community access to our network, via 4,356 post offices (in excess of our target of 4,000) and delivered 98.5 per cent of letters on time or early (ahead of our 94 per cent target).

The double-digit shifts in both letter and parcel volumes this year underline the continuing operational and cultural transformation of our business – from being primarily a letters-focused business into a competitive delivery and service business, at the cutting edge of eCommerce. Around 82 per cent of Australia's eCommerce is facilitated by Australia Post and last year we managed 376 million financial transactions.

Our strategic review highlighted several growth opportunities for Australia Post, including serving our business and government customers better, rejuvenating the role of the post office in the community, focusing on significant international opportunities, creating and simplifying our products that people value and trust, and driving further operational efficiencies across our business.

The review also highlighted the opportunity we have to invest further in building our capability to ensure we can continue to build our customer experience and meet their growing needs.

In order to help ensure our success, we have restructured our business, aligning our people and resources to support these priorities. We have also refreshed our leadership team, retaining three key executives, promoting two of our highly talented managers and bringing in three strong external leaders. Together, they have the skills we critically need for our future.

We are proud that Australia Post plays such an important role in our country, contributing $6 billion to the economy. For every person we employ, we secure another in Australia and two in regional and rural areas. Our trusted brand and posties are loved by Australians. Around 91 per cent of Australians have visited a post office in the last six months, on an average of ten times, with 85 per cent of Australians saying it was very important that their local post office remains. Over 80 per cent of Australians see no convenient alternative to Australia Post for helping process their passport or receiving their parcel, and more than 90 per cent of people in rural and regional areas feel positive about receiving items from Australia Post.

This year, around 40 per cent of all our parcels were delivered by our posties, helping secure the vital role of Australia Post in the community. As we face an ageing population, eCommerce growth, and more organisations retreating from smaller communities, the need for your Australia Post remains very important.

Looking ahead, although we have many opportunities to grow and to serve our customers better, we still face significant challenges. As organisations increasingly encourage customers to switch to digital transactions and communications, there is further downward pressure on our letter business. Although we continue to optimise our delivery network, we require $2 of parcel revenue to mitigate the impact of every $1 decline in letters.

In parallel, several large organisations are withdrawing from regional towns, which puts further pressure on our local post offices to serve these communities with important services. These growing services require investment and increased funding to ensure we can meet communities' needs.

The significant changes in our business have also resulted in new safety challenges, particularly for our posties. Very sadly, one of our direct team and three members of our extended workforce lost their lives as a result of traffic accidents last year. I extend my sincere condolences to their family members and loved ones. The safety and wellbeing of all our people must be our biggest priority. It is for these reasons we have chosen not to pay any Executive Team member an incentive payment for achieving the safety goal and we will invest a further $30 million to address this important issue.

In the year ahead, we also plan to increase our investment in our capability to enable us to provide the services our customers want. There will be greater pressure on profitability in the 2018/19 financial year as we carefully manage this, but we believe it is important to ensure Australia Post remains viable for the future.

I would like to thank our customers, our partners, our many stakeholders and our wonderful nationwide team for their support during my first year in this role. It is my great privilege to lead this incredible organisation that belongs to the entire nation – and that plays such a vital role in connecting Australians to each other and the world.

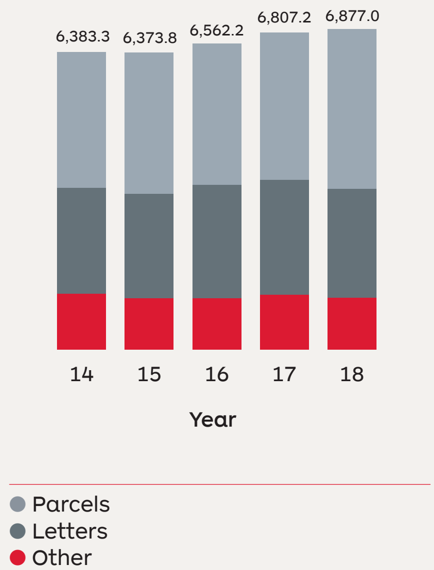
Christine Holgate
Group Chief Executive Officer and Managing Director

Our business performance

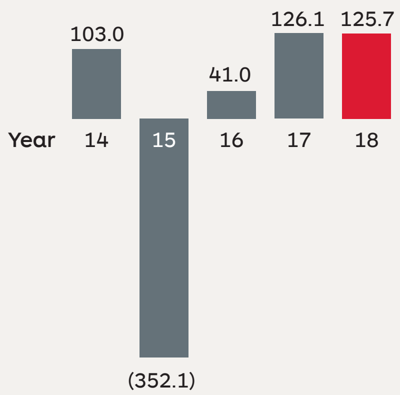
Australia Post is the nation's leading delivery business, with over three billion letters and parcels delivered in 2017/18.

Our business performance

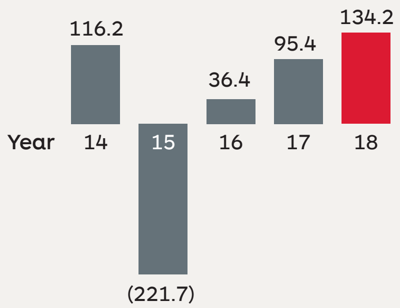
Revenue ($m)



Profit/(loss) before tax ($m)



Profit/(loss) after tax ($m)



Our highlights

We recorded a strong financial result in 2017/18, powered by continued growth in parcel volumes, both here and overseas. Our focus on new revenue streams, particularly eCommerce, continues to support our transition from a traditional letters business.

While there were many contributing factors to parcel growth, the improvements we have made to the delivery experience for our customers have been integral to our success.

We started a program of investments to increase capacity and capability, recognising that we have more to do to meet our customers' increasing expectations. We also made $442 million in payments to our licensees, who are essential to our nationwide presence – their ongoing sustainability is the key to our network and our unrivalled reach.

Four enterprise agreements were either approved by our workforce or endorsed by the Fair Work Commission in 2017/18, providing certainty and security for our people as we continue to transform.

We were pleased to win a further three-year extension to provide passport services, as we look to extend our reach in government services.

Our Digital iD™ product continues to develop and grow, with several businesses adopting its cutting-edge technology this year. It is a great example of how we can turn our experience in physical services into trusted digital services.

We also undertook a large-scale strategic review of the business to help us realign our strategy and identify opportunities for future growth. You can read more about our plans on page 4.

Our challenges

Letter volumes continue to decline at a rapid rate, and for every dollar of letters revenue we lose, we need to find two dollars of parcels revenue. And as more and more services move online, we need to offer new services to attract more people to our post offices.

While we are fully committed to our letters business and our post office network, including in regional and rural areas, there is still a lot of work required to secure their future.

Financial performance

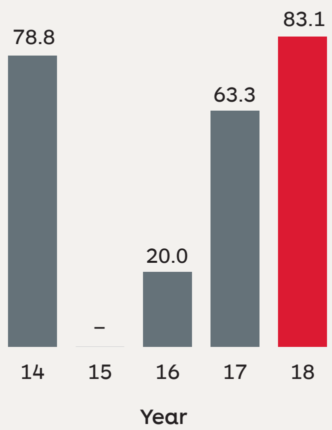
The reported profit before tax of $125.7 million was broadly flat to last year's result of $126.1 million. However, underlying profit before tax, excluding property sales, increased from $19.0 million to $72.2 million.

Total income was $6,877 million or 1.0 per cent higher than last year. Revenue from domestic Business to Consumer (B2C) parcels and express grew by 9.8 per cent and international parcel revenue grew by 9.6 per cent. The strength of demand from eCommerce retailers, both in Australia and overseas, saw our domestic B2C parcel and express volume grow by 10.2 per cent with significant international increases driving inward parcel growth of an extraordinary 46.3 per cent. The letters business performed ahead of expectations with the successful marriage equality survey contributing $26 million in revenue. However, with addressed letter volumes declining by a further 10.9 per cent, income from letters fell by 5.1 per cent.

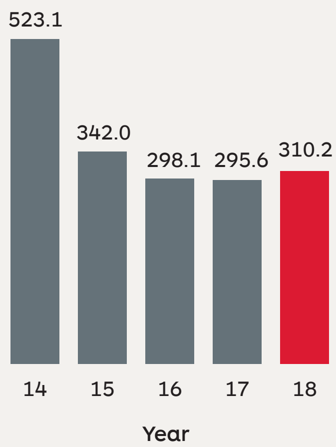
Our total expenses growth was 1.0 per cent, which was a positive outcome given increasing employee costs and the extent of volume growth in parcels. Our focus on driving productivity and efficiency generated enterprise benefits of $272 million and was vital to keeping cost growth below inflation.

We have continued to invest for our future, focusing on adding capacity and improving efficiency in the delivery network, as well as addressing operational risks and management of critical infrastructure.

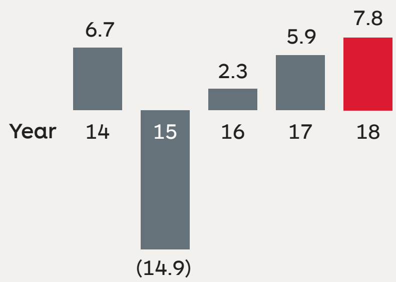
Dividends declared ($m)



Capital expenditure (cash) ($m)



Return on equity[1] (%)



Profit after tax was up 40.7 per cent on last year to $134.2 million, reflecting the benefit from the sale of the Sydney GPO, which was a pre-1985 asset and, therefore, free from capital gains tax. Excluding property transactions, the Group effective tax rate was 32.5 per cent. Our growth in profit after tax will result in dividends declared to our Shareholder of $83.1 million for this financial year.

Our closing cash balance remains strong at $592.2 million. Our total cash investments across strategic projects, and asset replacement and acquisitions reached $316.5 million. This, along with our debt not increasing and our net super asset remaining fully funded, means our balance sheet remains healthy.

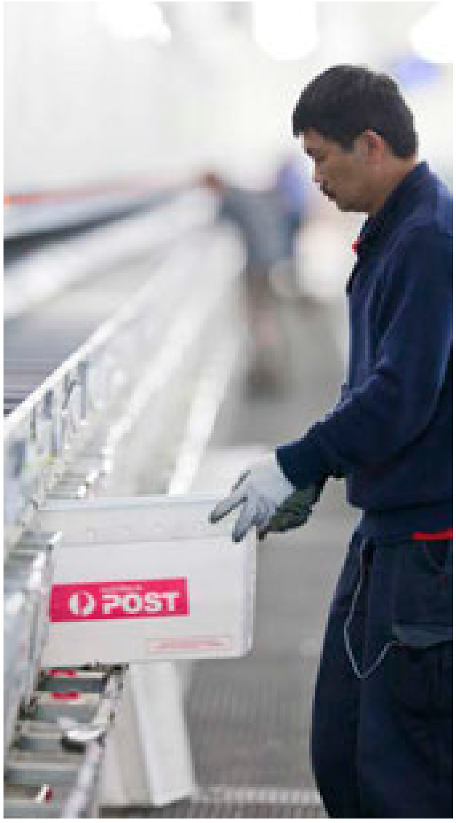
Five-year trends

	2014	2015	2016	2017	2018
Volumes[2] (m)	4,570.2	4,314.2	4,023.5	3,634.1	3,342.4
Revenue ($m)	6,383.3	6,373.8	6,562.2	6,807.2	6,877.0
Profit/(loss) before tax ($m)	103.0	(352.1)	41.0	126.1	125.7
Profit/(loss) after tax ($m)	116.2	(221.7)	36.4	95.4	134.2
Return on equity[1] (%)	6.7	(14.9)	2.3	5.9	7.8
Return on average operating assets (%)	3.4	(8.2)	1.8	4.0	3.3
Debt to debt plus equity	28.8	27.2	27.8	24.9	22.9
Dividends declared ($m)	78.8	–	20.0	63.3	83.1
Dividends paid ($m)	142.3	–	–	50.1	78.5
Interest cover (times)	3.6	(10.2)	2.2	3.6	4.9
Capital expenditure ($m)	523.1	342.0	298.1	295.6	310.2

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. Volumes reflect the total number of letters and parcels processed and distributed within our network.

Our business performance

Below image
Group Chief Executive Officer and Managing Director, Christine Holgate, and Group Chief Operating Officer, Bob Black, at Northgate Mail Centre in Brisbane. Photo credit: Annette Drew/Newspix.



Trusted eCommerce services

This year we developed a range of eCommerce solutions to help our corporate and government customers digitise more of their products and services. We also invested in growing our digital identity, payment, information management and back-office processing capabilities. Our innovations in this area will continue to make it easier for governments and businesses to connect with customers how and where it suits them.

Our Digital iD™ technology was adopted by a number of business and government customers. You can read more about this innovation on page 47.

Community and Consumer

Our post offices provide vital services to thousands of communities around Australia. Over the past 15 years there has been a significant shift in the way customers use these physical stores. Fewer people are visiting post offices to perform tasks like paying bills or posting letters. In fact, customer visitation to post offices has fallen 43 per cent since 2003.

While people may not rely on post offices the way they used to, we know that it is still important for Australians to have a post office in their community. We are committed to maintaining post offices in communities and boosting their role in providing essential financial and government services.

Continued growth in eCommerce will only help our post office network become more sustainable.

eCommerce delivery

Our letter volumes fell this year by 10.9 per cent, but this was offset by the 10 per cent increase in the volume of parcels we delivered. We recorded our biggest delivery day just before Christmas, when we delivered 2.7 million parcels to homes across the country. Now, we are working to make the entire network more sustainable by bringing together our letter and parcel networks to create better customer experiences.

With posties now delivering 40 per cent of parcels nationwide, we are also securing meaningful jobs for our people into the future. We have done a lot of work to improve our first-time delivery success rate throughout the year – with 92.5 per cent of parcels delivered on the first attempt as at June 2018. This figure includes all parcels delivered through our delivery choices such as collection from a nominated post office and other receiver-nominated delivery options, such as parcel lockers, excluding registered mail and roadside deliveries. Parcels that are unable to be delivered due to sender error or environmental issues do not count towards a 'first attempt' as these issues are outside Australia Post's control. While we are not always successful on our first attempt, in excess of 99 per cent of parcels are eventually delivered through our network.

Our future outlook

We are expecting continued growth in parcel volumes, particularly from China and other Asian markets. To make the most of these opportunities, we need to continue to build partnerships with online businesses and marketplaces – both here and abroad.

Letter volumes will continue to decline as the community shifts to more online services. While this change in customer behaviour is a challenge for our business, we are continuing to create efficiencies by unifying our letter and parcel networks. We will also stay focused on service innovation, so that our offering in post offices and online remains vital to and valued by Australians.

Our business performance

Addressing our key risks

The table below summarises the major risk areas we face in the near future in terms of likelihood and potential impact, as well as the controls and mitigating actions we are adopting.

Key risk area	Controls and mitigating actions
Health, safety and wellbeing The safety, health and wellbeing of our people is our main priority. While we have achieved significant progress in recent years, we continue to seek improvements in our safety performance and reduction in workforce injuries and fatalities.	• We refreshed our safety strategy this year. We have a new three-year plan to reinforce our commitment to minimising all risks to the physical safety, mental health and wellbeing of our workforce, our customers and the community. This new plan includes structured training, reporting, safety awareness and communications programs. • Our Enterprise Safety Council provides executive oversight of our safety strategy. • We continue to invest in infrastructure and modes of transport that reduce the exposure of our workforce to risks and harm. See more on page 21
Developing our people To remain competitive in a rapidly changing environment and meet consumer and community expectations, it is crucial that we enable a diverse, innovative, creative and safe environment that attracts, retains and develops our people.	• We openly engage with our people through dialogue and consultation. • We offer ongoing training and development opportunities to ensure continuous learning for our people. • We invest in programs and initiatives that increase opportunities for women to further develop their careers. • We have strong partnerships to advance indigenous employment, such as our Indigenous Emerging Leaders program. • In line with our Accessibility Action Plan, we have established a steering group to help drive and monitor access and inclusion across the business. See more on page 24
Changing market dynamics and customer expectations In an increasingly competitive market, our ability to respond effectively to changes depends on the capacity of our network and the quality of our services. As we grow internationally, ensuring that we proactively anticipate and respond to changing market conditions, consumer expectations and disruptions, is critical to maintaining our position and supporting our future growth.	• We invest significantly in network upgrades to ensure leadership in the reach and quality of our services. • We strive to deliver a customer-centric experience by constantly reviewing our product and service offering through dialogue with our customers. • We invest in new delivery experiences to offer greater choice, convenience and control in the way customers access our services. • We have developed key international partnerships with online marketplaces and leading companies such as Alibaba and China Post to fast-track our delivery capabilities and make it easier for Australian businesses and consumers to connect to opportunities overseas. See more on pages 48-49
The changing profile of our delivery operations As letter volumes continue to decline and parcel volumes increase, we are managing a major shift in the operational requirements of our processing and delivery network. We need to accurately anticipate volume shifts in letters and parcels to ensure we have the required capacity and capabilities to manage our changing workload and meet the rising expectations of our customers. A material decline in letter volumes beyond expectations would have a direct impact on revenue and profitability.	• We continue to create operational efficiencies by unifying our letter, mail and parcel networks, and giving customers access to the services they need through our post offices and other supporting channels. • We are making adjustments to our operations to minimise the financial costs of letter delivery by adopting new sorting technology that frees up time for posties to concentrate on delivery. • We are introducing new mailing tools to help business customers better target their audience in specific areas. • We are investing in programs to retrain and redeploy our posties to deliver parcels nationwide. • We are investing heavily in upgrading our physical and technological infrastructure to accommodate the growth in parcel traffic. • Our comprehensive service performance reporting gives us actionable insights to better predict and manage parcel traffic. • We have established a new international business unit that is focused on achieving sustained growth in inbound and outbound parcel delivery. See more on pages 41-42

Key risk area	Controls and mitigating actions
Technology and information security The complexity and sophistication of our data and technology environment helps provide great customer experiences. But we must ensure we have secure systems in place to anticipate, protect, monitor and react to potential disruption and threats.	• We have monitoring systems that regularly scan, patch and update our data and technology infrastructure. • We continuously monitor changing business needs and devise sustainable technology solutions to support our network. • We implement controls based on world-class industry standards. • We continuously seek to improve our people's awareness of online threats via cyber-security campaigns and tests. See more on page 42
Products and services We need to successfully develop and deliver new products and services in a manner that fosters trust with our customers, balances quality and speed-to-market, supports strategic objectives and allows us to capitalise on growth opportunities.	• All projects must be approved and managed in line with our governance framework which ensures our projects are consistent with our strategy and our values. • We are accelerating eCommerce opportunities by co-developing solutions with our people, customers, communities and businesses. • We work with entrepreneurs and startups to launch and scale their businesses. See more on page 47
Maintaining strong relationships with stakeholders We must ensure that we maintain strong ongoing relationships with our stakeholders and engage in meaningful dialogue about our business with the community.	• Our Stakeholder Council provides advice and guidance on a wide range of issues, including our approach to stakeholder engagement and corporate responsibility. • We actively engage with customers, communities, LPOs and government through dialogue channels such as our Online Community (community.auspost.com.au) to better understand their concerns, interests and expectations. • We run comprehensive scenario planning on an ongoing basis. See more on page 37
Operational efficiency As we transform our business to unify our parcel and letter delivery network, we must find ways to streamline processes that reduce our costs while improving customer service.	• We have a number of efficiency programs in place to unify our letter, mail and parcel networks, simplify our processes, maximise existing assets and resources, and make investments in more efficient technology. • We have introduced more energy-efficient solutions in our fleet and delivery network which keep both our costs and carbon emissions down. • Our comprehensive performance monitoring and reporting systems help us identify new efficiency opportunities and guide how we act on them. See more on page 53
Post Office network While fewer people are visiting our post offices, we must maintain a nationwide retail presence (with a minimum of 4,000 post offices) as we seek to connect and support the entire Australian community and maintain compliance with our PPS.	• We are transforming our post office network to improve our retail offer and refine the in-store experience to deliver highly trusted over-the-counter services, such as identity and payment services. • We are endeavouring to offer a broader range of essential services, especially in financial and government solutions. • We are refreshing our contract agreement with our licensees to give our network partners more certainty about their future. See more on page 41

Our people

Our people are talented, motivated and as diverse as the communities they serve. They are responsible for millions of customer interactions each year. Our people have helped build our heritage and they will help secure our future.

Our people

Our highlights

Our people are the heart of our business, and a true reflection of the communities we serve every day. Combined, they speak 65 languages and come from 143 ethnic backgrounds.

We directly employ around 35,000 people across our integrated delivery, logistics, retail and eCommerce network. Counting the thousands of people we employ indirectly – including licensed post office operators, community postal agents and delivery drivers – our extended workforce exceeds 70,000. It is through this impressive reach that we see genuine opportunities to make a positive impact on communities.

This year we achieved gender pay parity for the second year in a row and we are proud to have appointed our first female Group Chief Executive Officer and Managing Director, Christine Holgate. Our newly appointed Executive Team has 55.6 per cent female representation.

Four enterprise agreements were either approved by our workforce or endorsed by the Fair Work Commission in 2017/18 covering all Australia Post and StarTrack Award employees. And to make sure our people feel supported in the workplace, we improved our domestic and family violence leave, and parental leave conditions.

We also improved the way we work with our extended workforce this year, to better align them with our strategy and priorities.

Safety, health and wellbeing

The safety, health and wellbeing of our people is our number one priority. We have made significant progress on our safety performance in recent years – halving our injury rates since 2011. Our overall incidence of workplace injuries fell again this year, but there was an increase in serious injury, mainly caused by manual handling and vehicle incidents.

Very sadly, there were six work-related fatalities associated with our business this year. One of our employees lost their life as a result of a traffic accident. One of our contractor's employees passed away during the course of their delivery round. The other four fatalities relate directly to traffic incidents: a contractor died in a head-on collision; a contractor's employee died in a single vehicle accident; and in two separate incidents members of the public died when their cars struck Australia Post vehicles.

Our workforce profile^

Our workforce

- Male 63.6%
- Female 36.4%

Our Executive Team

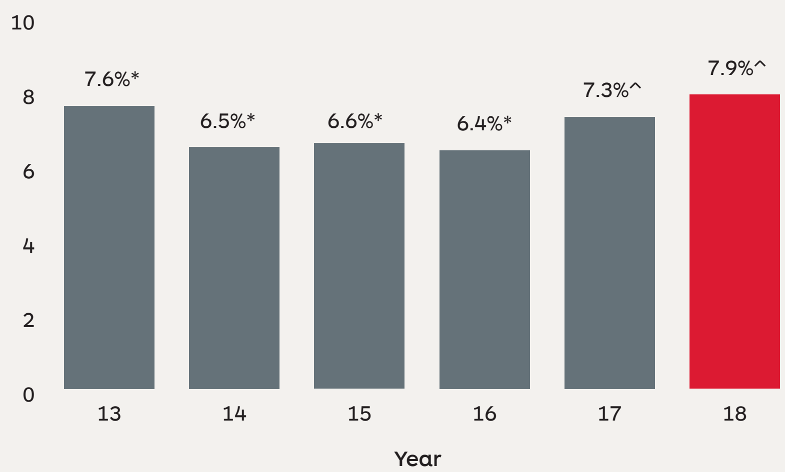
- Male 44.4%
- Female 55.6%

Gender pay parity[1]

- Male 49.86%
- Female 50.14%

1. Gender pay parity measured on 31 March 2018.

Turnover rate (%)



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

Our people

Below image
Group Chief Executive Officer and Managing Director, Christine Holgate with the team at our Sprintpak facility in Victoria.

These tragic incidents have reinforced our commitment to making the safety and wellbeing of our people, and the public, our biggest priority.

In 2017/18, we refreshed our safety strategy with the aim of minimising risks to our workforce, our customers and the community. We have a three-year plan with three goals:

- aim for zero harm
- broaden our focus to include safety, care and wellbeing
- reduce exposures to harm while improving our post-event response.

We are planning to achieve these goals by focusing on:

- Safe people – creating a culture where everyone feels empowered to stay safe and can identify and minimise exposures
- Safe leaders – ensuring our leaders identify exposures in the workplace through teamwork and data analysis
- Safe work environments – we will prioritise our most critical safety exposures. These include:
  - Serious injury and fatality prevention – our immediate attention will be on moving towards safer modes of transport
  - Manual handling – up to 70 per cent of injuries onsite are related to manual handling or body stress. We will introduce automation where we can to reduce manual handling
  - Mental health and wellbeing – making sure all of our workplaces support good practices
  - Safer driving while delivering – making sure our people are trained to meet Chain of Responsibility requirements and our vehicles are fit for purpose.

We have also strengthened our governance around safety, so our people are clear about who is responsible for safety at all levels of leadership.

Our refreshed Enterprise Safety Council, chaired by our Group Chief Executive Officer and Managing Director and including Board and union representation, provides executive oversight of our safety strategy. And our new Safety Management Forum – chaired by our Group Executive Safety, Injury Management and Wellbeing – will help to embed the strategy in our operations.

Our Board endorsed our new safety strategy in November 2017, and its programs started rolling out in late 2017/18. We are working on embedding this strategy across the business, while also delivering our existing safety initiatives.

In 2017/18, we held our seventh annual Safety Time, where teams across the nation stopped work for an hour to focus on mental health and wellbeing. We ran workshops to encourage our people to have more positive conversations about mental health, without fear of stigma or discrimination – and we talked about recognising the signs of poor mental health.

We also continued our Mental Health Essentials training for people leaders and introduced a Safety Leadership Journal. This fantastic resource helps more than 4,500 people leaders in our network improve their safety observations and guide conversations with their people.

We also placed Safety Advocates across our network during the Christmas peak period, to help our people make better safety decisions during this busy time.

By introducing a real-time reporting tool, we have made it easier to compare year-on-year safety performance. This tool also helped us reach record levels of reporting, with a near miss or hazard to incident ratio of up to 14:1. We have work to do but the increased reporting shows that the culture is changing and our people are confident in recognising and reporting safety concerns.

To help reduce serious injuries, we put a plan in place to move our posties onto safer modes of transport such as electronic delivery vehicles, on routes identified as a risk for motorbikes. By changing delivery routes, we also reduced our exposure to roundabouts – 3,163 roundabouts were identified and routes were altered to avoid 545 of these.

In addition, we focused on the threat of dangerous and aggressive dogs through internal and external awareness campaigns. Our dog safety public awareness social media campaign was relaunched with a reach of 1.6 million people.

Body stress injuries accounted for 46.0 per cent of our safety incidents and 64.0 per cent of our workers' compensation costs. This year we focused on how we could reduce these injuries, which are caused by manual handling activities.

Safety performance – Australia Post Group#	2017	2018
Lost time injury frequency rate (LTIFR) Where the next shift could not be worked due to injury/ occupational disease* (i.e. lost time per million hours worked)	7.5	7.0
All occupational injury frequency rates (AOIFR) Incidents involving an injury* or disease* per million hours worked	19.4	18.1
Injury rate Incidents involving an injury* per 200,000 hours worked	2.8	2.3
Occupational disease rate (ODR) Incidents involving an occupational disease* per 200,000 hours worked	1.1	1.3
Fatalities (number)	0	1

#Includes Australia Post and StarTrack. Excludes other controlled subsidiaries, licensees, contractors and members of the public.

*Injury or disease based on approved workers' compensation claims for the reporting period 1 July 2017 to 30 June 2018, as at the determination date of 31 July 2018.
Please note: The number of pending claims that remain for 2017/18 is 48. This is the number of safety incidents that have occurred in the reporting period of 1 July 2017 – 30 June 2018 where a workers compensation claim has been submitted but was not determined in the reporting period, by the determination date of 31 July 2018.
The total exposure hours worked for 2017/18 was 58.46 million and this was used to calculate the Injury and Disease rates. There were 671 Injury claims and 386 Disease claims, totalling 1,057 approved (accepted) work-related claims.

Five of the work-related fatalities are not included in internal reporting statistics as they relate to our contractors and members of the public.

Diversity and inclusion

It is so important that we foster a diverse and inclusive workforce. We want our people to feel like they can belong and be themselves at work – and that they can showcase all their talents. We believe the more inclusive we are, the more we can help our customers and communities.

In 2017/18, our diversity and inclusion program focused on five key areas:

- challenging gender stereotypes and helping more women achieve their potential
- closing the gaps for Aboriginal and Torres Strait Islander people
- bridging accessibility gaps for people with a disability
- supporting the Lesbian, Gay, Bisexual, Trans, Intersex Plus (LGBTI+) community
- celebrating and helping our culturally and linguistically diverse (CALD) people reach their potential.

For the first time, in 2018, we measured the extent to which our people feel included in the workplace through an Inclusion Index measure in the annual employee engagement survey, say2action.

Diversity profile	2015*	2016*	2017^	2018^	Inclusion index
Women	38.7%	38.7%	36.7%	36.4%	70.0%
Aboriginal and Torres Strait Islander people	1.9%	2.1%	1.8%	1.9%	67.0%
People with a disability	6.3%	6.0%	4.8%	4.3%	57.0%
Lesbian, Gay, Bisexual, Transgender and Intersex people	0.9%	0.9%	0.9%	1.2%	64.0%
Culturally and linguistically diverse	25.5%	25.3%	22.4%	22.1%	70.0%
Female Senior Managers (Band 4 and above)	**33.3%**	**35.4%**	**37.7%**	**36.6%**	**80.0%**
Women on Australia Post Board of Directors	**25.0%**	**33.3%**	**44.4%**	**44.4%**	**n.a.[1]**

^Australia Post Group *Australia Post only
1. Inclusion index is not available for Board members as they do not participate in the say2action survey.
Note: This data is based on self-declaration. More workforce statistics available on page 159.

Our people

Our new enterprise agreements

The four enterprise agreements that were either approved by our workforce or endorsed by the Fair Work Commission in 2017/18 cover all Australia Post and StarTrack Award employees. The agreements secured remuneration increases up to the maximum allowed under the Australian Public Service Commission Workplace Bargaining Policy, and maintained all existing terms and conditions. These outcomes were aligned with both the partial exemption we received to the original policy, and the revised 2018 version of the policy which, for the final negotiation, we were required to apply to the extent practicable.

The new agreements give our people fair wage increases, along with job certainty and security. They also provide the stable operational platform we need to invest, grow and continue our transformation into an eCommerce delivery and services leader.

Gender equality

Achieving gender equality is a core part of our values. That is why we are proud to have maintained gender pay parity for the second year running and reached 55.6 per cent female representation on our Executive Team, including our first female Chief Executive Officer and Managing Director.

We are also working hard to provide opportunities for women right through our ranks to progress in their careers. For example, ProjectMe is a personal and career development program designed to inspire, energise and connect award-level women from across our business. More than 300 women completed the program in 2017, with many of them applying for new roles, higher duties and secondments as a result.

We also ran a leadership development program called Elevate, aimed at developing a female talent pipeline for senior leadership positions. Elevate gives female leaders the know-how to navigate the challenges of leadership, with 49 women from different parts of the business taking part.

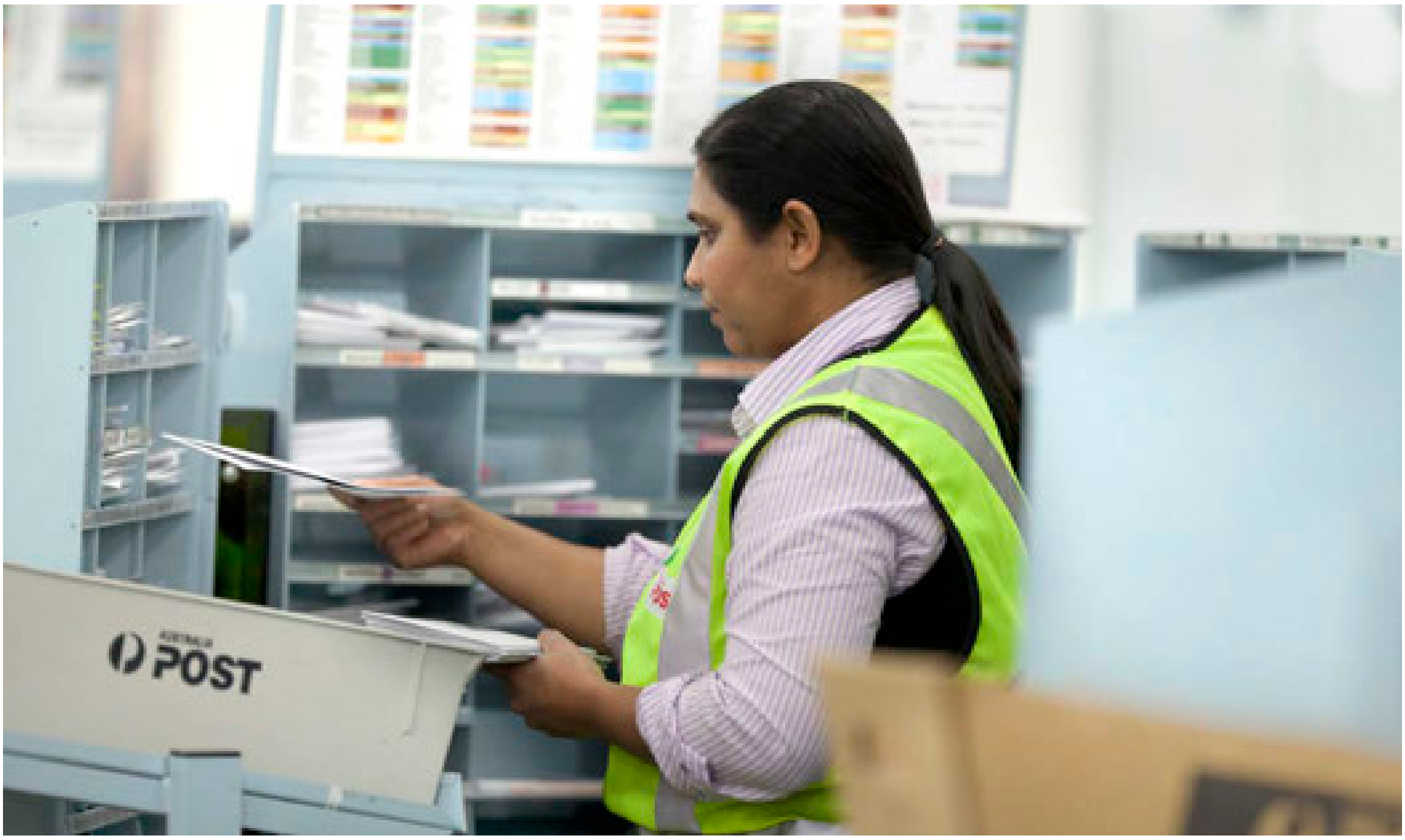
In some of the traditionally male-dominated areas of our business, we have started networks to help women develop their careers. Women in Numbers is a great resource run by our Finance team, while IgnITe, run by our IT and Digital teams, aims to attract and retain women in digital and technology roles.

We are proud members of the National Association of Women in Operations, which allows women working in our frontline operations teams to access learning and networking opportunities across the industry.

To measure pay parity, we aligned our analysis with the Workplace Gender Equality Agency (WGEA) definition of the 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". It is worth noting that this figure does include allowances for cars and car parks but does not include casual employees, external contractors or employees of licensed post offices or items such as voluntary salary sacrifice or individual bonuses.

Indigenous inclusion

Our long history of working with Indigenous Australians goes all the way back to Mary Ellen Cuper, an



Indigenous Australian woman employed as Postmistress at New Norcia in Western Australia in the 1870s.

More recently, we launched our first employment strategy for Aboriginal and Torres Strait Islander people in 1988 and our first Reconciliation Action Plan (RAP) in 2011. We launched our fourth RAP in 2017, which outlines the steps we are taking to advance the reconciliation process.

With our operations spanning the country, we know that one of the most effective ways we can influence Indigenous engagement is through employment.

With 1.9 per cent of our workforce identifying as Indigenous as of July 2018, we missed this year's target of 2.2 per cent. That said, we are confident we have the programs in place to meet our targets of 2.6 per cent by July 2019 and 3.0 per cent by July 2020.

To build a better future, we are investing in Indigenous talent now. Through our partnership with CareerTrackers, we host Indigenous tertiary students across our business as interns. The program helps us boost awareness about the job and career opportunities at Australia Post, while giving Indigenous students practical work experience. We hosted five Indigenous interns in 2017.

We also support the Indigenous School and Adult Traineeships programs, and host up to 40 trainees in our post office and delivery networks each year. Several of these trainees now have permanent jobs with us and have gained nationally accredited training qualifications in Certificates II, III or IV in Customer Engagement or Business.

We are nurturing our own talent as well, with the first Australia Post Indigenous Emerging Leaders program to be run in 2018. This career development program has been designed to help inspire and connect Indigenous award-level colleagues who would like to become people managers. Up to 20 Indigenous employees across NSW and the ACT will complete the program and will be rolled out to other states and territories soon.

Disability

We have been working hard to deliver on commitments made in our 2017–2019 Accessibility Action Plan. We have established a steering group to help drive and monitor access and inclusion across the business, and in November 2017, we completed the Australian Network on Disability's annual Access and Inclusion Index for the first time. This will help us keep track of our progress on accessibility inclusion.

LGBTI+

The Australian Human Rights Commission estimates more than a third of LGBTI+ people hide their sexuality or gender identity when they are at work. For us, it is important that everyone feels like they can be themselves at work, and that they can feel safe and respected.

Our PostPride network, created for our LGBTI+ employees and their allies, is a key part of this. It helps us raise awareness of LGBTI+ issues by taking part in events such as International Day Against Homophobia, Biphobia and Transphobia, The Midsumma Festival, and pride marches around the country. Our PostPride network was recognised publicly at the 2018 Australian LGBTI Awards as the Employee Network of the Year.

Cultural inclusion

Our people represent so many different communities across Australia. This diversity is a tremendous asset as we

Our people

look to better serve our equally diverse customer base and grow our international business, particularly into Asia.

Each year we celebrate our cultural diversity through A Taste of Harmony. Over two weeks in March 2018, teams from all around the country came together to share food and stories reflecting their cultural background.

Our recruitment teams also attended Working The Australian Way workshops, hosted by AMES Australia. The aim of these workshops is not only to help professionally skilled migrants find jobs, but also to give our people the skills to deal with culturally diverse job seekers.

Supporting our people when they need it

We understand that many of the issues impacting the community also affect our people. So this year, we reviewed and made changes to our Paid Parental Leave and Domestic and Family Violence Leave policies.

Our people can now access up to 10 days of paid domestic violence leave each year, which means they do not have to use their personal leave if they cannot come to work because they are impacted by domestic or family violence. They can also access confidential professional counselling and safety planning, as well as flexible working arrangements.

We extended paid parental leave this year to all employees who welcome a child by adoption or surrogacy, an important step in expanding the access of the policy.

For employees who will not be the child's primary carer, we also introduced a new entitlement to paid supporting partner leave.

say2action

In May 2018 we invited our people to have their say in our say2action employee engagement survey, giving them a chance to tell us what they think and to help shape the future of Australia Post. The survey recorded employee engagement across the enterprise at 60 per cent, an increase of three percentage points from the last full survey in 2016. During a year which saw a leadership change and an enterprise-wide restructure, this result shows that our people continue to be confident about our future and the role we play in communities across Australia.

Below image
One of the collaborative workspaces in our Melbourne office, delivered through the Our Place project.

Working with our partner workforces

Our delivery partners are an important part of our delivery team and they deliver millions of parcels on our behalf every week.

We are strengthening our relationships with our delivery partners. Introduced in 2017, our end-to-end sourcing and supplier management tool, the Australia Post Supplier and Contractor Portal, has been a key part of this. It enables us to communicate directly with our delivery partners about things like safety and preparing for peak periods. We also used the portal to gain valuable input from our delivery partners on our future as part of the strategic review of Australia Post.

Since July 2017, we have communicated with our delivery partners via a quarterly newsletter, updating them on news from around the business.

We have also held face-to-face training and engagement sessions with more than 800 of our principal contractors and the people in our network who support them. These sessions have helped to make sure our delivery partners are fulfilling their compliance requirements and have the knowledge to provide great customer service.

Our extended workforce in licensed post offices are another vital part of the Australia Post team. For detail on how we are supporting our licensee workforce, see page 42.

Our future outlook

Right now, the safety of our people is our priority. We are focused on embedding our new safety strategy and making sure we create an environment where everyone feels empowered to make safety a workplace priority.

We will do this by encouraging conversations that will reduce exposure to risk and harm, and setting lead safety indicators to help drive a proactive approach to safety.

We are committed to ensuring fair and sustainable wages across the whole of our workforce.

We are also working hard to meet the commitments we have made in our RAP, Gender Action Plan and Accessibility Action Plan.

Our Place – making it easier to work together

We have rolled out flexible, collaborative, cost-effective and environmentally conscious workspaces at our Melbourne office buildings, creating a truly mobile workforce that is more responsive to business and customer needs.

The two-year Our Place project has changed the way our teams work together, making our workspaces more collaborative. We have also replaced 1,000 desktops with laptops, making it possible for 96 per cent of our office-based employees to work more flexibly.

Our customers, Our communities

For over 200 years, we have always strived to connect Australians in their local community, by offering easy access to essential services. Today, we continue to fulfil that original social purpose, while evolving our product and service offering to meet the rising expectations of our customers.

Our customers,
Our communities

Our highlights

At Australia Post, we play an important role in creating vibrant, resilient, prosperous and inclusive communities.

Once again in 2017/18, we met or exceeded all of the performance standards that underpin our community service obligations (CSO), while fully funding the cost of our CSO (estimated to be $404 million).

We deliver to all 11.9 million delivery points across the nation and our network of 4,356 post offices enables convenient, local access to essential services in communities everywhere.

Given this extensive customer and community reach, it is not surprising that Deloitte Access Economics estimated that we contributed $6 billion to the Australian economy in 2017/18 and created thousands of additional jobs across the nation.

In 2017/18, we continued to broaden our range of customer services, while implementing a range of initiatives to improve customer experience, satisfaction and advocacy.

Our challenges

Like many businesses, we face pressure from the digitisation of services. Our opportunity is to use our existing know-how, network and competitive advantages to create products and services that our customers need and want – with greater choice, convenience and control in the way they access our services.

We are improving the customer experience

We always try our best to deliver great customer service, but sometimes we do make mistakes and in 2017/18 our Customer Contact Centre (CCC) dealt with 1.1 million customer complaints. While our parcel volumes grew by 10 per cent this year, total complaint numbers have not materially grown since 2017. To give context to this quantity of complaints, it is important to note that we delivered over three billion items in 2017/18. We define customer complaints as instances where we have failed to provide a product or service offered to a customer or when the customer has experienced an unacceptable interaction with our staff. We also record perceived failures as complaints – this might include getting feedback from a customer about a postie riding on a nature strip, which they have authority to do and so feedback such as this gives us a chance to educate our customers on our products, services and processes. We have done a lot of work over the last year to improve the way we deal with customer feedback and complaints, including:

- updating our website to make it easier for customers to contact us and connect on our social media channels – these are now monitored 24 hours, seven days a week
- reducing call-waiting times in our Customer Contact Centre by 21 per cent in 2017/18, as well as improving the time taken to resolve customer issues. On average, we now solve issues within 33 minutes, an improvement of 47 per cent compared to the previous year
- giving customers the ability to self-serve when tracking their parcels by using our chatbot tool. If our chatbot tool cannot resolve a customer's issue online, it will transfer the customer to a live chat agent during business hours
- making changes to our review process so customers can easily understand how we handle complaints and to simplify the customer compensation process.

Our retail services

In 2017/18 we invested in a number of customer experience programs in our post offices. We ran a Customer Centricity program to give our frontline people extra customer service and merchandising capabilities, tools and resources. The program also empowers our people to resolve customer issues and make decisions to improve the customer experience at the local level.

We introduced extended delivery hours during our peak Christmas period, which helped us deliver more than 37 million parcels in the four weeks leading up to Christmas – an increase of around 20 per cent compared to the same time last year.

Our identity services

We provide a range of trusted identity services on behalf of government and businesses. Each year we verify the identity of more than six million Australians, for:

- passports
- licence renewals
- proof of age cards
- Working with Children Checks
- police checks.

We perform more than 200 digital and physical services on behalf of government agencies and process more than 1.9 million passport applications every year.

Building on this strong track record, we have developed an innovative digital identification verification solution, Digital iD™. This new technology is a safe and easy way for Australians to verify their identity, in person and online. It means we are the only business that can offer real choice when completing an identity check, and many businesses have already adopted the technology. You can read more about Digital iD™ on page 47.

We are also investing in extending our physical ID network via the Extended Identity Services (EIS) technology in our post offices. This means we are able to make key identity services available to more communities across the country, with EIS now available at more than 1,100 post offices.

Our payment services

We provide trusted banking and payment services to our customers on behalf of more than 750 business and government agencies – including 70 banks and financial institutions.

With bank branches continuing to close in many smaller communities, we are making sure people still have access to essential services. Customers can transact via Bank@Post at more than 3,500 post offices nationwide. Plus, our Post Billpay service allows customers to pay more than 1,000 types of bills in person, over the phone, online or via our mobile app with more than 80 million payments made each year. In 2017/18, we processed more than 423 million payment transactions worth around $127 billion.

Privacy

We are committed to protecting our customers' privacy and have robust protocols in place to investigate any complaints or concerns we receive. In 2017/18 two incidents were reported to the Office of the Australian Information Commissioner (OAIC). No adverse determinations were received from the OAIC.

Accessibility

Our online services continue to grow and develop. From banking, identity, shopping and parcels, to tracking, information, travel and education, it has never been

Our customers, Our communities

Below image
Danielle Crawford, Service Quality Champion and Josh Gordon, Line Haul Manager, participated in the pilot of The Delight Program.

Delighting our customers

As we begin to re-shape our business around the customer, investment in our people remains a top priority.

We are rolling out a cultural change program over the next three years across a number of areas in our organisation, called The Delight Program. This world-class program will focus on developing a positive mindset and a common customer service language to help us delight our customers every time they interact with us.

The Delight Program is the next step in our journey to becoming more customer centric – creating a positive, 'can-do' culture, focused on the people we're helping.

Every level of our business is participating in the program, from our leadership teams right through to our posties, drivers, freight handlers, processing staff, contractors, call centre agents and business sales teams.

Are you ready to be delighted?

Keep your eye out for an invite to participate in The Delight Program soon...

THE DELIGHT PROGRAM

more important to ensure our websites and apps are accessible for everyone.

We are working closely with Vision Australia and accessibility consultancy, Intopia, to ensure all of our online channels are accessible and user friendly.

Helping Australian businesses sell and grow online

By 2020, we predict that one in ten items will be bought online, so Australian businesses need the tools to tap into this future growth.

We are helping businesses sell and grow, by extending our dedicated Small Business Champions – a central touch point for our small business customers and retail and delivery teams. They play an important role in their local area by helping small businesses tap into opportunities both locally and internationally. We now have 68 Small Business Champions covering all local areas nationally.

Our small business customers can also access a free MyPost Business account, giving them access to savings of 10–15 per cent on eligible parcel sending in-store or online, item tracking, pick-ups and access to 24/7 live chat support.

We also support business customers with a range of events, providing information to apply to their own businesses. We hosted six Business Breakfasts nationally in 2017, where we shared our latest data and trends from the online shopping industry with our customers, and provided the opportunity to hear from industry leaders.

Co-hosted by the National Online Retail Association, our Customer Advisory Group is a group of innovative eCommerce customers that we bring together four or five times a year to discuss our latest initiatives, insights or trials. The feedback from this group helps us shape these programs. These retailers see real benefit for their own businesses and brands by participating, and can also look at the bigger picture and contribute to new developments in the retail industry.

Our contribution to the community

Our most important contribution to the Australian community is made via our extensive retail and delivery networks, which are so vital to supporting commerce and enabling people and communities to connect.

In 2017/18, we met or exceeded all of our regulated performance standards that relate to maintaining an accessible and reliable postal service, under our CSO. This includes maintaining 15,085 street posting boxes, 4,356 post offices, and delivering 98.5 per cent of letters on time or early. We also fully absorbed the cost of meeting our CSO (estimated to be $404 million).

Our community contribution can also be measured in the $514 million we contributed to Australian governments this year, via taxes and duties – and the $79 million dividend payment we have made to our Shareholder, the Commonwealth Government.

Supporting our communities

With operations spanning the entire country, we are in a position to make a genuine and positive contribution to Australian communities, ensuring our customers, our people, the environment and our suppliers can share in our prosperity and success.

Our approach to community investment and engagement has continued to evolve over the past year. We have shifted from connecting and partnering with communities and community organisations, to co-creating shared value solutions.

In 2017/18, we continued to focus our efforts and investments around three key areas:

1. Digital inclusion
2. Social inclusion
3. Social and environmental innovation – including facilitating a circular economy.

Australia Post Online Community

Our Online Community platform (community.auspost.com.au) is a place where customers and community members can share their views, get information, and contribute ideas about what matters to them. The platform encourages people to participate in and explore a range of issues in depth, to build an ongoing dialogue that leads to better communities overall. Since launching in May 2017, there have been around 974,500 unique visitors to the platform, with around 3,500 of those being active users of the platform.

Workplace giving and volunteering

Our people are passionate about contributing to the community.

We celebrated this year's Workplace Giving Month in June with the theme 'There's more than one way to give'. The campaign highlighted three key ways Australia Post employees can contribute to the community – through volunteering, payroll giving, or fundraising.

We also launched 'Giving at Post', a new online platform that provides a central hub of information and opportunities for employees who want to give back. We plan to extend the platform to family, friends and contractors in the future.

Our Workplace Giving program has generated outstanding results, with matched donations from more than 2,550 employees resulting in around $780,000 being distributed to over 360 charities. As Australia Post covers all running costs for the program, 100 per cent of the money raised goes straight to the nominated charities.

Social and Indigenous procurement

With a range of social enterprises and businesses working to solve complex societal problems and drive economic empowerment, our procurement choices can make a positive difference in our communities and the environment. Across the board, these groups are

Making sure the mail gets through

To support communities, particularly in times of natural disaster, we are investing in a mobile post office in each state. In times of crisis, the post office is a pillar in the community – a place you can look to for information and essential services.

The mobile post office can be in place within 24 to 48 hours. It will help us respond quickly, as well as provide continuity of basic postal services if the existing premise cannot be accessed.

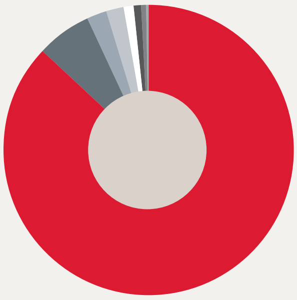
The mobile post office is a fantastic initiative, and helps support people during an emergency by:

- providing communication channels to the outside world – helping people get through hardship and rebuild their lives
- functioning as a collection centre
- establishing a centre of community.

We have two in place so far in New South Wales and Victoria. Four more are being finalised for Tasmania and South Australia, with two cyclone-proof mobile post offices being finalised for Queensland and Western Australia.

Our customers, Our communities

Total community contributions via our community investment programs



- Social inclusion, digital literacy and community wellbeing 87.0%
- Health 6.3%
- Economic development 2.2%
- Other 1.9%
- Environment 1.0%
- Arts and culture 0.8%
- Education and young people 0.6%
- Emergency relief 0.2%

adding competition to the market and increasing employment opportunities for marginalised and disadvantaged community members. By partnering with these organisations in our supply chain, we are using our procurement spend to create jobs and opportunities where it matters most.

As a member of Supply Nation, we have been engaging with Indigenous businesses in our supply chain since 2010. In 2015, we formalised our commitment to social enterprise procurement when we became founding members of Social Traders Connect.

In 2017/18, we spent more than $7.4 million with the 42 social enterprises and Indigenous businesses in our supply chain – up from $5.6 million last year. We remain committed to reaching our $40 million spend target by 2020, and will continue to look for opportunities to create a more inclusive supply chain overall.

Creating shared value with our people and our communities

This year we contributed $12.8 million to the community through our community investment program. Some of these contributions were in the form of direct cash investments to strategic community projects, such as Inclusive Australia. Contributions were also made through time spent by our people volunteering and as value in-kind, such as support to community organisations provided every day through products and services like charity mail. The increase in our contribution compared to last year's $6.8 million is largely due to a review of our measurement scope to account for value in-kind we had under-reported previously. To support the community, we have forgone revenue totalling $35.3 million – revenue from products and services that we would have received but chose to waive totally or partially for community benefit. We assess our community investments in line with the London Benchmarking Group's (LBG) internationally recognised approach and the data we report is verified by LBG each year. The LBG verification statement can be found on our website.

Inclusive Australia

Over the past 12 months, we have made a significant contribution to Inclusive Australia – an independent organisation supported by an alliance of passionate people and organisations who are working together to drive social inclusion and influence change on a large scale. Their work includes a national movement, led by the corporate and community sectors, to reduce the social and economic cost of exclusion.

The project has been in development for two years, and has involved in-depth research into the state of social inclusion in Australia, as well as consultations with over 100 organisations across the country. The organisation will fill the need for a central body that focuses on social inclusion and its impact nationwide.

Digital inclusion

While the shift to a digital economy has many benefits, there are people who are at risk of being left behind. Many don't have the ability, the confidence or the trust to transact online – and those affected are likely to be older, on lower incomes or living in rural communities.

In 2017, we joined over 100 business, government, academic and community organisations to launch the Australian Digital Inclusion Alliance, aimed at accelerating action on digital inclusion. In conjunction with Deakin University, we have created two online courses to

Measuring Australia Post's economic and social contribution to Australia

According to new analysis conducted by Deloitte Access Economics, Australia Post contributed $6 billion to the Australian economy in 2017/18 and created tens of thousands of additional jobs across the nation.

These findings are contained in a 50-page report titled *Economic and Social Value of Australia Post*, that was released in August 2018 and is based on Deloitte's deep analysis of existing research, consultation with our stakeholders, and a survey of over 2,000 Australians.

The report shows that Australia Post is the driving engine of Australian eCommerce, facilitating 82 per cent of our nation's $14 billion eCommerce market and 80 per cent of customers believe Australia Post is the only viable alternative for receiving parcels. The Deloitte research also predicts that the total value of the Australian eCommerce market will increase from $14 billion to $22 billion, over the five years from 2017 to 2022.

In measuring the economic and social impacts of our business, Deloitte also found that for every worker Australia Post employed, another job was secured in the community. Our impact on employment is even higher in local communities, with every job in a post office supporting a further two jobs elsewhere through flow-on economic activity, such as motor mechanics, property managers and IT jobs.

Significant findings in the Deloitte report include:

- Australia Post's total economic contribution to the nation is $6 billion ($3.2 billion in direct contribution; and $2.8 billion in flow-on economic activity)
- 58 per cent of post offices are in rural or regional locations (compared to just 20-30 per cent for most businesses in other industries)
- 92 per cent of Australians have visited a post office in the past six months
- 79 per cent of Australians say Australia Post ensures equity of access to core services for all communities
- 73 per cent of Australians rated Australia Post as a trusted and valued part of the community.

build confidence and skills online, called Digital Discovery. We will work with our community partners such as the Australian Seniors Computers Clubs of Australia and Lively, to understand the role these courses could play in reducing Australia's digital divide.

Social and environmental innovation – Revamp

We are committed to moving away from a linear economy (built around taking, making and disposing) towards a more circular, zero-waste model. A circular economy retains as much value as possible from the resources and materials it uses – leading to a healthier, more prosperous society.

In November 2016, we established the Revamp Network, a collaborative cross-sector forum where stakeholders can find new and innovative solutions to promote the responsible production and consumption of goods. We held three round-table discussions for key stakeholders and small businesses in the Revamp Network in 2017/18. We have also published a white paper and created an educational video that examines the barriers to, and enablers of, circular economy activities.

Partnerships and sponsorships

We recognise that sport is a powerful tool in connecting people from different walks of life. Since 2013, we have been partnering with sporting organisations to create environments where everyone feels they belong and are valued, regardless of their background or ability.

Through our national community partnerships with the AFL and Netball Australia, we are developing a range of diversity and inclusion initiatives. Part of this involves supporting and encouraging greater participation from multicultural and Indigenous communities, as well as people with disabilities.

We have reached out to regional and rural communities with seven regional communities receiving visits from elite netball ambassadors, sharing messages of inclusion and celebrating diversity right across Australia. This included visiting the eight winners of the Australia Post One Netball Community Awards program, which shines a light on clubs, individuals and associations who go above-and-beyond to create more inclusive and welcoming netball environments.

We also support a range of national sporting events – such as the sixth Toyota AFL Multicultural Round, the Greater Western Sydney Giants 2017 AFL Multicultural Festival, and the national netball championships for women with an intellectual disability, the Marie Little OAM Shield. And we contributed to individual support for athletes with intellectual disabilities competing in the Special Olympics Australia National Games through a $100,000 grant that funded travel to Adelaide.

Through the distribution of Our Neighbourhood Community Grants we have supported the Australian Sports Foundation's Giving4Grassroots Sport4Everyone program. This national small grants program promotes social inclusion in schools, community organisations and sports clubs. Sixteen grants have been awarded to date, to organisations that use sport to promote social inclusion among all genders, cultures, ages and abilities.

In the past year, we have given financial support to the Foundation for Rural & Regional Renewal and their 'Repair-Restore-Renew' grants program. This initiative helped with the medium to long-term recovery of communities in Queensland and NSW that were affected by Cyclone Debbie and its associated floods.

Our customers, Our communities

Along with our national community partnerships, we have delivered a number of programs through other partners to further support our strategic focus areas of social inclusion and digital inclusion. These include the National Australia Day Council, The Big Issue and The Pyjama Foundation.

Our partnership with The Big Issue continues to evolve as we leverage our post office network to support more vendors to collect and sell magazines. Access to collection points is critical for vendors and can be a significant barrier to being able to participate. By leveraging our post offices in five states, we have been able to help more vendors get involved in the program.

Tracking how our customers think we are doing

One of the ways we track our customers' experience is by measuring customer advocacy using the Net Promoter Score (NPS), a widely used metric that monitors customer sentiment about what we are doing well and where we need to improve. For the third year running we have improved our strategic NPS, increasing our score by +5.8 points. The strategic NPS, which is a combination of NPS scores for our Consumer and Business customer segments, finished the 2017/18 year with an annual average NPS score of +17.1 points (+21.4 points calibrated). An NPS can be as low as -100 or as high as +100. Any positive score means an organisation has more advocates (promoters) willing to recommend them than critics (detractors).

NPS	Uncalibrated	Calibrated
2017/18	+17.1	+21.4
2016/17	+11.3	+15.5

Some of the initiatives contributing to the increase in NPS include improvements to our Customer Contact Centre, improved support for small business customers and the roll out of initiatives that empower our people to delight our customers. The strategic NPS survey methodology remained unchanged this year and is now considered established. As such, we will be removing the calibration required to bridge our previous and current NPS methodology.

In addition to the positive strategic NPS movements, we also saw increases in our parcel receiver delivery experience NPS score. The positive movements, from +63 to +67, are a reflection of our commitment to improving the parcel

Our Stakeholder Council

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

The Stakeholder Council comprises up to twelve members representing a range of views, chaired by our EGM Corporate Services. In 2017/18, 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:

Sarah Agboola – Managing Director & Founder of m-Time
Rhonda Cumberland – Chief Executive Officer, South East Community Links
Graz van Egmond – Chief Executive Officer, Banksia Foundation
George Etrelezis – Small Business Consultant
Paul Greenberg – Founder & Executive Director, National Online Retailers Association
Angela Hite – Licensee, Middlemount LPO
Julia Landford – Social entrepreneur and Founding Director NatureArt Lab, and (former) Assistant Director, DFAT
Jan Owen AM – Chief Executive Officer, Foundation for Young Australians
Felicity Pantelidis – Deputy CEO, Maurice Blackburn
Geoff Rohrsheim – IT Entrepreneur, Co-Founder Hatch Creations

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 2018 report reflects a strategic approach to a whole-of-business focus on delivering improved social and environmental outcomes for the Australian community. The Stakeholder 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 2018

delivery experience for our customers.

This year we introduced several new customer insight tracker initiatives, including measuring our Social Licence to Operate, refreshing our approach to monitoring our Australia Post brand and reputation, and revitalising our trust measure to determine both the positive and negative drivers of trust. We believe these new measures are critical to understanding our unique role in Australian communities, the experiences of our customers and to measure our impact as a corporate citizen. These metrics will be used in 2018/19 to maximise and focus our key customer and community improvement programs.

Our future outlook

To differentiate our offering from that of our competitors, we need to deliver exceptional experiences that our customers value. We will work on developing products and services that meet the changing needs of Australians, and make the most of our existing capabilities and strengths.

We will also continue to build our community partnerships in the areas of digital inclusion, social inclusion and social and environmental innovation – including facilitating a circular economy.

Our network

Our unrivalled retail and delivery networks span the nation. With 4,356 post offices, we have the nation's most extensive retail footprint – and we are the only company that delivers to all 11.9 million delivery points across Australia.

Our network

Our highlights

Through our unrivalled network, we are able to help Australians access the everyday services they need, in the way that suits them best.

We have more than 7,000 motorbikes, 6,500 delivery vans and 2,600 trucks on the road picking up and delivering, as well as six dedicated airline freighters to complement the network. We deliver to 11.9 million delivery points and more than 190 countries, connecting Australians with each other and the world. We offer essential services at 4,356 post offices across the nation, including 77 superstores. And our customers have access to 325 parcel lockers, and more than 15,000 street posting boxes.

This vast network made it possible for us to successfully deliver this year's Australian Marriage Law Postal Survey to registered voters in Australia and overseas.

We made great progress in bringing together our letter and parcel networks, which will help us create a more efficient and customer-focused delivery system. And we upgraded a number of Community Postal Agencies (CPAs) to Local Community Post Offices (LCPOs) too, providing access to more services for locals in these areas.

Challenges

One of the clear challenges we face as a business is our ability to adapt our network to meet the changing needs of our customers. As organisations encourage customers to switch to digital transactions and communications, there is further downward pressure on our letters business. At the same time, our community post offices, including our licensee partners, are playing a greater role providing vital financial and government services.

We need to demonstrate how mail is still a valuable tool for customer service, acquisition and retention. We need to grow revenues and invest in our post offices so they remain relevant and valued by the community.

One network

We have brought together our people, assets and capability from across our letter, mail and parcel teams so we can deliver great customer experiences, be more efficient and set ourselves up for future growth.

We consolidated our operations in seven locations during 2017/18, with more site consolidations to be completed in 2018/19 as we continue to integrate and optimise our networks.

We also invested heavily in increasing the automation of parcel processing in our network during the year. As a result of the installation of automated sorting equipment at our operational sites in Sydney (Sydney West Letters Facility and Chullora Parcel Delivery Centre), Melbourne (Melbourne Gateway Facility) and Brisbane (StarTrack Airport site - Westringia), we will boost our processing capacity by 90 million parcels in time for the pre-Christmas 2018 peak (compared to the capacity of December 2017).

This year we introduced three-wheeled electric delivery vehicles to our fleet. These vehicles can carry three times the volume of parcels of our postie motorbikes, holding up to 100 small parcels and 1,200 letters at a time.

This has contributed to an increase in the number of small parcels delivered by posties to around 40 per cent of all parcels, helping ensure these employees have meaningful work into the future. We have 100 electronic vehicles operational with another 50 due to be rolled out by the Christmas 2018 peak period.

Enhancing our network

In 2016/17, we signed an agreement with Woolworths to install parcel lockers at 500 of their locations – giving our customers even more choice and convenience for parcel delivery. We have now installed parcel lockers at more than 50 of these sites, bringing the total number of parcel locker locations to 325. We will continue to expand this parcel locker network because our customers value the convenience.

Our dedicated Qantas freighter network, made up of six aircraft, has helped us create a fully-integrated logistics service. By investing in this service, we are making sure our customers have faster and more reliable deliveries.

Through our partnerships with Alibaba, China Post and Qantas, we are making it easier for Australian businesses and consumers to connect to eCommerce opportunities overseas. Marketplaces make it easier for consumers in our key export markets – China, United States and India – to find Australian products, and offer a more convenient way for local businesses to start selling overseas. These partnerships helped contribute

Our network

to 46 per cent growth in international inwards parcels, driven mainly by China. Our international alliances include a Singapore-based joint venture, Aramex Global Solutions.

Making our letters business sustainable

To nurture our letters business, we are introducing new tools that show our business customers what they can achieve using mail.

For example, our Campaign Targeting Tool helps customers better target their audience to achieve more successful direct mail campaigns. It works by allowing customers to focus on particular geographic areas and overlay this with specific consumer and demographic segments so they can reach the right people. The tool is free for customers to use, and helps us promote the value of our mail network.

We have also continued our investment in letter sorting technology, with six new machines installed in 2017/18. These machines have allowed us to boost throughput rates, meaning posties spend less time doing manual jobs like sorting mail, and can concentrate on what matters most – delivering for our customers.

Supporting our network partners

Our nationwide network would not be possible without our licensees and community postal agents. They operate 80 per cent of post offices – many in rural and regional areas of Australia. Most are small, family-run businesses.

While payment increases over the past five years have been ahead of inflation, too many of our post office partners are facing financial challenges. We are working with our network partners and their representative groups to review the LPO payment structure, so it is consistent with a future that will be dominated by eCommerce.

In the meantime, we are working on solutions to make our network partners more viable. This includes rolling out our EIS to LPOs, and making sure they can benefit from our market-leading identity services. More communities than ever have access to EIS, with services now available at more than 1,100 post offices.

We have invested in upgrading 10 CPAs to LCPOs across the country – with more to come next year.

While a CPA only provides basic services, such as mail and parcel sending and collection services, LCPOs also offer payments and financial services, such as:

- Post BillPay
- Bank@Post banking services
- money orders
- Load&Go reloadable Visa prepaid cards
- gift cards.

This post office upgrade makes it easier for customers to access improved postal services in their local area, and makes these small businesses more sustainable.

We are working with our network partners to ensure compliance with workplace laws, such as the *Fair Work Amendment (Protecting Vulnerable Workers) Act 2017*. This new legislation aims to provide better protections for vulnerable workers by strengthening workplace laws regarding employee entitlements. It was introduced following increased community concern about the exploitation of vulnerable workers, particularly migrant workers, by employers largely in the franchise industry. It is really important that every person who performs work for Australia Post and who services our Australian

community is treated respectfully and paid fairly. That is why we are working with our licensees through a range of activities to help ensure they understand their workplace obligations and support them to ensure they pay workers appropriately and provide the relevant employment entitlements at all times. This includes providing information and training, implementing measures to monitor compliance, and providing resources to address any concerns.

Our future outlook

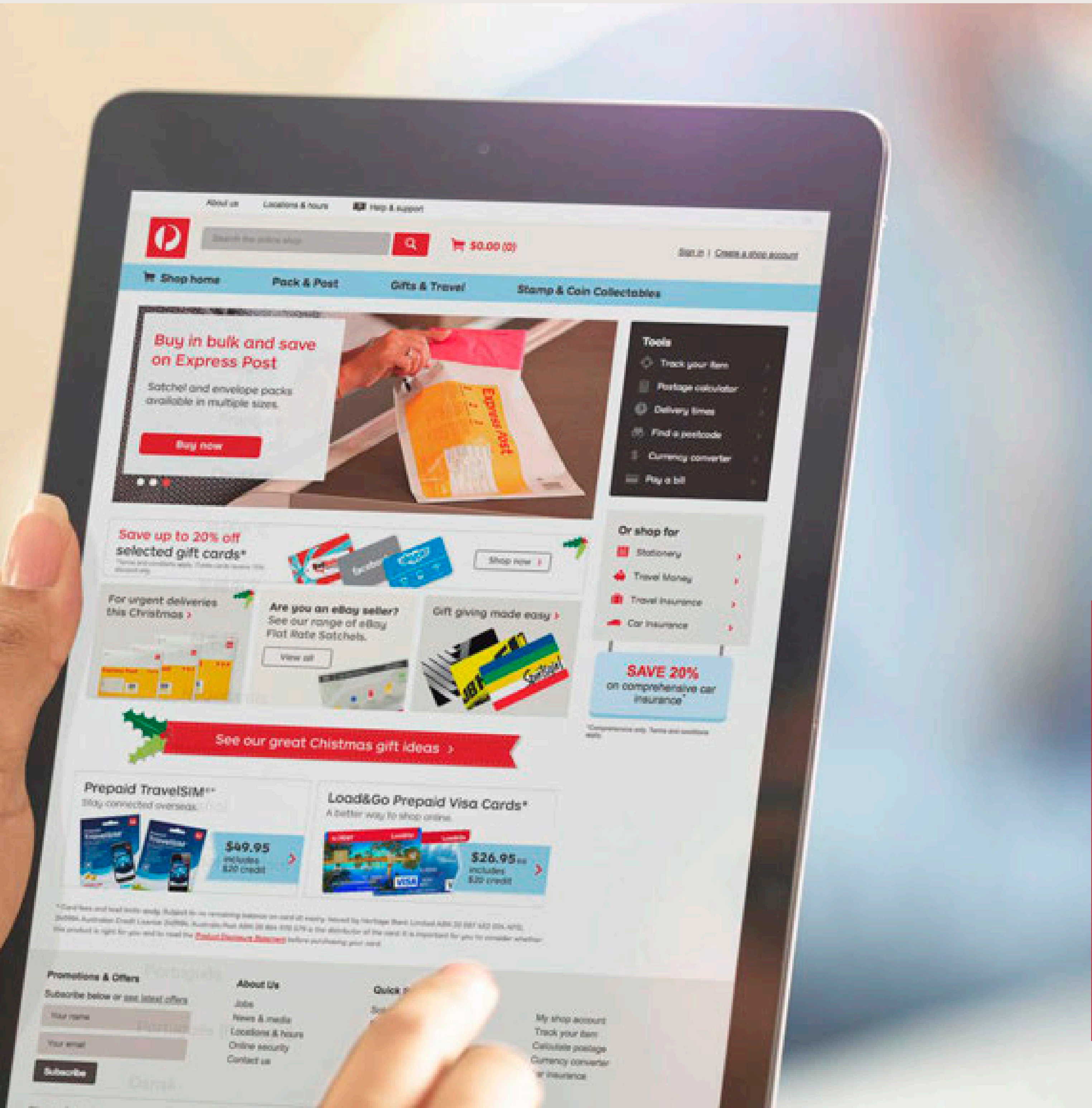
We will secure our future if we can make our network truly customer-focused. This means delivering the services people need, the way they want.

We will improve parcel tracking with next generation scanners, which can receive updates on-the-go, take mobile payments and even verify identity. The Next Generation Mobility Program will see more than 35,000 new hand-held scanners rolled out across our business in 2018/19, to help us become a more customer-focused delivery business.

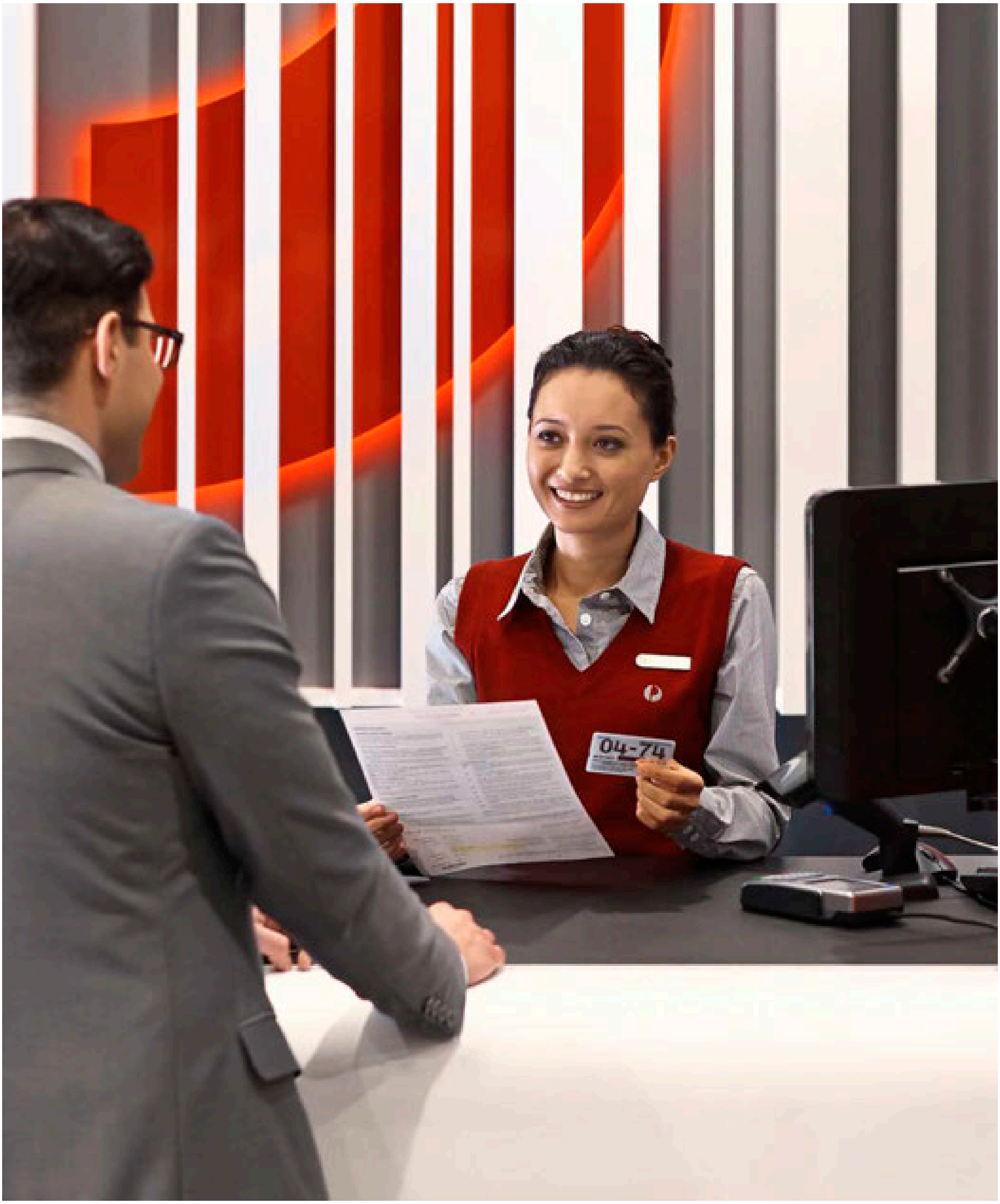
We are still committed to our letters business and our post office network – and we are continuing to look at the ways we can secure the future of both.

Our innovation, Our expertise

From the beginning, our role has been to help businesses grow and communities prosper. Today, our purpose remains unchanged. We are connecting businesses to new customers around the world and consumers to the things they love, through the power of eCommerce.



Our innovation,
Our expertise



Our highlights

As we manage the ongoing disruption of our traditional services, our future success will be determined by our ability to innovate and leverage our network strength to offer new services that meet the changing expectations of our customers.

In 2017/18, we launched our warehousing and fulfilment startup, Fulfilio, to help small and medium-sized businesses scale their own enterprises. We also started giving our customers greater control over the final delivery of their parcels, with our OnDemand Now and Text Your Choice innovations. Another highlight of this year was the incubation of our Digital iD™ platform, which won a string of awards and was adopted by a number of large organisations.

Innovation at Post

Innovation at Post is about keeping up our push to accelerate eCommerce opportunities – connecting with customers, communities, businesses and people to solve their problems and make life and work easier.

We do this by 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

Part of our innovation strategy is to empower our people to come up with new ideas. Our main focus is on improving the customer experience.

We held two Hack Dayz in 2017/18 with more than 800 Australia Post employees and partners involved across both events. These events gave our people opportunities to test out ideas, develop prototype solutions, and learn about design-thinking and lean innovation. We also had five cohorts, made up of about 80 people in total, participate in our internal incubator, INC.

In September 2017, we held our second innovation showcase to celebrate the inventive work that is happening across our business. At this event, our people heard from our teams working on important customer problems, such as carding for the vision impaired and improving the returns process.

Working with entrepreneurs

We created a strategic innovation team two years ago to build up our capabilities working in the startup ecosystem, to help entrepreneurs start and scale their businesses, and to help communities around Australia benefit from eCommerce opportunities. We also delivered the Australia Post Regional Pitchfest, a scalable program specifically designed to support the creation and growth of small business and entrepreneurial communities in regional Australia. It brought together some of the best startups and local community activators from all states and territories.

Our Innovation team are collaborating with, partnering and at times investing in startups to bring the best ideas and talent into our business. This year we continued our partnership with CLIK warehouse, a co-working and co-warehousing startup built around the needs of eCommerce businesses. Through this partnership we are able to more deeply understand challenges and opportunities facing online sellers, working with them to improve the online shopping experience and create new solutions for their customers.

Evolving how identity is verified

Outside of our innovation program, we have developed entirely new services using our own expertise. For example, our Digital iD™ innovation is now a recognised digital identity platform, with Airtasker, CUA credit union, Travelex, Victorian Taxi Services Commissions and Queensland Police Service all using the technology to improve the way they do business.

Digital iD™ is an easy and secure way for Australians to verify who they are, using their smartphone. They can reuse this information to prove their identity across a range of transactions – anytime, anywhere.

The technology works by using facial biometric technology – where customers complete a likeness test by shaking their head, nodding and taking a 'selfie'. This is then compared to the identity details recorded in the chip of an Australian passport.

Not only does Digital iD™ provide a convenient way for customers to verify their identity, it also supports the digitisation of services that require face-to-face identity checks, such as bank loans and government services. And with secure encryption technology, customers can control their information and choose what to share and with whom. Put simply, it is a natural extension of the physical identity verification service we already provide in our post offices.

We are proud that Digital iD™ has been recognised for its innovative

Our innovation, Our expertise

approach. It was named winner of the Consumer Markets category at the 2018 Victorian State iAwards Gala Dinner – held by the Victoria Australian Information Industry Association (AIIA). It also took out first prize in the Federal Government category of the iTnews Benchmark Awards in February 2018.

Helping businesses to win in eCommerce

This year we incubated new services and businesses to help our customers win in eCommerce.

We are helping businesses grasp the opportunities of eCommerce through the incubation of our startup, Fulfilio. This warehousing and fulfilment service helps small and medium-sized Australian businesses bolster their online offerings. Fulfilio provides a national end-to-end service for Australian eCommerce businesses, storing and shipping their products using our unrivalled delivery network.

In a world where same-day delivery is now the norm, shoppers are expecting faster and more cost-effective delivery options, and for businesses without multiple warehouses, this can be hard to deliver. But with Fulfilio's national warehouse footprint, businesses can store their stock closer to their customers and respond to a range of customer delivery needs. Fulfilio's same-day delivery options and customised 'pick and pack' solutions help businesses provide customers with almost instant, branded experiences. Fulfilio integrates with more than 35 of the world's most popular eCommerce platforms and any orders placed on an eCommerce site are instantly populated to the customers' eCommerce dashboard and ready to be picked and packed. In July 2018, Fulfilio announced a new agreement with eBay, helping that platform's thousands of sellers gain access to its national fulfilment solution. Fulfilio gives businesses the time and flexibility to focus on growing by helping them simplify their logistics.

We are improving the delivery experience

One of our customers' biggest issues is the quality of their parcel tracking and delivery experience. Rightly so, they want their parcels delivered safely and conveniently, at a time and place that suits them best. To help do this we have developed OnDemand Now – a service that puts customers' online shopping purchases in their hands in as little as three hours of their parcel being picked up for delivery. This gives customers the speed of delivery they want with certainty around when their item will arrive.

We also continue to add features to MyPost Deliveries, to give our customers even more control over their delivery.

By registering for a free MyPost account, customers can access a range of delivery options. They can choose to direct their parcel to a free 24/7 parcel locker, a post office, or a PO Box. They can also track their parcel, get delivery date estimates, SMS updates, and email and push notifications along the way. This can all be done via the Australia Post app, making it even more convenient.

Customers who are not MyPost account holders can also control their deliveries via our 'Text Your Choice' option, which allows customers to choose to have the parcel safe dropped, delivered to the door or taken to a post office.

Text your Choice was first introduced in October 2017 and we currently send around 2.7 million text message notifications a month with more than 65 per cent of customers responding to let us know their preferred delivery choice for their parcel. Giving our customers control over their deliveries has helped

ensure we deliver 92.5 per cent of parcels on our first attempt as at June 2018.

Sharing our expertise

Along with services like Fulfilio and OnDemand Now, we are researching ways of helping Australian businesses take advantage of growth. Through our annual Inside Australian Online Shopping report, now in its third year, we provide an in-depth study into consumer online shopping behaviour and trends in Australia. The report is based on an analysis of goods bought online and delivered by Australia Post between January 2016 and December 2017. For the first time this year, we featured a 'Beyond Australia' section, which looked into a selection of established and emerging global eCommerce markets, with a focus on China.

Our report gives businesses a competitive advantage by providing information, data and insights about consumer expectations and habits.
In the 2018 report, we took an in-depth look at:

- online shopping and delivery trends across Australia
- growth patterns and insights into popular products bought online
- where Australia's most frequent online shoppers live
- our predictions for future growth areas.

You can read the Inside Australian Online Shopping report at:
auspost.com.au/einsights

As well as research into emerging markets, such as China, we are helping people access these markets directly. This year we trialled our first concept store for Australian-based daigou shoppers, who buy products for resale into China. The store, in Chatswood NSW, targets those wishing to export health, beauty and baby formula products into China. While not a traditional post office, the trial gave us a better understanding of how we can support Australia's growing community of daigou shoppers.

Mobile parcel locker trial

This year we carried out Australia's first extensive footpath robot trial in New Farm, Brisbane, allowing customers to receive their missed parcel at home from a mobile parcel locker unit instead of the post office. The opt-in, evening redelivery service received overwhelmingly positive responses from customers and the public alike who shared the footpath with the robot. Over the four weeks of the trial we made more than 100 deliveries and the robot travelled 140 kilometres autonomously.

Because it was the first extended trial of this technology in Australia, we were able to gather feedback from our customers about whether this solution could be useful and what they might be interested in seeing more of in the future.

There were no technical or safety incidents during the trial and we have secured community and regulator support to keep exploring this technology.

Our future outlook

We will continue to build an innovation culture and develop our ability to bring new solutions to market through our internal accelerator program and our incubation capability.

Thanks to insights we gained from the Inside Australian Online Shopping report – especially around emerging trends in markets such as China – we will be using what we have learned to create products and services that can help our customers enter and make the most of Asian markets.

We will continue to expore ways we can use our expertise in traditional services – such as identity verification – to help businesses and governments digitise, and offer their customers a truly omni-channel service.

Our environment

6

We value the use of our natural resources and are helping build a sustainable nation by reducing our environmental impacts, facilitating a circular economy and ensuring a transparent and traceable supply chain.

Our environment

Below image
Janelle Hopkins, Group Chief Financial Officer, with Anna Ross, founder and CEO of Kester Black, launching the 2018-20 Environmental Action Plan.

Our highlights

A major highlight for us this year was the launch of our 2018-20 Environmental Action Plan. The Plan formalises our commitments to cut our emissions footprint, reduce environmental risks and deliver sustainable solutions for our people, customers and the community.

We also installed one of Australia's largest commercial solar systems at our Sydney Parcel Facility. And we are on track to meet our carbon emissions reduction target of 25 per cent by 2020 (based on year 2000 levels) after significant progress this year.

We continued to use our Australia-wide network to return materials for reuse and recycling. This year, we diverted 14,506 tonnes from landfill, which will help us meet our target of diverting 100,000 tonnes of material from landfill by 2020. This target includes both our operational waste and waste that we help our customers divert. Through our partnerships, we also progressed our work in positioning ourselves as a key enabler of the circular economy.

Our detailed environmental performance statistics can be found on page 161.

Our challenges

As an organisation with operations across the country, a key challenge is determining how we manage the use of our resources while our network continues to grow and evolve.

We need to make sure our business can adapt to changing environmental conditions – so that if a significant environmental event occurs, we can continue to deliver for our communities, as well as protect our people and our customers.

When it comes to planning for and ensuring the continuity of our services, we also need to consider energy pricing and security.

Our Environmental Action Plan

Our commitment to the communities we serve means making sure we are doing business in an environmentally conscious way. While we have been proactive in managing our environmental impacts for many years, we have now formalised how we will meet these commitments in our Environmental Action Plan.

The Plan outlines 34 individual actions, which we are committed to meeting. The plan sets a framework for ongoing reporting, our future actions and how we will achieve our 2020 environmental targets.

The plan outlines four areas we will focus on to deliver better environmental outcomes. Our activities under these four areas are described below:

1. Reducing emissions

We have done a lot of work to cut our carbon emissions:

- Since 2000, we have reduced Scope 1 and Scope 2 carbon emissions by 21 per cent, from 348,436 tonnes to 275,760 tonnes. Our investment in a modern, low-emission vehicle fleet made this possible
- We have introduced more fuel-efficient motorbikes, saving us 2,800 tonnes of carbon emissions every year. These motorbikes have driven a 62 per cent improvement in fuel efficiency since 2013, with annual cost savings of $1.4 million, based on a reduction of 1.2 million litres of fuel
- Our four-cylinder hybrid sedans are 60 per cent more fuel efficient than the older six-cylinder vehicles in our fleet
- We have worked with one of our largest suppliers, Linfox, to move as much freight as possible to rail – the lowest emission form of land transport

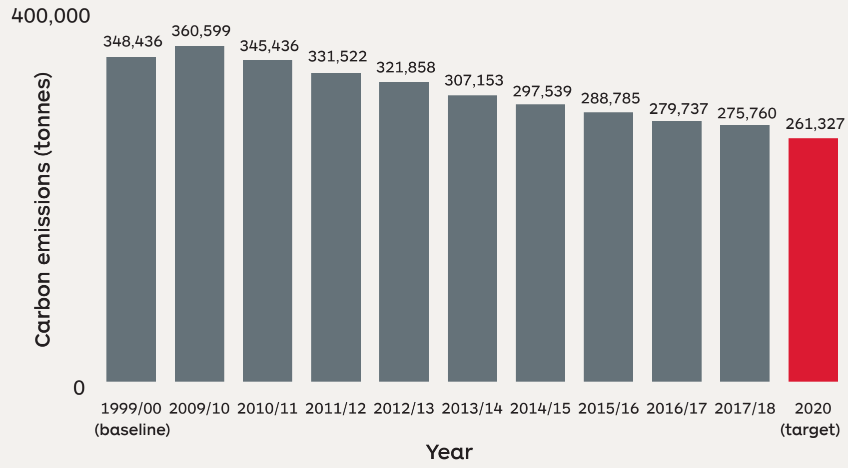
Our environment

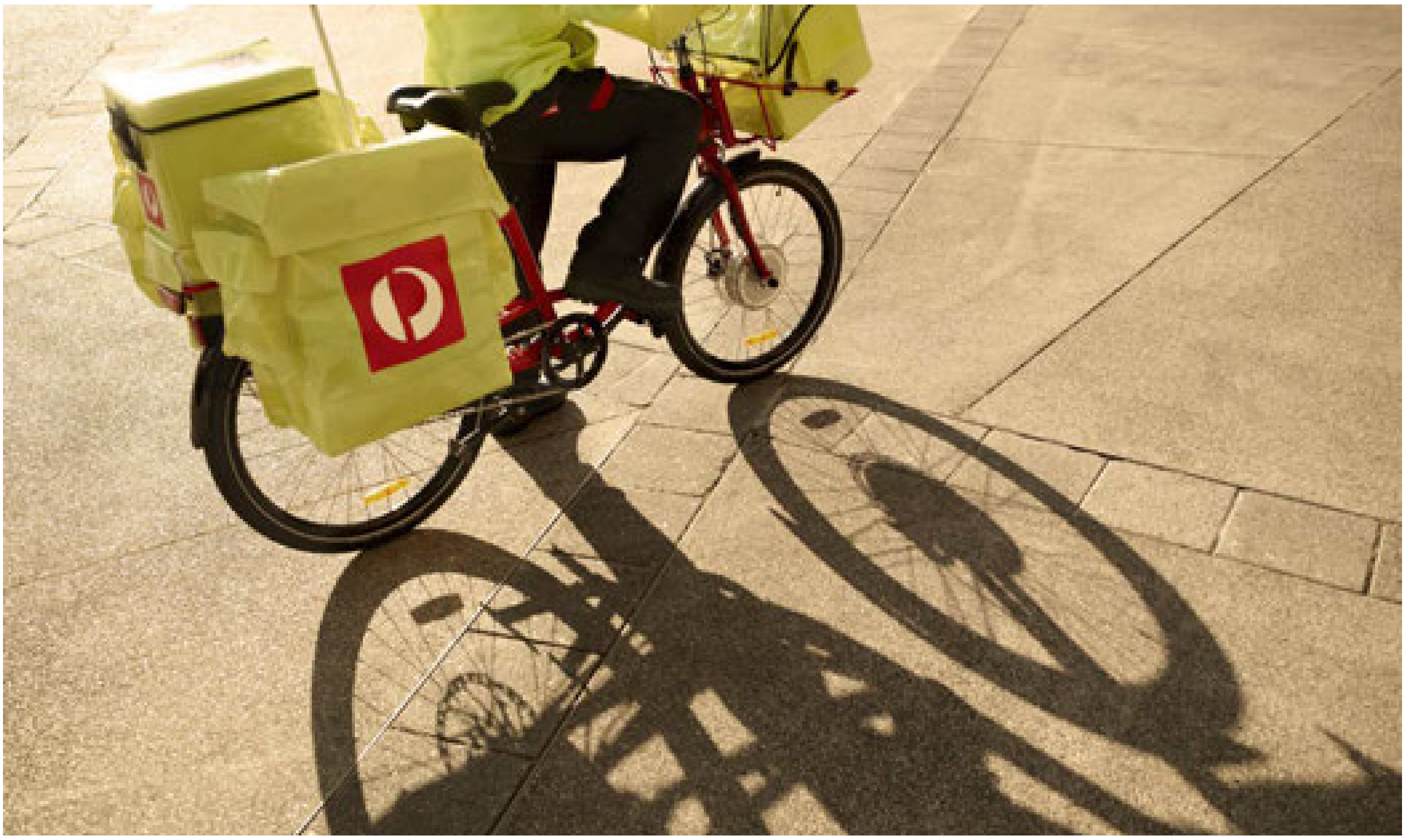
- We use the latest technology in our new sorting facilities, to sort suitable parcels straight to trailers. This has increased the density of freight in loose-loaded trailers by 93 per cent, meaning we do not need as many prime movers or as much fuel
- Many of our posties have chosen to swap their motorbikes for pushbikes and electric bikes over the past few years. As well as reducing emissions, this also helped to improve the health and wellbeing of our people.

In November 2017, we installed a 2.1 megawatt on-roof solar array at our Sydney Parcel Facility. At the time, it was Australia's largest commercial solar system. The system will deliver $800,000 in savings in the first year and deliver a 2,260 tonne reduction in greenhouse gas emissions — enough to power 440 average Sydney homes. This is just one of 50 solar systems that have been installed at our sites around the country, saving 4,635 tonnes of carbon every year.

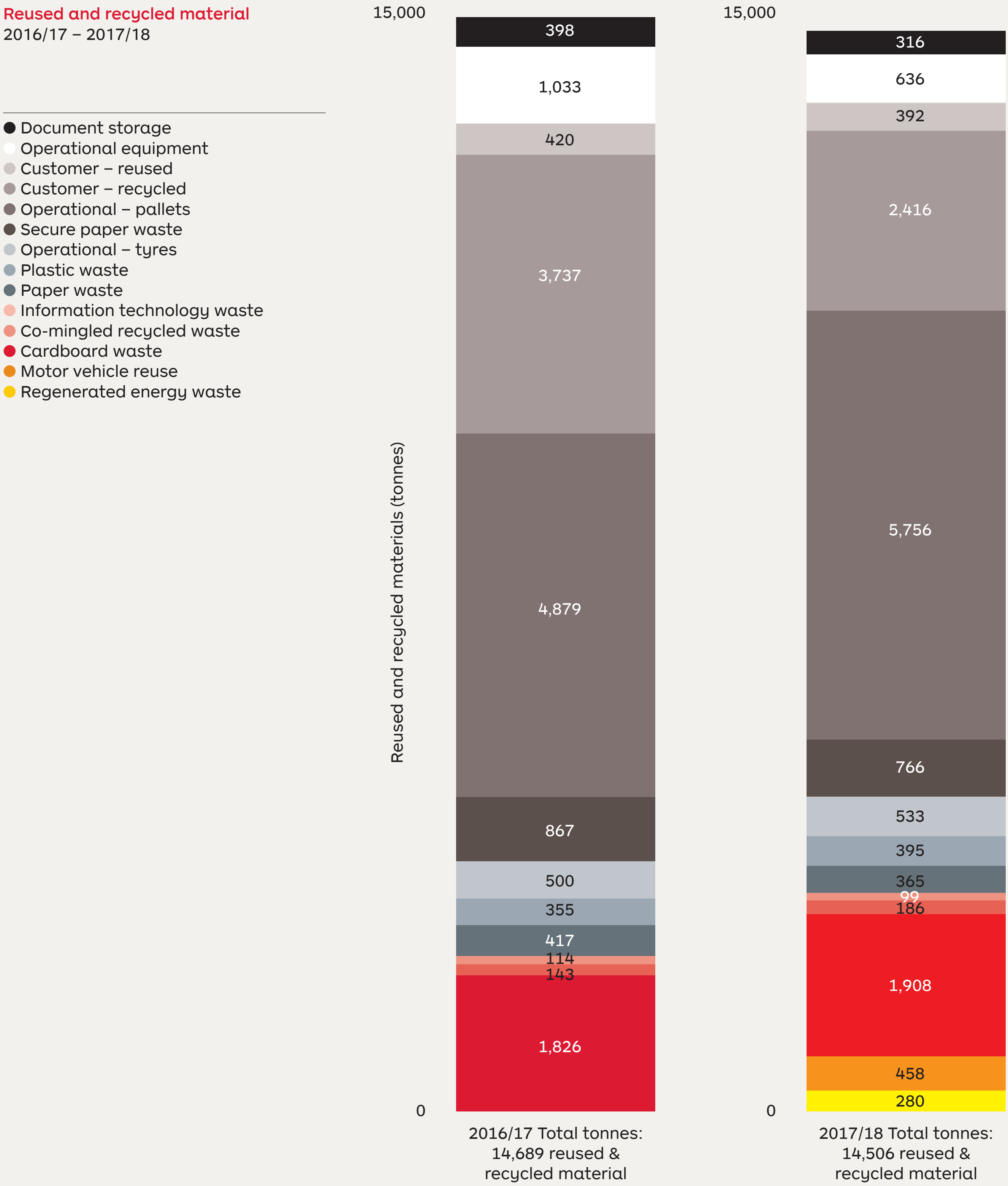
After a number of successful trials – including Australia's first fully electrical van and our three-wheeled electric vehicles – we hope to use more electric vehicles in our network in the future.

Carbon reduction performance





Reused and recycled material
2016/17 – 2017/18



Note: Motor vehicle reuse and regenerated energy waste were not measured in 2016/17.

Our environment

PonyUp for Good – old tech, new life

Through the Our Place program, as well as our partnership with PonyUp for Good – a social enterprise that collects decommissioned technology, erases its data, and then sells it – we have recycled more than 21,000 kilograms of outdated technology.

Fifty per cent of these profits are donated to Second Bite, an organisation that redistributes surplus food to community food programs around Australia. Around 98 per cent of our old technology was diverted from landfill and, as a result, Second Bite was able to provide more than 40,000 meals to Australians in need.

In recognition of the success of this program, Australia Post and PonyUp for Good received the 'Creative Partnership Award' at Social Traders Social Enterprise Awards 2018. The awards recognise buyers and suppliers for their outstanding contributions to the growth of the social procurement movement.

As part of our involvement in Australia's first renewable electricity procurement program, our Bourke Street office will be carbon neutral from 2019. The Melbourne Renewable Energy Project will see organisations and local governments coming together to purchase renewable electricity from a new wind farm in Ararat, Western Victoria.

2. Reusing and recycling
We believe it is important to reuse and recycle where possible:

- Since 2016, we have helped return 41,735 tonnes of material for reuse and recycling by using our Australia-wide network. We are building on this to position ourselves as the backbone of the circular economy. We will do this by helping our customers solve environmental problems and putting our assets to use in innovative ways
- We have already had great success with our Nespresso partnership, which allows consumers to return used aluminium coffee capsules for recycling through our network
- We have continued our partnerships with MobileMuster and Planet Ark, returning thousands of mobile phones, accessories and printer cartridges through these programs
- We adopted Planet Ark's Australian Recycling Label in 2016 to make it easier for people to recycle our packaging – regardless of where they live or their kerbside recycling processes
- We are enabling a truly circular fashion solution by powering the delivery and return of dresses hired via online retailer GlamCorner
- Our packaging is now 100 per cent recyclable following the adoption of the recycling label, and a take-back scheme with TerraCycle Australia that allows customers to post back their satchels and padded bags for recycling.

We are taking what we have learnt to better reuse and recycle materials across our network, and applying this approach to our Revamp Network as well. This group was created in November 2016 to provide a forum for stakeholders to share ideas and participate in opportunities that help drive better circular economy outcomes. For projects to get the support of Revamp, they must deliver both commercial value and environmental or social benefits by reducing waste that goes to landfill. We facilitate, host and coordinate Revamp's activities and stakeholders.

3. Resilience building
As we grapple with the transition to a carbon-constrained economy – and the impact a changing climate and extreme weather events could have on our people and our operations – we need to make sure we are prepared. If we are impacted by an extreme weather event, we need to make sure that our people are safe, our assets are protected, and we can continue to serve our customers and deliver our community service obligations.

We will do this by working with government agencies, customers, business and the community to make sure our physical network and our systems are designed in a way that makes them more resilient. For example, in preparation for extreme weather, our team reviews information from the Bureau of Meteorology along with power outage information from Australian electricity distributors and the Australian Energy Market Operator. This preparation allows us to have standby services in place ahead of extreme weather events.

Below image
Conor Regan, Kerin Matz, Sam Cornish and Joseph Nicdao from the Adelaide GPO Green Team.

Green Team

Our Green Team are groups of passionate individuals across our nationwide network who are committed to sustainability, like our Adelaide Green Team (right).

Whether it is improving recycling processes at their sites or growing a vegetable garden, our Green Team members are a really important part of our commitment to help deliver better environmental outcomes for the Australian community.

4. Supply chain activities
It is important to make sure we have a transparent supply chain – so we are clear about where the products and services we buy, use and sell come from, who made them, and whether this process is sustainable. To do this, we engage with a range of suppliers, both here and overseas, and make sure our key supply chain partners have environmental performance management indicators.

For the past two years, we have been working with a highly regarded not-for-profit membership organisation, Supplier Ethical Data Exchange (SEDEX), to make sure we have the highest level of transparency in our everyday procurement processes. Through its online database, SEDEX, we can more easily manage potential risks in our supply chains.

We require all of our suppliers to sign our Supplier Code of Conduct. This is a vital and formal part of our commitment to working with suppliers, and ensures we are meeting the standards we set out for ourselves, and drives us to continually improve.

You can read our Environmental Action Plan in full at auspost.com.au.

How we are managing climate risks
Climate change poses physical risks to the safety of our people and communities as well as to our assets and the environment which we must identify and prepare for. As we shift to a lower-carbon economy, we must anticipate and effectively manage our exposure to risks associated with this transition, such as market changes and adoption of new technology. As part of our Environmental Action Plan we have identified the physical and transition risks our business faces when it comes to a changing climate and we have made a commitment to report on these using the TCFD approach.

As part of this Plan, we have looked at how climate change will impact our business as well as how our business can best transition to a low-carbon economy and we have a clear set of actions and targets to meet. The Plan is one of the first steps in what will be a multi-year approach to developing a broader strategy for managing the long-term risks arising from climate change in the enterprise risk management framework.

Our future
Now that we have formalised our environmental commitments in our Environmental Action Plan, over the next year we will work on delivering those outcomes. We will expand the progress we are making towards a circular economy by continuing to support the Revamp Network, and focus on projects that deliver commercial and environmental outcomes.

To further reduce our carbon emissions, we will look at opportunities to use more renewable energy in our network.

Our Board

From left to right:
John Stanhope, Christine Holgate, Holly Kramer, Bruce McIver, Tony Nutt, Michael Ronaldson, Paul Scurrah, Jan West and Deidre Willmott.









Retirements

Ahmed Fahour AO
BEcon (Hons), MBA, FAICD
Managing Director & Group CEO
Ahmed Fahour was appointed Managing Director & Group CEO of Australia Post in February 2010 and he resigned from the position on 28 July 2017.

Dominique Fisher
BA (Hons), MAICD
Director (non-executive)
Dominique Fisher was appointed to the Australia Post Board in November 2014. She retired from the Board in November 2017.

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, investor relations and corporate security and investigations. Mr Stanhope is currently Chairman of the Melbourne International Jazz Festival, the Bionics Institute and Port of Melbourne, and a director of AGL Energy Limited. He is also Chancellor of Deakin University. He was previously Chief Financial Officer and Group Managing Director, Finance of Telstra, and an Executive Director of Telstra.

Christine Holgate

Group Chief Executive Officer and Managing Director (executive)
Christine Holgate joined Australia Post as Group Chief Executive Officer and Managing Director on 30 October 2017, after nearly nine years as the Chief Executive Officer of Blackmores Ltd. Ms Holgate has more than 30 years of diverse international leadership experience in highly regulated industries, including healthcare, media, telecommunications and finance. Ms Holgate is the inaugural Chair of the Board of the Australia-ASEAN Council. She also serves on the Board of the Collingwood Football Club and Aramex PJSC and is a Patron of the Prince's Trust. Ms Holgate was previously a director of Ten Network Holdings.

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 Acting Deputy Chair in May 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. Ms Kramer 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, Southern Phones, 2XU Holdings and The GO Foundation. In addition, Ms Kramer is a board member of the Board of Trustees of Western Sydney University and is a member of ASIC External Advisory.

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. Mr McIver is currently a director of Railway Technology Group, the City of Brisbane Investment Corporation, Ruminant Advantage, Intermico and Nimrod Resources Limited. He was most recently the President of the Liberal National Party of Queensland.

Tony Nutt

Director (non-executive)
Tony Nutt was appointed to the Australia Post Board in March 2018 (current term expires in March 2021) and brings a depth of knowledge and a range of skills including public policy and budget expertise, strategy development and implementation. Mr Nutt has more than 35 years' experience advising both Federal and State governments, including more than ten years' service as a Principal Adviser to former Prime Minister, the Hon. John Howard OM AC and Chief of Staff to the former Attorney-General, the Hon. Daryl Williams AM QC. He is currently an Adjunct Professor in the School of Arts and Sciences at the University of Notre Dame (Australia) and a member of the council of the National Museum of Australia.

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 Innowell and a director of The Oliver Foundation.

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.

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 and Neurosciences Victoria and is a member of the Audit and Risk Management Committee for the Department of Treasury and Finance (Victoria). 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.

Deidre Willmott

B.Juris, LLB (UWA), LLM (Melb), GAICD
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 was CEO of the Chamber of Commerce and Industry of Western Australia from 2014 until 2018. 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 a director of the Perth USAsia Centre and Kimberley Foundation of Australia in addition to being a member of the UWA Centre for Rock Art Research and Management Advisory Board.

Our leadership team

From left to right:
Christine Holgate, Bob Black, Chris Blake, Christine Corbett, Susan Davies, Janelle Hopkins, Gary Starr and Andrew Walduck.








Christine Holgate
Group Chief Executive Officer and Managing Director
Christine Holgate joined Australia Post as Group Chief Executive Officer and Managing Director on 30 October 2017, after nearly nine years as the Chief Executive Officer of Blackmores Ltd. Christine has more than 30 years of diverse international leadership experience in highly regulated industries, including healthcare, media, telecommunications and finance. Christine is the inaugural Chair of the Board of the Australia-ASEAN Council. She also serves on the Board of the Collingwood Football Club and Aramex PJSC and is a Patron of the Prince's Trust. Christine was previously a director of Ten Network Holdings.

Bob Black
Group Chief Operating Officer
As the Group Chief Operating Officer, 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. Bob is responsible for leading and optimising the end-to-end parcel and mail delivery operations across the Australia Post Group.

Chris Blake
EGM Corporate Services
Chris joined Australia Post in July 2010 and is the Executive General Manager, Corporate Services. The portfolio that Chris leads is responsible for Strategy, New Business Development, Corporate Affairs & Communications, Company Secretariat, the Legal Team and management of the $7.5 billion Australia Post Superannuation Scheme.

Christine Corbett
Acting EGM Community & Consumer
As Acting Executive General Manager, Community & Consumer, Christine was accountable for all the key customer touch points including the largest retail network in the country with over 4,300 post offices, the customer contact centre and our digital channels. Christine ceased employment with Australia Post in July 2018.

Susan Davies
EGM People & Culture
Susan was appointed Executive General Manager, People & Culture, on 6 June 2018 and commenced her role on 1 July 2018. Over the past three years, Susan has held the position of GM HR for Parcel and eCommerce Services. She approaches HR with a commercial mindset and is experienced in delivering business outcomes through the development of high-performing teams.

Janelle Hopkins
Group Chief Financial Officer
As Group Chief Financial Officer, Janelle is responsible for the delivery of strategic business advice and insight in a rapidly changing and complex environment. As well as leading the Finance function, Janelle is responsible for corporate functions including Real Estate, Corporate Development, Environment, Risk and Procurement.

Gary Starr
EGM, Business & Government
Gary commenced as Executive General Manager, Business and Government, on 1 March 2018. In this role, he is leading the evolution of Australia Post's sales, marketing and customer service teams to drive its transformation to become a best-in-class customer-led organisation that delivers compelling customer experiences and seamless end-to-end solutions.

Andrew Walduck
Acting EGM Product & Innovation
As Acting Executive General Manager of the Product & Innovation business unit, Andrew led the creation and evolution of Australia Post's products and services to deliver commercial growth and strengthen how communities and businesses access important services and connect to each other, here and globally. The portfolio includes eCommerce, parcels, mail, identity, financial, and government services that are performed in-store and online. Andrew ceased employment with Australia Post in July 2018.

Andrew Parker
Acting EGM International Services
Andrew, who is PricewaterhouseCooper's Senior Partner for Asia, was seconded to lead Australia Post's International business between January 2018 and July 2018.

Our 2018/19 Leadership Team

Christine Holgate
Group Chief Executive Officer and Managing Director

Bob Black
Group Chief Operating Officer

Chris Blake
EGM Corporate Services

Ingo Bohlken
EGM Product & Innovation
Ingo was appointed EGM Product & Innovation on 6 June 2018 and commenced his role on 30 July 2018.

Annette Carey
EGM International Services
Annette was appointed EGM International Services on 14 June 2018 and commenced her role on 1 July 2018.

Susan Davies
EGM People & Culture

Janelle Hopkins
Group Chief Financial Officer

Nicole Sheffield
EGM Community & Consumer
Nicole was appointed EGM Community & Consumer on 20 June 2018 and commenced her role on 6 August 2018.

Gary Starr
EGM Business and Government

Appendix

A

Materiality Assessment 2018

Defining our material issues

Every year we conduct a materiality process to learn which aspects matter most to our business and stakeholders. Findings from this process enhance our strategic decisions and inform the content of this year's Annual Report. For Australia Post, an issue is considered material if it substantially influences the assessments and decisions of our stakeholders, and reflects our areas of greatest economic, environmental or social impact.

Our most recent materiality process aligns with the GRI Standards and the <IR> Framework, and follows four key steps:

- **Identify:** Our process starts with a large list of potential issues, clustered according to six different types of capitals (financial, social, environmental, intellectual, physical and human). These issues were identified through desktop-based research of peer reviews, results of our ongoing dialogue with employees, customers, partners, and the broader community, media reports and sustainability thought leadership from industry experts and frameworks, such as the GRI Standards, the UN Global Compact and the International Integrated Reporting Council
- **Prioritise:** We engaged with 400 internal and external stakeholders to learn from their views on the issues we identified and asked them rate their level of importance. Internal stakeholders were selected from a wide range of business areas across Australia Post, and external stakeholders included customers, suppliers, partners, and sustainability experts. 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
- **Review:** We reviewed the insights obtained to identify key priorities, challenges, opportunities and connections among issues. In this way, we identified about 50 topics which we clustered into six focus areas in line with the <IR> Framework:
  - Financial Capital: Governance and finance
  - Manufactured Capital: Our customer network
  - Intellectual Capital: Our innovation and expertise
  - Human Capital: Our people
  - Social Capital: Our relations with stakeholder
  - Natural Capital: Our environment
- **Validate:** The results of the process were discussed internally by our Annual Report Steering Committee (representing key parts of the business) and the Stakeholder Council. Following these discussions we could validate the insights and use them to inform decisions on the required disclosures for this Annual Report and our future direction.

The table below summarises the 10 most material 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 2018
Employee safety, health and wellbeing		Operating profitability		Employee safety, health and wellbeing
Customer experience		Workforce engagement		Workforce engagement
Changing competitive landscape		Fair labour practices		Fair labour practices
Fair labour practices		Employee safety, health and wellbeing		Operating profitability
Customer data security and privacy		Changing competitive landscape		Customer experience
Meeting our community service obligations	+	Diversity and inclusion	=	Changing competitive landscape
Workforce engagement		Customer experience		Diversity and inclusion
Diversity and inclusion		Employer of choice		Meeting our community service obligations
Viable parcel business		Transparency and disclosure		Viable parcel business
Corporate governance		Viable parcel business		Transparency and disclosure

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

UN Global Compact

UN Global Compact – Communication on progress

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	Our commitment to human rights means striving to encourage high standards both in our work and in our supply chain. 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. To ensure the highest level of transparency and successful integration of this approach into our everyday procurement processes, we have partnered with SEDEX (Supplier Ethical Data Exchange) – a not-for-profit membership organisation and platform dedicated to storing, sharing and reporting responsible sourcing data so that members can make informed business decisions and drive continuous improvement across value chains. In preparation for the upcoming introduction of the Modern Slavery legislation in Australia, we have also undertaken a review into the prevalence of any potential risks relating to human rights in our operations and supply chain. We will draft our first Modern Slavery statement in 2018/19.
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, along with our partnership with SEDEX, are helping us work more closely with our 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 Organization 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 require 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 Organization Declaration on Fundamental Rights and the United Nations Convention on the Rights of the Child. Our work with SEDEX enhances and strengthens our approach to ensure greater visibility of our supply chains and prevent any instances of child labour.
Principle 6: Business should uphold the elimination of discrimination in respect of employment and occupation	We have a number of key policies and procedures to eliminate discrimination in the workplace, including our Equal Employment Opportunity Policy, Diversity and Inclusion Policy, and our Harassment, Discrimination and Bullying Policy. Our proactive approach to ensure our people are treated with respect is underpinned by Our Ethics booklet and our Harassment, Discrimination and Bullying Policy. These resources support the promotion of 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 Environmental Action Plan 2018-2020 launched in June 2018 is our blueprint to ensure that environmental considerations and improvements are part of everything we do every day, focusing on our services, our products, our fleet, our buildings, our workforce, and our suppliers. Underpinned by robust policy and management systems, the Environmental Action Plan provides us with a roadmap to not only comply with environmental legislation but continually improve our performance and create new forms of value for our business and stakeholders. This includes reducing our carbon emissions by 25 per cent by 2020 and enabling the reuse and recycling of 100,000 tonnes of material. This kind of environmental focus delivers a $10 million saving every year, which has a direct commercial impact as it enables us to invest in improving and creating services our customers want to use.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility	Our Environmental Action Plan 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. This includes the installation of the largest single rooftop solar panel in the country, the roll out of Revamp (a cross-sector collaboration focused on advancing the circular economy), the adoption of Planet Ark's Australian Recycling Label and the development of operational circularity solutions, such as recycling truck curtains, tyres and pallets into customer products.
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 innovations and collaborations across the business, we are on track to meet our carbon reduction target of 25 per cent reduction by 2020. We will 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. Further, we are exploring new ways to generate our own energy and to participate in world-leading renewable energy procurement programs such as the Melbourne Renewable Energy Project where we are developing a purchasing model for large-scale renewable energy. Our LPOs are part of the enterprise effort and we applaud their commitment to this effort.
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, accountability and customer privacy, as outlined in our Corporate Governance Statement online. This commitment is also articulated in our Sustainable Procurement program, our Supplier Code of Conduct, and as part of our work with suppliers through SEDEX.

UN Sustainable Development Goals

SDG	Direct/Indirect	Impacts through our value chain
Goal 1: No poverty – End poverty in all its forms everywhere.	Indirect	+ Develop financial solutions for disadvantaged communities and the vulnerable
		+ Provide sustainable employment for our people and benefits for our people and extended workforce
Goal 2: Zero hunger – End hunger, achieve food security and improved nutrition and promote sustainable agriculture.	Indirect	+ Enable the safe export of food supplies internationally
Goal 3: Good health and wellbeing – Ensure healthy lives and promote wellbeing for all at all ages.	Direct	+ Promote mental health and wellbeing for our people, customers and communities
		+ Reduce the number of injuries from road traffic incidents
		– Workplace injuries (manual handling/body strain main cause), including mental health
		– Road accidents
Goal 4: Quality education – Ensure quality education and promote life-long learning opportunities for all.	Indirect	+ Increase opportunities for, and access to, training and employment for our extended workforce and vulnerable people
		+ Ensure our people and stakeholders acquire the knowledge and skills needed to promote sustainable development
Goal 5: Gender equality – Achieve gender equality and empower all women and girls.	Direct	+ Contribute to the elimination of discrimination and violence against women and girls
		+ Ensure women's full participation in the workplace, and equal opportunities for leadership at all levels
		+ Gender pay parity
Goal 6: Clean water and sanitation – Ensure availability and sustainable management of water and sanitation for all.	Indirect	+ Optimise the use of water resources across our operations and supply chain
		– Contaminated water discharges from operations and supply chain
Goal 7: Affordable and clean energy – Ensure access to sustainable energy for all.	Direct	+ Ensure sustainable energy use and fuel efficiency to minimise carbon emissions across the network
Goal 8: Decent work and economic growth – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	Direct	+ Provide sustainable employment for our people and benefits for our people and extended workforce
		+ Support decent job creation and economic development through our $2.8 billion procurement spend, including social procurement
		+ Support job opportunities for Indigenous Australians
		– Potential changes to our workforce as a result of business transformation
Goal 9: Industry, innovation and infrastructure – Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.	Direct	+ Upgrade infrastructure and establish sustainable facilities
		+ Increase access to information and communications technology and reduce the digital divide
		+ Develop an innovation pipeline to deliver sustainable products and services for consumers
		+ Support the growth of innovation and entrepreneurship in Australia

SDG	Direct/Indirect	Impacts through our value chain
Goal 10: Reduced inequalities – Reduce inequality within and among countries.	Direct	+ Empower and promote the social, economic and political inclusion of all, and ensure equal opportunity and sustainable employment
		+ Support victims and survivors of domestic violence through free mail redirection and other services and policies
		+ Provide accessibility of services to all Australians through affordable pricing and over 11.9 million delivery points and 4,356 post offices
Goal 11: Sustainable cities and communities – Make cities and human settlements inclusive, safe, resilient and sustainable.	Direct	+ Support positive economic and social links within and between urban and rural communities
		+ Sustainable buildings
Goal 12: Responsible consumption and production – Ensure sustainable consumption and production patterns.	Direct	+ Sustainable management and efficient use of natural resources
		– The potential risk of modern slavery practices in our extended supply chain
		– Potential risks associated with product safety and customer data management
		– The risk of adverse impacts, harm or damage to the natural environment (including resource depletion)
Goal 13: Climate action – Take urgent action to combat climate change and its impacts.	Direct	+ Reduce CO_2 emissions and strengthen resilience and adaptive capacity to climate-related hazards
		– Impact of annual emissions profile (823,000 tonnes)
Goal 14: Life below water – Protect and sustainably use the oceans, seas and marine resources.	Indirect	+ Protect and sustainably manage marine and costal ecosystems
		– The risk of impact on the destruction of oceans, seas and marine resources
Goal 15: Life on land – Protect the ecosystem and preserve biodiversity (forests, deserts, land, etc.).	Indirect	+ Promote sustainable management and restoration of ecosystems
		– The risk of adverse impacts on the destruction of ecosystems and biodiversity through packaging and resource use
Goal 16: Peace and justice strong institutions – Establish a fair justice system for all.	Indirect	+ Reduce corruption and bribery in all their forms
		– The risk of non-compliance with Our Ethics, policies and agreed procedures by our people and throughout our value chain
Goal 17: Partnerships for the goals – Strengthen the means of implementation and revitalise the global partnership for sustainable development.	Direct	+ Enhancing the global partnership for sustainable development through multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources

GRI content index with UNGC and SDG references

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Part omitted	Omission: Reason	Omission: Explanation	UN SDGs	UNGC Principles
GENERAL DISCLOSURES							
GRI 101: Foundation 2016							
GRI 102: General Disclosures 2016	Organisational profile						
	102-1 Name of the organisation	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, 4					
	102-7 Scale of the organisation	IFC, 1					
	102-8 Information on employees and other workers	1, 18-27, 159				SDG-5, 8	
	102-9 Supply chain	7, 34, 57, 66, 67, CGS					
	102-10 Significant changes to the organisation and its supply chain	4, 8, 9, 34, 41, 56, 66, 67, CGS					
	102-11 Precautionary principle or approach	16, 17, CGS					UNGC 7
	102-12 External initiatives	2, 7-8, 65-67, 162					UNGC 1-10
	102-13 Membership of associations	2, 7-8, 65-67, 162					UNGC 1-10
	Strategy						
	102-14 Statement from senior decision maker	8, 9					
	Ethics and integrity						
	102-16 Values, principles, standards, and norms of behavior	7, 8, 64-67, CGS					UNGC 1-10
	Governance						
	102-18 Governance structure	60-61, CGS					UNGC 1-10
	Stakeholder engagement						
	102-40 List of stakeholder groups	2, 37, 63					
	102-41 Collective bargaining agreements	12, 21, 24, 64				SDG-8	UNGC 1, 3
	102-42 Identifying and selecting stakeholders	28-37, 63					
	102-43 Approach to stakeholder engagement	17, 33, 37					
	102-44 Key topics and concerns raised	2, 33, 65					
	Reporting practice						
	102-45 Entities included in the consolidated financial statements	FSR					
	102-46 Defining report content and topic boundaries	2, 63					
	102-47 List of material topics	2, 63					
	102-48 Restatements of information	2					

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Part omitted	Omission Reason	Omission Explanation	UN SDGs	UNGC Principles
GRI 101: Foundation 2016 General Disclosures continued							
GRI 102: General Disclosures 2016	102-49 Changes in reporting				No significant changes in 2017/18		
	102-50 Reporting period	2					
	102-51 Date of most recent report				The previous report was tabled in Parliament in October 2017		
	102-52 Reporting cycle	2					
	102-53 Contact point for questions regarding the report	162					
	102-54 Claims of reporting in accordance with the GRI Standards	2, 8, 68-71					
	102-55 GRI content index	68-71					
	102-56 External assurance	72					
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, 4, 10-17, 63					
	103-2 The management approach and its components	2, 4, 8, 9, 10-17, 63					
	103-3 Evaluation of the management approach	4, 10-15					
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	6, 9, 12, 13				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	53, 54, 161					
	103-2 The management approach and its components	53-56, 161, Environmental Action Plan					
	103-3 Evaluation of the management approach	4, 53-56, 161					
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	53, 54, 161				SDG-7, 8, 9, 11	UNGC 7-9
	302-4 Reduction of energy consumption	53, 54, 161				SDG-7, 8, 9, 11	UNGC 7-9

GRI content index with UNGC and SDG references

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Part omitted	Omission: Reason	Omission: Explanation	UN SDGs	UNGC Principles
Emissions							
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	53, 54, 161					
	103-2 The management approach and its components	53, 54, 161, Environmental Action Plan					
	103-3 Evaluation of the management approach	56, 161					
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	53, 54, 161				SDG-12, 13	UNGC 7-9
	305-2 Energy indirect (Scope 2) GHG emissions	53, 54, 161				SDG-12, 13	UNGC 7-9
	305-3 Other indirect (Scope 3) GHG emissions	53, 54, 161				SDG-12, 13	UNGC 7-9
	305-5 Reduction of GHG emissions	53, 54, 56, 161				SDG-3, 12, 13	UNGC 7-9
Effluents and Waste							
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	53, 55, 56					
	103-2 The management approach and its components	53, 55, 56, Environmental Action Plan					
	103-3 Evaluation of the management approach	53					
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	55				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, 18-27					
	103-2 The management approach and its components	4, 18-27					
	103-3 Evaluation of the management approach	18-27					
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	21				SDG-8	UNGC 6
Occupational Health and Safety							
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	2, 18-27					
	103-2 The management approach and its components	4, 18-27					
	103-3 Evaluation of the management approach	18-27					
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	4, 16, 21-23				SDG-3, 8	UNGC 1, 2

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Part omitted	Omission Reason	Omission Explanation	UN SDGs	UNGC Principles
Training and Education							
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	2, 16, 22-27					
	103-2 The management approach and its components	2, 16, 22-27					
	103-3 Evaluation of the management approach	2, 16, 22-27					
GRI 404: Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	2, 16, 22-27				SDG-8	
Diversity and Equal Opportunity							
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	2, 23-27					
	103-2 The management approach and its components	2, 16, 23-27, 33-37, 66, 72, Accessibility Action Plan, RAP					
	103-3 Evaluation of the management approach	2, 16, 23-27, 33-37, 66, 72, Accessibility Action Plan, RAP					
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	24				SDG-5, 10	UNGC 1, 6
	405-2 Ratio of basic salary and remuneration of women to men	7, 21, 24				SDG-5, 10	UNGC 1, 6
Customer Privacy							
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	2, 17, 63, 65					
	103-2 The management approach and its components	2, 17, 31, 65, 155					
	103-3 Evaluation of the management approach	2, 17, 31, 65, 155					
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	31					

IFC – Inside front cover
IBC – Inside back cover
FSR – Financial and Statutory Reports
CGS – Corporate Governance Statement

Accessibility Access Plan, Reconciliation Action Plan (RAP), Environmental Action Plan and 2017/18 Financial and Statutory Reports are available on auspost.com.au.

Independent Limited Assurance Statement

Independent Limited Assurance Statement in relation to Australia Post's 2018 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 Non-financial Matters and associated performance disclosures included in its Annual Report for the year ended 30 June 2018. Based on our review, nothing has come to our attention that causes us to believe that the Selected Non-financial 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 Non-financial Matters and associated performance disclosures linked to Australia Post's material topics, as disclosed in Australia Post's 2018 Annual Report ('the Report') for the year ended 30 June 2018, as shown in the table below.

Chapter	Material topic	Non-financial Matters and associated performance disclosures	Annual Report page
Our customers, our communities	Customer experience	▶ Net promoter score	36
Our business performance	Viable parcel business	▶ First time delivery rate (parcels)	15
Our people	Fair labour practices	▶ Gender Pay Gap	24
	Employee safety, health and wellbeing	▶ All occupational injury frequency rate (AOIFR) ▶ Fatalities	23
	Workforce engagement	▶ Employee engagement score	26
Our environment	Greenhouse gas (GHG) emissions	▶ Energy consumption & GHG emissions	54, 162

Criteria applied by Australia Post

In preparing the Selected Non-financial Matters and associated performance disclosures, 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 was to express a limited assurance conclusion on the Selected Non-financial Matters.

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 was responsible for selecting the Criteria, and preparing and fairly presenting the materiality process and selected material topics and associated performance 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 24 May 2018.

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 Non-financial Matters and associated performance disclosures
- Reviewed evidence to support the performance disclosures within the Selected Non-financial Matters
- Undertook data analytics to check the reasonableness of the data supporting performance disclosures
- Conducted detailed testing of underlying source information on a sample basis to check completeness and accuracy of data
- Identified and tested assumptions supporting [performance] disclosures
- Performed recalculations of performance disclosures to determine accuracy of quantities
- Reviewed the appropriateness of presentation of performance disclosures.

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.

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

Ernst & Young

Ernst & Young
Melbourne, Australia
7 September 2018

Corporate Governance Statement 2018

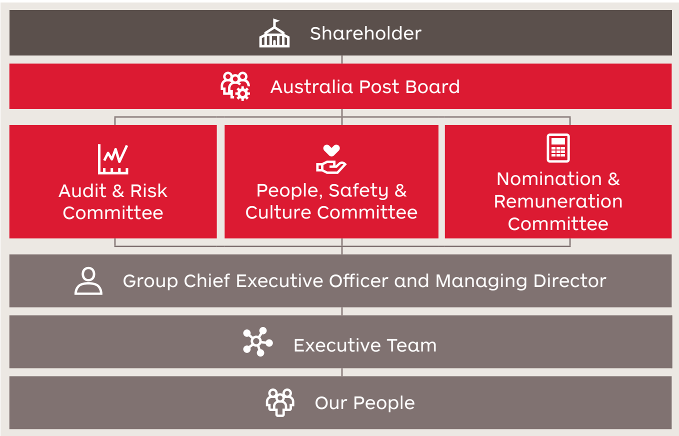
B

Corporate Governance Statement 2018

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*, and the *Commonwealth Government Business Enterprise Governance and Oversight Guidelines (January 2018)*.

Further details in relation to corporate governance at Australia Post, and information on how Australia Post's corporate governance arrangements align to the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations – 3rd Edition*, is published separately on Australia Post's website at auspost.com.au.



The Australia Post 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.

The Board has established three Committees – the Audit & Risk Committee, the People, Safety & Culture Committee, and the Nomination & Remuneration Committee.

More information on the functions and responsibilities of the Board and its committees is contained in the Corporate Governance Statement on Australia Post's website, including details of the number of meetings held by the Board and its committees in financial year 2017/18, and attendance by directors.

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

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

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 Board has delegated to the Group Chief Executive Officer and Managing Director responsibility for implementing Australia Post's strategic priorities and for managing Australia Post's day-to-day operations.

Australia Post has 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.

Australia Post has a Group Risk Management Framework in place that describes the core strategies and processes that support our business in effectively managing risks, along with also providing clarity on the roles and responsibilities for those managing risk.

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

Directors' attendance at meetings – 2017-18

	Australia Post Board		Audit & Risk Committee		People, Safety & Culture Committee		Nomination & Remuneration Committee	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
John Stanhope AM	12	12	–	–	–	–	5	5
Christine Holgate	9	9	–	–	2	2	–	–
Christine Corbett	3	3	–	–	1	1	–	–
Ahmed Fahour AO	–	–	–	–	–	–	–	–
Dominique Fisher	3	2	–	–	1	1	2	1
Holly Kramer	12	10	5	4	4	4	5	4
Bruce McIver	12	12	5	5	–	–	5	5
Tony Nutt	7	7	–	–	1	1	2	2
Michael Ronaldson	12	12	–	–	4	4	5	5
Paul Scurrah	12	8	–	–	4	4	5	5
Jan West AM	12	12	5	5	–	–	5	5
Deidre Willmott	12	12	5	5	–	–	5	5

(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 2018

Remuneration Report 2018

Message from the Chairman

On behalf of the Board, I am pleased to introduce Australia Post's 2018 Remuneration Report.

Last year, in response to the community discussion about Australia Post's executive remuneration, the Board made a commitment to fully disclose the details of our executive remuneration. Like last year, the 2018 Remuneration Report has been prepared to, wherever possible, meet the transparency and disclosure standards that apply to ASX-listed companies.

The Board and I, also committed to re-setting our approach to executive remuneration in order to align it with government and community expectations. But, at the same time, I have been conscious that we must offer remuneration packages that enable Australia Post to attract and retain talented executives, who will be capable of leading our business, successfully, in a rapidly changing and highly competitive marketplace.

Given these requirements, the Board initiated an independent review of our remuneration policies and approach this year. This has resulted in the implementation of a new remuneration framework for our executive team in FY19. This new framework includes a revised approach to remuneration governance and six clearly defined remuneration design principles. A summary of the changes to remuneration for FY19 are included in section 9 of this Remuneration Report.

While these changes to our remuneration framework were introduced in FY18, they will not start to impact executive remuneration at Australia Post until FY19. For a detailed summary of the FY18 executive remuneration structure, targets and performance against our scorecard, please refer to sections 5 and 6 of this report.

The key FY18 enterprise performance measures that have informed our senior executive STI awards are detailed in Table 3. While we exceeded performance in the financial and customer areas during FY18, performance in our people measures was below expectation. While our primary measure of safety AOIFR was achieved, performance was zeroed to reflect fatalities that occurred across the extended workforce.

A new Executive Leadership Team

This was a year of significant change in terms of the executive leadership of Australia Post, most notably with the Group Chief Executive Officer and Managing Director transition from Ahmed Fahour (who resigned with effect from 28 July 2017) to Christine Holgate who commenced on 30 October 2017.

In mid-July 2018 (following the conclusion of FY18), two members of our senior executive team also left the organisation. I want to thank both Christine Corbett and Andrew Walduck for their leadership and their commitment to our business over many years. I'd especially like to acknowledge the contribution of Christine Corbett, who has made an enormous contribution to Australia Post over the past 28 years (including serving for three months as our acting Managing Director & Group CEO during the CEO-transition period, from July 2017 to October 2017).

Christine Holgate, our new Group Chief Executive Officer and Managing Director has played an important role in re-setting our executive remuneration framework. Her own remuneration package, was set by the Remuneration Tribunal.

In the first half of 2018, Christine Holgate finalised a significant strategic review of our business whilst also appointing the new Executive Team that will serve alongside her. The new team is comprised of three executives that were already serving as members of our Executive Team (Bob Black, Janelle Hopkins and Chris Blake) as well as two internal employees who were promoted (Gary Starr and Susan Davies). There are also three new additions to our Executive Team: Annette Carey (who was previously at Linfox), Ingo Bohlken (from Deutsche Post) and Nicole Sheffield (from News Corp). I would like to congratulate each of them on their appointment to roles of enormous responsibility in our business.

I would also like to thank Dominique Fisher who retired as a non-executive director on 26 November 2017, after serving for three years on our Board. And I would like to welcome Tony Nutt, who joined our Board as a non-executive director on 2 March 2018.

This Remuneration Report offers full and accurate disclosure in relation to our remuneration principles, policies and practices for FY18.

John Stanhope AM
Chairman

1. Our organisation and key management personnel

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

The information provided in the report has been prepared and is aligned to disclosure requirements outlined in the *Corporations Act 2001*, Section 300A. The statutory tables contained at the end of this report 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 2018 (FY18) remuneration information for the year ended 30 June 2018 as it applies to KMP, including Board Directors, the Group Chief Executive Officer and Managing Director (GCEO&MD) and senior executives. For the purposes of this report, senior executives are defined as the employees reporting to the GCEO&MD who have authority and responsibility for planning, directing and controlling the activities of the Enterprise.

There have been the following movements in KMP during FY18:

- Dominique Fisher retired as a Board Director with effect from 26 November 2017
- Tony Nutt was appointed as a Board Director with effect from 2 March 2018
- Ahmed Fahour resigned as Managing Director & Group CEO (MD&GCEO) with effect from 28 July 2017
- Christine Corbett was Acting Managing Director & Group Chief Executive Officer between 29 July 2017 and 29 October 2017
- Christine Holgate was appointed to the role of Group Chief Executive Officer and Managing Director with effect from 30 October 2017
- Andrew Parker was seconded to the role of EGM International Services with effect from 15 January 2018
- Gary Starr was appointed to the role of EGM Business & Government with effect from 1 March 2018.

FY18 KMP covered in this year's Remuneration Report are listed in the table below:

Table 1: FY18 Key Management Personnel

Name	Position[1]	KMP term
Board Directors		
John Stanhope AM	Chairman	Full Year
Christine Holgate	GCEO&MD	Part Year
Holly Kramer	Deputy Chair	Full Year
Bruce McIver	Director	Full Year
Tony Nutt	Director	Part Year
The Hon. Michael Ronaldson	Director	Full Year
Paul Scurrah	Director	Full Year
Jan West AM	Director	Full Year
Deidre Willmott	Director	Full Year
Former Board Directors		
Ahmed Fahour AO	MD&GCEO	Part Year
Dominique Fisher	Director	Part Year

Name	Position[1]	KMP term
GCEO &MD and Senior Executives		
Christine Holgate	GCEO&MD	Part Year
Ahmed Fahour AO	Managing Director & Group CEO	Part Year
Robert Black	Group Chief Operating Officer	Full Year
Christopher Blake	EGM Corporate Services	Full Year
Christine Corbett	EGM Community & Consumer (Acting)	Full Year
Janelle Hopkins	Group Chief Financial Officer	Full Year
Andrew Walduck	EGM Product & Innovation (Acting)	Full Year
Andrew Parker	EGM International Services (Seconded)[2]	Part Year
Gary Starr	EGM Business & Government	Part Year

1. Position reflects position title at end of financial year or at employment cessation date.
2. Seconded from PricewaterhouseCoopers for 6 months while recruitment for a permanent incumbent took place.

The following changes to KMP have been announced and will be effective in FY19:

- Christine Corbett left Australia Post with effect 13 July 2018
- Andrew Walduck left Australia Post with effect 13 July 2018
- Andrew Parker acted in the role seconded from PwC with effect from 15 January 2018 to 15 July 2018
- Susan Davies was appointed to the role of EGM People & Culture effective 1 July 2018
- Annette Carey was appointed to the role of EGM International Services effective 1 July 2018
- Ingo Bohlken was appointed to the role of EGM Product & Innovation effective 30 July 2018
- Nicole Sheffield was appointed to the role of EGM Community & Consumer effective 6 August 2018.

Details of remuneration for the new incumbents been disclosed in Section 9 of the Remuneration Report.

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2. Remuneration on a page

The diagram below provides an overview of the FY18 approach to executive remuneration (with numbers indicating the relevant section of the report where further information can be found).

Remuneration governance

(Section 3)

The Nomination & Remuneration (Committee) makes recommendations to the Board around Australia Post's remuneration policies and practices.

The Committee seeks advice/feedback from the GCEO&MD and senior executives and from external remuneration advisors.

Remuneration principles

(Section 4)

Six remuneration design principles were developed during FY18 to support decision making around executive remuneration:

- Externally accountable
- Simple and transparent
- Fair, equitable and motivational
- Strategically aligned and performance linked
- Shared responsibility and personal accountability
- Clear governance

Remuneration structure

(Section 5)

	GCEO&MD	Senior Executives
Fixed Annual Renumeration (FAR)	• The Remuneration Tribunal sets the Reference Rate (FAR) for the Australia Post GCEO&MD. • The Board set the GCEO&MD FAR on appointment at $1,375,000 which was approximately 2% below the Reference Rate set by the Remuneration Tribunal.	• Set with reference to various factors determined as appropriate by the Board. • FAR increases were applied to some senior executives during FY18 to reflect the increased size and remit of their roles.

Short Term Incentives (STI)	• Aligned to the strategic priorities of the Enterprise:
	  • 100% Enterprise Scorecard
		• Aligned to the strategic priorities of the Enterprise and Business Unit:
		  • 50% Enterprise Scorecard
		  • 50% Business Unit Scorecard
		  • 10% Enterprise Strategy KPIs

Linking strategy, performance and remuneration

(Section 6)

Remuneration is designed to support Australia Post's strategy to support our customers to grow and communities to thrive, connecting Australian businesses and communities to the world, creating products that people value and trust and always providing great value and service.

Overall performance was good in FY18 and targets for most KPIs were achieved or exceeded leading to an STI outcome of 75% of FAR for the GCEO&MD and on average 79% of FAR for the senior executives.

3. Remuneration governance

3.1. Nomination & Remuneration Committee role

The role of the Nomination & Remuneration Committee (Committee) is to assist the Board in discharging its responsibilities under the Commonwealth Government Business Enterprises 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 GCEO&MD and senior executives.

The Committee reviews and makes recommendations to the Board on the performance outcomes and remuneration arrangements for the GCEO&MD 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 on an annual basis and major changes during the last review included the inclusion of the role of the Remuneration Tribunal in setting the remuneration of the GCEO&MD.

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 FY18, the Committee sought advice on performance and remuneration related matters from the GCEO&MD, senior executives and management.

External remuneration advice was received by Australia Post from PwC and Mercer. The advice included executive remuneration and market practice information which was used to inform the appropriate remuneration of the GCEO&MD and new EGMs and the 2018 review of executive remuneration frameworks. None of the advice received included a remuneration recommendation as defined by the *Corporations Act* 2001.

3.3. GCEO&MD and senior executive contract terms

The terms of employment for the GCEO&MD and senior executives are formalised in employment contracts. The EGM Product & Innovation appointed in August 2018 has been engaged on a fixed-term contract.

The GCEO&MD and senior executive employment contracts outline the components of remuneration eligible to be paid to the individual but do not prescribe how much the total remuneration quantum will be adjusted year to year. The GCEO&MD remuneration is determined by the Remuneration Tribunal. The contracts provide for participation in an STI in accordance with the relevant STI scheme rules.

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

Table 2: Employment contract cessation

Scenario	Definition
Termination on notice by the senior executive	The GCEO&MD and EGM Product & Innovation may terminate the employment contract by providing six months' notice in writing. All other senior executives may terminate their employment contract by providing twelve weeks' notice in writing.
Termination on notice of a senior executive by Australia Post	Australia Post may terminate the GCEO&MD and EGM Product & Innovation employment contract by providing six months' notice or provide payment in lieu of the full or part of the notice period. Australia Post may terminate all other senior executives' employment contracts by providing twelve weeks' 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 GCEO&MD 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 twelve months of fixed annual remuneration.
Termination without notice	In certain scenarios (e.g., breach of contract, improper conduct or conviction for a criminal offence), as set out in the employment contract of the GCEO&MD and a senior executive, 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 GCEO&MD 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.

Remuneration Report 2018

4. 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.

During FY18, the Board approved the following principles to underpin the design of the remuneration and performance management approach:

Externally accountable

we will appropriately reward executives for their individual contribution to enterprise value creation and be accountable to our Shareholder and the community

Simple & transparent

our framework will be simple enough to ensure the highest level of transparency and understanding, internally and externally

Fair, equitable and motivational

our approach to executive remuneration helps to enable the attraction and retention of executive talent, who live our values and are collectively motivated by our "One Australia Post" vision and purpose

Strategically aligned and performance linked

our executive remuneration framework supports the delivery of Australia Post's strategy, helps to create long term enterprise value and delivers strong financial returns to our Shareholder by linking executive remuneration outcomes to relevant and measurable financial and non-financial goals

Shared responsibility and personal accountability

our executive remuneration framework recognises the diversity of our business by rewarding individual contribution and behaviours appropriately, reflecting the business unit performance and enterprise performance

Clear governance

our remuneration frameworks, policies and processes are governed by clear guidelines and accountabilities balanced with the ability for the Board to apply judgement over potential unintended or unequitable outcomes

5. FY18 remuneration structure

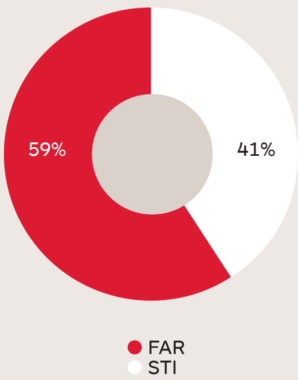
For FY18 the GCEO&MD and senior executive annual remuneration arrangements comprised two components:

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

5.1. Remuneration mix

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

Figure 1: GCEO&MD and senior executive target remuneration mix



The STI component of target remuneration is 41% for both the GCEO&MD and senior executives as at 30 June 2018.

Figure 2: GCEO&MD maximum remuneration mix

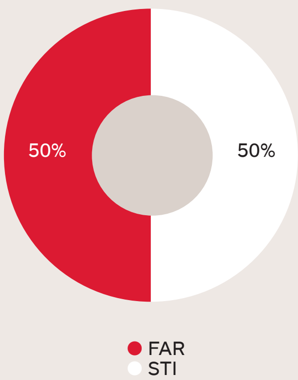
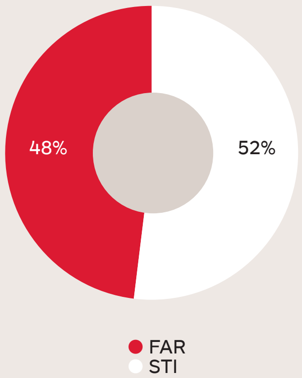


Figure 3: Senior executive maximum remuneration mix



The STI component of maximum remuneration potential is 50% for the GCEO&MD and 52% for senior executives as at 30 June 2018.

5.2. Fixed Annual Remuneration (FAR)

FAR aims to reward the GCEO&MD and senior executives for executing the core requirements of their role. FAR generally includes base salary, benefits and entitlements received in cash, superannuation and any salary sacrificed items.

FAR is reviewed annually with adjustments generally effective for the GCEO&MD and senior executives from 1 July each year.

GCEO&MD FY18 Remuneration

In 2017 the Government determined that the Australia Post GCEO&MD's remuneration arrangements should be set by the Remuneration Tribunal.

The Remuneration Tribunal is an independent statutory authority established under the *Remuneration Tribunal Act* 1973. The Remuneration Tribunal's role is to determine, report on or provide advice about remuneration, including allowances and entitlements for office holders within its jurisdiction.

The Australia Post GCEO&MD position was classified by the Remuneration Tribunal as a Principal Executive Officer (PEO) Band E which falls within its remit.

The Remuneration Tribunal determined that the Reference Rate (FAR) for the Australia Post GCEO&MD on appointment was $1,400,000. As is usual practice and consistent with the Remuneration Tribunal's Guide to the PEO 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 increase remuneration above the Reference Rate in the first 12 months of appointment.

On appointment, the Board set the GCEO&MD's FAR at $1,375,000 for FY18, to be paid on a pro-rata basis. The Board determined that it was appropriate to set FAR below the Reference Rate to allow for a potential increase once the GCEO&MD had shown sustained performance in the role.

Consistent with the Remuneration Tribunal's *Guidelines on Geographic Relocation of Full Time Office Holders*, the Remuneration Tribunal approved an allowance of $34,500 to be provided to the GCEO&MD's to cover accommodation costs for up to six months. In early April 2018, the Remuneration Tribunal approved a three month extension to this period or until the allowance cap was reached, whichever is the sooner.

The Remuneration Tribunal also confirmed performance pay incentive arrangements for the GCEO&MD 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 GCEO&MD and determining any incentive payments. For FY18 the GCEO&MD performance will be assessed against the Enterprise Scorecard (see Section 6 for further details).

In June 2018, the Remuneration Tribunal reviewed all Reference Rates within its remit and applied a 2% increase. The Board was advised that the Reference Rate effective 1 July 2018 will increase to $1,428,000 for the Australia Post GCEO&MD. The Board has approved the adjustment of the GCEO&MD FAR to $1,428,000 with effect from 1 July 2018 and approved an increase of $50,000 with effect from the GCEO&MD employment anniversary 1 November 2018.

Senior Executive FY18 Remuneration

FAR is positioned competitively to attract, motivate and retain senior executives whilst reflecting the individual's responsibilities, skills, performance, qualifications and experience. Reviews are informed by a range of internal and external factors including community expectations, internal relativities, market comparative remuneration benchmarking to roles in companies of similar size and complexity, other Government Business Enterprises' remuneration positioning, any changes in role and responsibility and previous salary adjustments.

At the beginning of FY18, the previous MD&GCEO made a number of changes to the size and remit of various senior executive roles. This resulted in the Board applying associated adjustments to those senior executives' FAR.

The new GCEO&MD has since structured the organisation to reflect the strategic priorities and future direction of the corporation. The new Executive Team has been established with a combination of three previous Executive Team members, promotion of two senior managers and three external hires. Together this team has a diverse range of experience and skills the organisation needs for the future and their FAR has been set accordingly.

STIs are intended to reward individuals for their contribution to performance and transforming the corporation. The STI scheme is an "at risk" annual incentive opportunity where an STI payment could be awarded subject to the achievement of relevant individual, team, strategic and enterprise KPIs.

To better align senior executive STI outcomes to both executive and business unit performance, the STI for senior executives was changed for FY18. The factors that determine a STI outcome for senior executives for FY18 only include:

1. Enterprise scorecard performance including customer, people and financial KPIs
2. Business unit scorecard performance including customer, people, financial strategic KPIs
3. Enterprise strategic KPIs (see Section 6 for more details).

Senior executives' STI opportunities are communicated as STI Target (the potential award available if target performance is achieved) and set at 70% of FAR for FY18. The STI Maximum (the maximum potential award available) is set at 110% for FY18.

In light of fatalities that occurred across the extended workforce the Board on recommendation by the GCEO&MD made the decision to award no STI component for safety.

At the end of the financial year the Committee reviews the performance of each senior executive. 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 twelve months. All STI awards, including deferred STI awards, are paid in cash.

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6. Linking strategy, performance and remuneration

6.1. How we assessed the enterprise scorecard in FY18

Enterprise Scorecard

The Enterprise Scorecard contains a range of Financial, Customer and People KPIs that are aligned to the strategic priorities of the enterprise. The FY18 Enterprise Scorecard KPIs are detailed in the table below:

Table 3: FY18 Enterprise Scorecard

Measure	KPI	Link to strategy	Performance	Outcome
Financial 50%	Profit Before Tax (PBT)	Delivering a profit enables Australia Post to return a dividend to our Shareholder and invest in our future	In FY18 we set a target PBT of $125m (normalised[1]) and a stretch target of $150m (normalised[1]). Our FY18 PBT outcome of $152.2m (normalised[1]) has exceeded both the target and stretch targets set at the start of the year.	Exceeded
	Efficiency	Continually challenging ourselves to execute on efficiencies across the business enables Australia Post to be able to invest more in longer term growth	Through the delivery of business efficiencies during FY18 we set a target of reducing our costs by $250m and a stretch target of $260m. We have exceeded both the target and stretch target in FY18 delivering efficiencies across the enterprise of $272m.	Exceeded
Customer 25%	First time delivery	Exceeding our customers' expectations is crucial to being the provider of choice for our customers. Delivering parcels first time has been identified as the number one concern by our customers	During FY18 we delivered 92.5%* of our customers' parcels first time against a target of 91.5% and a stretch target of 92.5%.	Exceeded
	Consumer and small business net promoter score (NPS)	Customer advocacy and loyalty is critical in order to win in a competitive eCommerce market	We have delivered a significant improvement in our NPS score during FY18 with a score of 17 against a target of 12.2 and a stretch target of 13.2.	Exceeded
People 25%	Safety Culture Index	Our Safety Culture Index provides information directly from our employees on how well we are keeping our people safe	The safety culture index was included in the enterprise scorecard for the first time in FY18 with a target of 82.5% and a stretch target of 84%. We did not meet target in FY18 with a Safety Culture Index score of 77%.	Below Expectation
	Safety (AOIFR)[2]	The health, safety and wellbeing of our people is our most important cultural priority	Following a year on year increase for 5 years, our AOIFR score decreased in FY17. In FY18 we have increased the score to 18.1 against a target of 18.5 and a stretch target of 17.6.	Target Met[2]
	Staff Engagement	We strongly believe that ensuring our people are engaged is critical to delivering our future growth aspirations	During another year of significant change our FY18 Say2Action staff engagement result reduced to 60 a reduction of 1 point on FY17, against a target of 61 and a stretch target of 62.	Below Expectation

The following KPI's do not apply to the GCEO&MD whose maximum STI opportunity was set at 100% of FAR by the Remuneration Tribunal.

Strategy 10%	Postal Reform 2%	To create a sustainable foundation for Australia Post we believe it is imperative we work with our shareholder to align the regulatory and legislative settings to meet our customers future needs	Not Met
	International 2%	To enable us to grow our business we need to increase our global connectivity and significantly expand our international capability and volumes	Met
	Ultimate Customer Network 2%	To meet our customer's expectations we need to build the ultimate customer network designed around the customer and how our customers choose to interact with us	Met
	Post Office Transformation 2%	Our Post Offices are at the heart of every community and we need to transform our Post Offices to meet all our customers' needs	Not Met
	Digital iD™ 2%	Secure stakeholder advocacy by delivering trusted and innovative solutions including Digital iD™	Not Met

1. Normalised PBT removes the effects of significant unusual or one-time influences that were not contemplated at the time of setting the Enterprise Scorecard. For FY18, Headline PBT of $125.7m has been normalised by $26.5m relating to deferral of property sales, resulting in PBT (normalised) of $152.2m.
2. While the AOIFR target was achieved in FY18 the KPI performance was zeroed to reflect fatalities that occurred across our extended workforce. AOIFR uses an inversed score to measure performance i.e., the lower the score the better the performance.
* Note: typo corrected on 3 September 2018 (92.6% to 92.5%).

FY18 Business Unit Scorecards
Senior executives' Business Unit (BU) Scorecards contain BU level KPIs covering financials, customer, people and strategy that are relevant to the senior executives' business area and the individual's role and responsibilities.

6.2. FY18 STI outcomes

Based on the performance of the Enterprise Scorecard and the achievements delivered by the GCEO&MD in FY18, the Board determined that the GCEO&MD should receive a STI award of 75% of maximum STI. 25% of the GCEO&MD STI award will be deferred until September 2019 and will remain "at risk", contingent on the sustained performance of the business.

For senior executives, half of any stretch STI award is deferred for twelve months. An average STI award of 76% will be paid to senior executives in September 2018 and an average of 3% will be deferred until September 2019.

Individual FY18 STI awards for the GCEO&MD and senior executives' are provided in the table below:

Table 4: FY18 Individual STI awards (unaudited)

		STI award non-deferred		STI award deferred		STI award total	
Name	Role	% of STI award	$	% of STI award	$	% of FAR	$
Christine Holgate[1]	GCEO&MD	75%	$515,625	25%	$171,875	75%	$687,500
Robert Black	Group Chief Operating Officer	92%	$885,500	8%	$80,500	84%	$966,000
Christopher Blake	EGM Corporate Services	100%	$612,000	0%	$0	77%	$612,000
Christine Corbett	EGM Community & Consumer (Acting)	100%	$669,375	0%	$0	77%	$669,375
Janelle Hopkins	Group Chief Financial Officer	92%	$635,250	8%	$57,750	84%	$693,000
Gary Starr[2]	EGM Business & Government	90%	$313,691	10%	$33,611	72%	$347,302
Andrew Walduck	EGM Product & Innovation (Acting)	100%	$631,125	0%	$0	77%	$631,125

1. STI award pro rata to time in role.
2. Two thirds of STI award based on previous role.

6.3. Long term incentives

As discussed in the FY17 Remuneration Report, from FY18 Long Term Incentives (LTI) will no longer be offered to any senior executive (including the GCEO&MD).

The second tranche payment of the 2015 to 2017 LTI award (representing one third of the total LTI award) will be paid on 1 November 2018 to eligible participants. Participants must be employed by Australia Post on the day of payment or they forfeit the payment.

Table 5: 2015 to 2017 LTI Award Second Tranche Payments (unaudited)

Name	Role	2015 to 2017 LTI award second tranche payments[2]
Christine Holgate	GCEO&MD	Not applicable
Robert Black	Group Chief Operating Officer	$330,000
Christopher Blake	EGM Corporate Services	$298,000
Christine Corbett[1]	EGM Community & Consumer (Acting)	Forfeited ($320,000)
Janelle Hopkins	Group Chief Financial Officer	$146,667
Gary Starr	EGM Business & Government	Not applicable
Andrew Walduck[1]	EGM Product & Innovation (Acting)	Forfeited ($250,000)

1. Christine Corbett and Andrew Walduck will not be employed on the payment date and so forfeit the payment.
2. Payments are subject to being employed by Australia Post on 1 November 2018.

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7. 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 Remuneration Tribunal. Australia Post has no role in determining the level of Board Director fees.

The Remuneration 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 Remuneration Tribunal). Board Director fees cover all activities including Board membership and participation of some sub-Committees unless otherwise stated in the table below.

The following table sets out the Board Directors' fees (excluding superannuation) as set by the Tribunal and covering the financial years 2017, 2018 & 2019.

Table 6: FY17, FY18 & FY19 Board Director fees

	With effect from		
Role	8 December 2016[1]	1 July 2017[2]	1 July 2018[3]
Chair	$182,520	$186,180	$189,910
Deputy Chair	$101,860	$103,900	$105,980
Board Directors	$91,290	$93,120	$94,990
Audit & Risk Committee Chair	$21,120	$21,550	$21,990
Audit & Risk Committee Member	$10,560	$10,780	$11,000
People, Safety & Culture Chair[4]	$18,000	$18,360	$18,730
People, Safety & Culture Members[5]	$9,000	$9,180	$9,370

1. Remuneration Tribunal, Determination 2016/18: Remuneration and Allowances for Holders of Part-Time Public Office.
2. Remuneration Tribunal, Determination 2017/10: Remuneration and Allowances for Holders of Part-Time Public Office.
3. Remuneration Tribunal (Remuneration and Allowances for Holders of Part-time Public Office) Determination 2018.
4. Australia Post Board Chair and Deputy Chair are not entitled to receive these additional fees.
5. Australia Post Board Chair and Deputy Chair are not entitled to receive these additional fees.

8. FY18 statutory remuneration tables (audited)

For the purposes of this disclosure, Australia Post has defined Key Management Personnel as Non-Executive Directors, the GCEO&MD and senior executives who report directly to the GCEO&MD and who have authority and responsibility for planning, directing and controlling the activities of the organisation. 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 Australia Post. Remuneration received directly or indirectly by KMP under an accrual basis for the years ending 30 June 2017 and 30 June 2018 is as follows. All remuneration is provided in Australian Dollars.

Table 7: Non-Executive Directors (accruals basis)

Name	Year	Non-Executive Director fees[8] $	Super -annuation[9] $	Total $
Current Non-Executive Directors				
John Stanhope AM (Chairman)	2018	186,180	17,687	203,867
	2017	182,520	17,339	199,859
Holly Kramer[1] (Deputy Chair)	2018	114,680	10,895	125,575
	2017	102,498	9,737	112,235
Bruce McIver	2018	103,900	9,871	113,771
	2017	101,850	9,676	111,526
Tony Nutt[2]	2018	33,130	3,147	36,277
	2017	–	–	–
The Hon. Michael Ronaldson	2018	102,300	9,719	112.019
	2017	100,290	9,528	109,818
Paul Scurrah[3]	2018	101,621	9,654	111,275
	2017	750	71	821
Jan West AM	2018	114,670	10,894	125,564
	2017	110,761	10,522	121,283
Deidre Willmott[4]	2018	103,103	9,795	112,898
	2017	750	71	821
Former Non-Executive Directors				
Brendan Fleiter[5] (Deputy Chair)	2018	–	–	–
	2017	96,228	10,393	106,621
Michael Byrne[6]	2018	–	–	–
	2017	46,879	4,453	51,332
Dominique Fisher[7]	2018	41,761	3,967	45,728
	2017	100,290	9,528	109,818
Total Board Non-Executive Directors	2018	901,345	85,629	986,974
	2017	842,816	81,318	924,134

1. Holly Kramer was appointed as Acting Deputy Chair 30 May 2017 and Deputy Chair 27 June 2017.
2. Tony Nutt appointed to the Board 2 March 2018.
3. Paul Scurrah appointed to the Board 27 June 2017.
4. Deidre Willmott appointed to the Board 27 June 2017.
5. Brendan Fleiter retired from the Board 29 May 2017.
6. Michael Byrne resigned from the Board 15 December 2016.
7. Dominique Fisher retired from the Board 26 November 2017.
8. Non-Executive Director fees are set by the Remuneration Tribunal and paid in cash.
9. Minimum superannuation contributions are provided as prescribed under Superannuation Guarantee legislation.

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Table 8: GCEO&MD and senior executives remuneration (accruals basis)

		Short-term employee benefits				Post employment contributions	Long-term employee benefits			Other	
Name	Year	Base salary[9] $	Annual leave[10] $	Non-monetary benefits[11] $	Short-term incentive[12] $	Superannuation[13] $	Short-term incentive deferral[14] $	Long service leave[15] $	Long-term incentive[16] $	Termination benefits[17] $	Total $
GCEO&MD and Senior Executives											
Christine Holgate GCEO&MD[1]	2018	902,063	69,389	32,868	515,625	20,049	85,938	20,894	–	–	1,646,826
	2017	–	–	–	–	–	–	–	–	–	–
Robert Black	2018	1,129,951	86,919	–	885,500	20,049	73,719	44,568	–	–	2,240,706
	2017	830,384	63,876	–	691,688	19,616	160,969	17,340	330,000	–	2,113,873
Christopher Blake	2018	771,404	59,996	–	612,000	20,049	29,531	27,224	–	–	1,520,204
	2017	728,275	56,021	–	610,313	19,616	85,406	11,968	298,000	–	1,809,599
Christine Corbett[2]	2018	891,165	68,551	–	669,375	101,646	32,484	38,372	–	875,000	2,676,593
	2017	721,786	55,522	–	671,345	83,353	94,359	2,914	320,000	–	1,949,279
Janelle Hopkins	2018	804,951	61,919	–	635,250	20,049	58,406	27,475	–	–	1,608,050
	2017	709,288	54,561	–	610,313	19,616	29,531	31,006	146,667	–	1,600,982
Gary Starr[4]	2018	192,258	14,789	–	103,991	6,646	5,571	13,339	–	–	336,594
	2017	–	–	–	–	–	–	–	–	–	–
Andrew Walduck	2018	742,347	61,919	27,319	631,125	20,049	29,531	29,255	–	573,283	2,114,828
	2017	654,815	53,987	47,017	610,313	19,616	29,531	17,829	250,000	–	1,683,108
Former MD&GCEO and Senior Executives											
Ahmed Fahour[5,6] AO	2018	145,926	10,569	–	–	5,012	362,475	7,208	–	–	531,190
	2017	1,902,250	137,769	102,562	2,174,850	1,747,914	733,449	38,133	–	–	6,836,927
Peter Bass[7]	2018	–	–	–	–	–	–	–	–	–	–
	2017	485,256	34,827	–	368,430	54,298	38,338	72,202	167,200	–	1,220,551
Laz Cotsios[8]	2018	–	–	–	–	–				–	–
	2017	543,304	41,793	–	488,250	19,616	23,625	13,593	146,667	–	1,276,848
Senior Executive Engaged Under Secondment Arrangement		Payment[9] $									
Andrew Parker[3]	2018	519,860	–	–	–	–	–	–	–	–	519,860
	2017	–	–	–	–	–	–	–	–	–	–
Total Senior Executives	2018	6,099,925	434,051	60,187	4,052,866	213,549	677,655	208,335	–	1,448,283	13,194,851
	2017	6,575,358	498,356	149,579	6,225,502	1,983,645	1,195,208	204,985	1,658,534	–	18,491,167

1. Christine Holgate was appointed as the Group Chief Executive Officer & Managing Director on 30 October 2017.
2. Christine Corbett was appointed to the role of Acting Managing Director & Group CEO between 29 July 2017 and 29 October 2017.
3. Andrew Parker was seconded from PricewaterhouseCoopers on a consulting basis from 15 January 2018. Remuneration reflects consulting fees paid to PricewaterhouseCoopers for the secondment. Andrew Parker is remunerated separately by PricewaterhouseCoopers.
4. Gary Starr was appointed as a KMP on 1 March 2018.
5. Ahmed Fahour AO resigned from the position of MD&GCEO with Australia Post with effect from 28 July 2017.
6. The 2017 superannuation of the former 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.
7. Peter Bass ceased as a KMP on 30 June 2017.
8. Laz Cotsios ceased as a KMP on 30 June 2017.
9. Base salary comprises cash salary excluding annual leave accrued. In the case of Andrew Parker, the payment amount comprises consulting fees paid to PwC for his secondment. Andrew Parker is remunerated separately by PwC.
10. Annual leave comprises the total amount of leave accrued for the period as required by RMG 125 (*Commonwealth Entities Financial Statements Guide*).
11. Non-monetary benefits for Christine Holgate comprises accommodation costs paid by the Corporation for the first nine months of her tenure in accordance with the determination set by the Remuneration Tribunal. Non-monetary benefits for other KMP 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).
12. Short term annual incentives comprises accrued short term incentives and bonuses payable within twelve months of the end of the period.
13. 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 a member of a defined contribution plan, the benefit is calculated at 9.5% in accordance with the applicable legislation.
14. 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. The short-term incentive deferred amount for the former MD&GCEO for the 2018 financial year of $362,475 represents 50% of the deferred component of the incentive payment awarded for performance in the 2016/17 financial year. The total deferred amount will be payable subject to certain performance conditions being met.
15. Long service leave comprises the amount of leave accrued for the period.
16. Long term incentive accrued in 2017 for payment of the second tranche of the 2015 to 2017 long term incentive plan on 1 November 2018.
17. Termination benefits are payments that may be made in relation to the termination of the KMP role.

9. Changes to remuneration for FY19

During FY18, the Committee undertook a review of senior executive remuneration arrangements in consultation with the GCEO&MD and external consultants PWC. The outcomes of the review recommended changes to the key areas of setting executive remuneration quantum and opportunity and the design of the STI plan. As a result of the review, the following changes to remuneration will be introduced in FY19.

Setting senior executive FY19 remuneration quantum

Australia Post will consider multiple reference points when setting senior executive's remuneration quantum including historical remuneration information, internal relativity and external market practices. Considering these reference points, the following adjustments to FAR will be made during FY19:

- Based on assessment of the GCEO&MD's performance since her appointment and the new Reference Rate set by the Tribunal for FY19, the Board has determined that the GCEO&MD's FAR should be increased to the new Reference Rate of $1,428,000 effective 1 July 2018. The Board has also determined that the GCEO&MD FAR should increase by $50,000 on the first anniversary of her employment 1 November 2018.
- Reflecting changes in role and responsibility the Group Chief Operating Officer's FAR will be reduced to $965,000 effective 1 July 2018 plus a personal travel allowance of a maximum of $80,000.
- Reflecting average salary inflation, the Group Chief Financial Officer's FAR will be increased by 2% effective 1 July 2018.
- The EGM Corporate Services FAR is positioned appropriately to the external market and will remain at $800,000.
- Newly appointed senior executives' FAR have been set using the multiple reference points described above.

The FY19 STI plan

The FY19 STI plan has been designed to provide a framework that rewards for delivering performance and value creation for Australia Post, recognises the varying contributions of each business unit and enables differentiation in remuneration outcomes based on individual leadership and safety management. Performance will be based on a new STI Scorecard as follows:

Figure 4: FY19 STI Scorecard

Enterprise Financial KPIs	Business Unit Financial KPIs	Strategic KPIs	Leadership & Safety Management
50%	10%	20%	20%

In FY19, the maximum STI will be capped at 100% of FAR for senior executives and will align to the maximum STI available to the GCEO&MD as determined by the Remuneration Tribunal. Further, 25% of any STI award will be subject to a twelve month payment deferral. The deferred payment will be subject to clawback prior to its release in the event of a material incident. The Board will retain overriding discretion to adjust (including downwards to zero) all STI outcomes.

Total remuneration arrangements

A summary of the GCEO&MD and senior executive remuneration arrangements for FY19 are provided in the table below:

Table 9: FY19 GCEO&MD and senior executive total remuneration arrangements (unaudited)

Name	Role	2019 FAR	2019 STI target 70% of FAR	2019 STI maximum 100% of FAR	2019 Total target rem FAR + STI target)	2019 Total maximum rem (FAR + STI max)
Christine Holgate	GCEO&MD	$1,428,000[1]	$999,600	$1,428,000	$2,427,600	$2,856,000
Robert Black	Group Chief Operating Officer	$965,000	$675,500	$965,000	$1,640,500	$1,930,000
Christopher Blake	EGM Corporate Services	$800,000	$560,000	$800,000	$1,360,000	$1,600,000
Ingo Bohlken[2]	EGM Product & Innovation	$750,000	$525,000	$750,000	$1,275,000	$1,500,000
Annette Carey	EGM International Services	$750,000	$525,000	$750,000	$1,275,000	$1,500,000
Susan Davies	EGM People & Culture	$600,000	$420,000	$600,000	$1,020,000	$1,200,000
Janelle Hopkins	Group Chief Financial Officer	$841,500	$589,050	$841,500	$1,430,550	$1,683,000
Gary Starr	EGM Business & Government	$600,000	$420,000	$600,000	$1,020,000	$1,200,000
Nicole Sheffield[2]	EGM Community & Consumer	$750,000	$525,000	$750,000	$1,275,000	$1,500,000

1. The GCEO&MD 2019 FAR will increase to $1,478,000 on the anniversary of her employment 1 November 2018.
2. FAR & STI provided as if in role for full year.

Financial and Statutory Reports

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Statement by Directors, Group Chief Executive Officer and Managing Director, and Group Chief Financial Officer

2017/18 Financial Statements

In our opinion:

(a) the accompanying financial statements for the year ended 30 June 2018:
  (i) present fairly the entity's financial position, financial performance and cash flows;
  (ii) comply with 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.

John Stanhope AM
Chairman

Melbourne
23 August 2018

Christine Holgate
Group Chief Executive Officer and Managing Director

Melbourne
23 August 2018

Janelle Hopkins
Group Chief Financial Officer

Melbourne
23 August 2018

Australia Post Group
2017/18 Financial Statements Certification by Directors

Prior to the adoption of the 2017/18 financial statements, the board received and considered a written statement from the Group Chief Executive Officer and Managing Director and Group Chief Financial Officer 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.

John Stanhope AM
Chairman

Melbourne
23 August 2018

Annual performance statement for the year ended 30 June 2018

Each year, Australia Post provides a rolling four-year corporate plan. The 2017/18 Corporate Plan and associated Statement of Corporate Intent were submitted to Shareholder Ministers in August 2017 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 2018 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, the annual performance statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with subsection 39(2) of the *Public Governance, Performance and Accountability Act 2013*.

Purpose

Australia Post's purpose is expressed through the *Australian Postal Corporation Act 1989* (APC Act) that sets both community service obligations 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 community service obligations 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.

The Part of Tomorrow strategy set at the start of 2017/18 was to accelerate eCommerce and the digitisation of the economy for everyone, everywhere, every day. To achieve this, we looked to sustain eCommerce leadership in delivery, and leverage that leadership to extend into services by keeping the customer at the centre of everything that we do by:

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

With the commencement of Australia Post's new Group Chief Executive Officer and Managing Director in October 2017, the organisation undertook a strategic review to identify and determine the future strategic direction for Australia Post.

Results

Key community service objectives as set out in the plan for 2017/18, which align to the APC Act and prescribed performance standards and performance against these, were as follows:

Performance indicator	Target	Performance
Street posting boxes	10,000	15,085
On-time letter delivery	94.0%	98.5%
Retail outlets (total)	4,000	4,356
Retail outlets (rural and remote)	2,500	2,538
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 2017/18 and performance against these were as follows:

Performance indicator	Target	Performance
Profit before tax	$125.1m	$125.7m
Shareholder return on equity	5.8%	6.0%
Ordinary dividend declared for 2017/18	$78.584m	$83.092m
Ordinary dividend paid in 2017/18	$72.492m	$78.472m

Analysis

We recorded another strong financial result this year, powered by continued growth in inbound parcel volumes, both here and overseas. It is an encouraging sign that our focus on eCommerce is continuing to reap benefits. While there were many contributing factors to parcel growth, our partnerships with eCommerce marketplaces, particularly in Asia, but also with platforms new to domestic customers here in Australia, were integral to our success. We were proud to be able to invest our profit back into our business, and increase our payments to licensees. Our licensees are the lifeblood of our organisation – their ongoing sustainability is the key to our network and our unrivalled reach, now and into the future.

While we recorded a strong financial result, we do face some significant challenges. Letter volumes continue to decline by record numbers, and as more and more services move online, fewer people are coming through our doors. While we are fully committed to our letters business and our post office network, there is still a lot of work to be done to secure their future.

We also undertook a large-scale strategic review of the busines, which has helped us realign our strategy and identify opportunities for future growth. The strategic review highlighted our future strategic direction, which will encompass:

- maintaining a purpose of connection with Australian communities by providing services that all Australians value. In a changing contemporary environment, this purpose remains a constant;
- returning to our core red and white Australia Post branding;

Annual performance statement for the year ended 30 June 2018

- a future based on growth. A growing business ensures that we can maintain our existing post office network, provide viable futures for our licensees, meet the expectations of all Australians, deliver products to our senders and receivers expectations, and continue to invest in jobs for our people;
- meeting the needs of all our consumers and improving the customer service experience for consumers by resolving issues more effectively in our customer contact centres, removing the root cause of issues, attending to legacy technology in our post offices, and overhauling the delivery experience;
- engaging all business customers through a single unified sales team focused on meeting all their service needs, which will increasingly exceed the benchmarks that we set for ourselves;
- highlighting letters remain a key part of our business. We will build our relationships with mail-houses and marketing companies and inspire our sales people to sell all forms of delivery;
- profitable parcels growth. While parcels is a significant growth opportunity through increases in online shopping, the expectations from our customers to do more is also increasing and, in an intensely competitive market, margins are under pressure;
- a focus on addressing growth opportunities in International. While our plans are still evolving, we will concentrate on building capability to compete for outbound parcels and increasing margins of incoming parcels; and
- the safety and wellbeing of our people remaining paramount. Safety will continue to be our first business priority as we pursue a goal of zero fatalities.

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

John Stanhope AM
Chairman

Melbourne
23 August 2018

Financial statements audit report

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister of Communications

Report on the Annual Financial Statements

Opinion

In my opinion, the financial statements of the Australian Postal Corporation and its subsidiaries (together the Group) for the year ended 30 June 2018:

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

(b) present fairly the financial position of the Group as at 30 June 2018 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 2018 and for the year then ended:

- Statement by Directors, Group Chief Executive Officer & Managing Director 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 the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. 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 my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter	How the audit addressed the matter
Cut off and accuracy of goods and services revenue and the valuation of unearned postage revenue *Refer to Note A2 'Revenue and other income' and Note B7 'Payables'* I focused on unearned postage revenue due to the assumptions and judgements used to estimate the amount of revenue to be deferred for stamps sold but not yet used and the	To address this key audit matter, I have: • assessed the design and operating effectiveness of key controls over revenue recognition; • agreed transaction details to supporting documentation and evaluated the appropriateness of the timing of revenue recognition, on a sample basis;

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Financial statements audit report

Key audit matter	How the audit addressed the matter
significance of the revenue balance. The Group engages an actuary to assist management in developing an estimate of the amounts sold but not yet used at year end. This estimate is reliant on key assumptions and inputs, including estimating future postage meter usage based on historical trends, and requires judgement and expertise to calculate the amount to recognise as deferred revenue. The Group recognised unearned postage revenue of $63.5 million at 30 June 2018.	• engaged an expert to assist me to evaluate the appropriateness of key assumptions and inputs to the calculation of stamps sold but not yet used and the Group's methodology used to calculate its deferred revenue; and • performed analytical procedures including analysing monthly trends and examining documentation to support variances identified that differed from my expectations of both revenue and unearned revenue.
Key audit matter	**How the audit addressed the matter**
Valuation of the net superannuation asset *Refer to Note C3 'Post employment benefits'* The valuation of the Australia Post Superannuation Scheme (the Scheme), a defined benefit scheme, was a key audit matter because it represents a significant balance in the Group's financial statements and involves significant judgement. The valuation of the liability involves complex multiple assumptions and market forces such as, salary growth, discount and inflation rates and is determined with the assistance of specialist actuaries due to its sensitivity to the movements of these long term assumptions. The Scheme holds assets including investments which are recognised at fair value. The preparation of accurate disclosures that support the users' understanding of the valuation of the net superannuation asset is also complex. The Group recognised a net superannuation asset of $918.7 million at 30 June 2018.	To address this key audit matter, I have: • engaged an expert to assist me in evaluating the appropriateness of the methodology and of the work performed by the Group's external actuary, as well as their independence and competency. Specifically, my assessment of the Group's assumptions and estimates included particular focus on the discount and inflation rates and the salary increase assumptions by comparison to accepted industry benchmarks; • conducted testing over the superannuation contribution data provided by the Group to the external actuary for accuracy and completeness; • assessed, on a sample basis, the fair value of the investments carried by the scheme to documentation supporting the reported values; and • assessed that the Group's superannuation disclosures were in accordance with Australian Accounting Standards.
Key audit matter	**How the audit addressed the matter**
Valuation of intangible assets *Refer to Note B4 'Intangible Assets'* The valuation of goodwill and indefinite life intangible assets includes an annual impairment assessment. This was a key audit matter because of the complexity related to forecasting future cash flows and the assumptions made in determining the value in use of the intangible assets. The Group engages a valuation specialist to assist management with determining the model and the discount rate. The model used is highly complex and includes assumptions based upon future expectations flowing from management decisions. The Group recognised $494.1 million in relation to goodwill at 30 June 2018.	To address this key audit matter, I have engaged an expert to assist me to assess the inputs for the impairment model including: • cash flow forecasts for reasonableness and alignment with the business plans approved by the Board; • the appropriateness of the discount rate adopted and the assumptions that have the most significant effect on valuation including terminal growth rates.

Other Information

The directors of the Group are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018 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.

Directors' Responsibility for the Financial Statements

As the directors of the Australian Postal Corporation the directors are 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 and the rules made under that Act. The directors are also responsible for such internal control as the directors determine 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 directors are 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 directors are also responsible for disclosing, as applicable, matters related to going concern 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 directors;
- conclude on the appropriateness of the directors' 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;

Financial statements audit report

- 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 report 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

23 August 2018

Consolidated statement of comprehensive income
for the year ended 30 June 2018

Consolidated ($m)	Note	2018	2017
Revenue			
Goods and services	A2	6,730.8	6,619.5
Interest	A2	18.6	6.3
	A2	6,749.4	6,625.8
Other income			
Rents	A2	39.4	41.8
Other income and gains	A2	88.2	139.6
	A2	127.6	181.4
Total income	A1, A2	**6,877.0**	**6,807.2**
Expenses (excluding finance costs)			
Employees	A3	3,051.0	3,007.3
Suppliers	A3	3,219.7	3,202.5
Depreciation and amortisation	A3	304.2	348.6
Other expenses	A3	150.7	81.6
Total expenses (excluding finance costs)	**A3**	**6,725.6**	**6,640.0**
Profit/(loss) before income tax, finance costs and share of net profits of equity-accounted investees		**151.4**	**167.2**
Finance costs	A3	(32.0)	(47.6)
Share of net profits/(losses) of equity-accounted investees	E2	6.3	6.5
Profit/(loss) before income tax		**125.7**	**126.1**
Income tax (expense)/benefit	A4	8.5	(30.7)
Net profit/(loss) for the year attributable to equity holders of Australian Postal Corporation		**134.2**	**95.4**
Net profit/(loss) for the year attributable to:			
Owners of the parent		136.5	97.0
Non-controlling interest		(2.3)	(1.6)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	C3	246.6	349.0
Other items		10.4	–
Income tax on items that will not be reclassified to profit or loss	A4	(76.5)	(104.2)
Total items that will not be reclassified to profit or loss, net of tax		**180.5**	**244.8**
Items that may be reclassified subsequently to profit or loss			
Other items		10.3	(17.1)
Reclassifications to profit or loss		2.9	–
Income tax on items that may be reclassified to profit or loss	A4	(2.9)	4.4
Total items that may be reclassified to profit or loss, net of tax		**10.3**	**(12.7)**
Other comprehensive income for the year		190.8	232.1
Total comprehensive income for the year attributable to equity holders of Australian Postal Corporation		**325.0**	**327.5**
Total comprehensive income/(loss) for the year attributable to:			
Owners of the parent		327.3	329.1
Non-controlling interest		(2.3)	(1.6)

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

Consolidated balance sheet
as at 30 June 2018

Consolidated ($m)	Note	2018	2017
Assets			
Current assets			
Cash and cash equivalents	A5	592.2	442.7
Trade and other receivables	B1	749.0	722.3
Prepayments		120.0	117.0
Inventories		50.7	50.2
Other current assets		16.2	11.1
Asset held for sale	B2	211.4	138.2
Total current assets		**1,739.5**	**1,481.5**
Non-current assets			
Finance lease receivable	E3	–	96.7
Net superannuation asset	C3	918.7	700.4
Property, plant and equipment	B3	1,599.3	1,559.8
Intangible assets	B4	741.5	859.0
Investment property	B6	168.9	169.0
Deferred tax assets	A4	386.5	400.4
Equity-accounted investees	E2	11.4	247.9
Other non-current assets		25.1	22.6
Total non-current assets		**3,851.4**	**4,055.8**
Total assets		**5,590.9**	**5,537.3**
Liabilities			
Current liabilities			
Trade and other payables	B7	957.9	1,099.8
Employee provisions	C1	749.7	772.0
Other provisions	B8	18.0	29.4
Income tax payable		36.3	85.2
Other current liabilities		13.6	12.0
Total current liabilities		**1,775.5**	**1,998.4**
Non-current liabilities			
Interest-bearing liabilities	D2	703.0	702.7
Employee provisions	C1	236.3	272.9
Other provisions	B8	45.8	44.2
Deferred tax liabilities	A4	393.2	356.4
Other non-current liabilities		70.4	44.8
Total non-current liabilities		**1,448.7**	**1,421.0**
Total liabilities		**3,224.2**	**3,419.4**
Net assets		**2,366.7**	**2,117.9**
Equity			
Contributed equity		400.0	400.0
Reserves		21.2	4.9
Retained profits		1,945.5	1,713.0
Equity attributable to equity holders of the parent		**2,366.7**	**2,117.9**

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

Consolidated statement of changes in equity

for the year ended 30 June 2018

Consolidated ($m)	Contributed equity	Reserves	Retained profits	Non-controlling interest[1]	Total equity
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					
Non-controlling interest on acquisition 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**
Comprehensive income					
Profit/(Loss) for the year	–	–	136.5	(2.3)	134.2
Other comprehensive income	–	23.6	246.6	–	270.2
Tax on other comprehensive income	–	(5.4)	(74.0)	–	(79.4)
Total comprehensive income for the year	**–**	**18.2**	**309.1**	**(2.3)**	**325.0**
Transfers within equity	**–**	**(1.9)**	**1.9**	**–**	**–**
Transactions with owners					
Recognition of non-controlling interest of subsidiary	–	–	–	3.6	3.6
Put option to acquire non-controlling interest	–	–	–	(1.3)	(1.3)
Distribution to owners (refer to Note A6)	–	–	(78.5)	–	(78.5)
Balance at 30 June 2018	**400.0**	**21.2**	**1,945.5**	**–**	**2,366.7**

1. Relates to non-controlling interest in DFE Pty Limited for which the Group holds 75 per cent of equity interest. DFE Pty Limited holds 100 per cent 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 2018

Consolidated ($m)	Note	2018	2017
Operating activities			
Cash received			
Goods and services		7,381.0	7,185.2
Interest		7.9	6.7
Income tax refund		–	3.8
Total cash received		**7,388.9**	**7,195.7**
Cash used			
Employees		3,086.2	2,941.4
Suppliers		3,707.9	3,520.8
Financing costs		31.7	35.4
Income tax		68.5	0.7
Goods and services tax paid		274.9	256.5
Total cash used		**7,169.2**	**6,754.8**
Net cash from operating activities	A5	**219.7**	**440.9**
Investing activities			
Cash received			
Proceeds from sales of property, plant and equipment		177.9	42.1
Dividends received		8.7	8.4
Proceeds from sales of held for sale assets		138.2	–
Total cash received		**324.8**	**50.5**
Cash used			
Net payments for acquisition and sale of controlled entities less cash acquired		–	5.8
Payments for investments in associates		0.4	240.7
Purchase of property, plant and equipment and investment properties		274.3	235.3
Purchase of intangibles		35.9	60.3
Payments for investments in jointly controlled entities		5.9	–
Loans to jointly controlled entities		–	3.3
Total cash used		**316.5**	**545.4**
Net cash from investing activities		**8.3**	**(494.9)**
Financing activities			
Cash received			
Proceeds from borrowings		–	279.2
Total cash received		**–**	**279.2**
Cash used			
Repayment of borrowings		–	280.0
Dividends paid		78.5	50.1
Total cash used		**78.5**	**330.1**
Net cash used by financing activities		**(78.5)**	**(50.9)**
Net increase/(decrease) in cash and cash equivalents		**149.5**	**(104.9)**
Cash and cash equivalents at beginning of year		442.7	547.6
Cash and cash equivalents at end of the year		**592.2**	**442.7**

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

Notes to the financial statements

for the year ended 30 June 2018

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 2018 was authorised for issue in accordance with a resolution of the directors on 23rd August 2018.

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 hundred thousand dollars 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 2017. 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 104
B5	Impairment of non-financial assets	Page 113
B6	Investment property	Page 114
B7	Unearned postage revenue	Page 115
B8	Other provisions	Page 116
C1	Employee provisions	Page 117
C3	Post-employment benefits	Page 123
E2	Equity-accounted investees	Page 132

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.

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.

Notes to the financial statements
for the year ended 30 June 2018

About the financial statements

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
- 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 4 to 6 of the Annual report, is reflected in the financial performance and position of the Group. These sections comprise:

- **Our business performance**: Our Group 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 Group 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 Group 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 Group 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 5 July 2018, the Group entered into an Agreement for Lease for the construction and subsequent lease of a parcel facility in Redbank, Queensland. The lease is for an initial term of 15 years, expected to commence in October 2019.

The future minimum lease payments over the initial 15-year term of the lease is $111.6 million.

Notes to the financial statements
for the year ended 30 June 2018

Our business performance

This section analyses the financial performance of the Group for the year ended 30 June 2018. The focus is on Group revenue streams, expenses, taxation, cash flows and dividend performance.

A1 Segment information

The Group has determined its operating segments on the basis of the information utilised by the Executive Management Team (being the chief operating decision makers) to decide upon the strategic direction of the Group.

The basis on which the business is managed has evolved in the current financial year. Over the past financial year, integration and optimisation of delivery networks has continued and many of our teams and facilities have been brought together in the same locations. The operating network brings together our letters and parcels teams to reduce duplication and deliver an efficient, customer-focused network. As a result of this, the Executive Management Team now contemplates business decisions on the basis of Group profitability, with the Group viewed as a single operating segment, comprising the provision of delivery and related services to customers across a shared network. Consistent with the manner in which the chief operating decision makers view performance information, total income and net profit or loss after tax have been disclosed as relevant measures of performance.

It is also noted that performance information within the single operating segment is available at a profit before tax level for reserved and non-reserved product lines. However, the business is not managed on this basis, and the information is made available only to satisfy regulatory requirements within the *Australian Postal Corporation Act 1989*.

Hence, per AASB 8 *Operating Segments*, the performance of the single operating segment of the Group has been presented in accordance with the measure utilised by the chief operating decision makers of the organisation. The performance of the Group's single operating segment at 30 June 2018 is as follows:

Consolidated ($m)	2018	2017
Products and services		
Domestic mail products	2,261.5	2,375.7
Domestic parcels & express		
– Domestic 'B2C'	2,322.1	2,114.2
– 'B2B' road business	591.8	580.1
	2,913.9	**2,694.3**
International	642.1	616.1
Retail and agency and other	966.9	962.4
Other non-product income[1]	74.0	152.4
Total revenue before interest revenue	6,858.4	6,800.9
Interest revenue	18.6	6.3
Total income	**6,877.0**	**6,807.2**
Earnings before net interest and income tax expense	139.1	167.4
Net interest	(13.4)	(41.3)
Profit/(loss) before tax	**125.7**	**126.1**
Income tax (expense)/benefit	8.5	(30.7)
Net profit/(loss) for the year	**134.2**	**95.4**

1. Other non-product income contains activities incidental to the Group's core product and service offerings. It includes items such as rental income, income relating to asset disposals, dividend income and other miscellaneous items.

Product and services information

Product and services revenue information is available at a lower level as compared to overall performance information, and is included in the information reviewed by the chief operating decision makers. As a result, this revenue information has been disclosed in relation to the single operating segment.

The following represents the primary products and services from which the Group generates income:

Mail products, domestic parcels and express services, international letters and parcels:
This relates to the collection, processing and distribution of domestic and international mail and parcel articles, along with freight forwarding operations, including business to consumer (B2C) deliveries and business to business (B2B) deliveries.

Retail and agency and other:
This relates to the provision of services across identity, digital, receiver and agency service offerings, as well as the sale of financial and retail merchandise products.

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 2018

Our business performance

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)	2018	2017
Rendering of services to:		
– Related entities[1]	247.6	237.8
– External entities[2]	6,220.4	6,116.6
	6,468.0	6,354.4
Sale of goods to external entities[2]	262.8	265.1
	6,730.8	6,619.5
Interest income from:		
– Cash and cash equivalents	7.6	5.5
– Loans and receivables	0.9	0.8
– Interest rate swaps	0.6	–
– Other	9.5	–
	18.6	6.3
Total revenue	**6,749.4**	**6,625.8**
Rents from operating leases	30.2	34.3
Income from investment property	9.2	7.5
	39.4	41.8
Net gain on disposal of land and buildings	12.7	11.2
Net gain on disposal of plant and equipment	1.5	2.8
Net gain on disposal of investment property	0.8	2.4
Gain on disposal of finance lease receivable	51.9	–
Gain on disposal of subsidiary	–	13.6
Net revaluation gain on investment property	–	93.5
Dividend revenue	8.7	–
Other income	12.6	16.2
	88.2	139.6
Total other income	**127.6**	**181.4**
Total income	**6,877.0**	**6,807.2**

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 2018, included within accrued revenue, international mail related accrual was $160.9 million (2017: $165.8 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 Universal Postal Union guidelines.

Notes to the financial statements
for the year ended 30 June 2018

A3 Expenses

Expenses for the year
The components of expenses for the year ended 30 June are as follows:

Consolidated ($m)	2018	2017
Salaries and wages	2,464.9	2,402.2
Leave and other entitlements	244.6	211.1
Superannuation expenses	255.0	276.5
Other employee expenses	86.5	117.5
Employee benefit expenses	**3,051.0**	**3,007.3**
Purchase of services from external entities	2,828.3	2,795.7
Purchase of goods from external entities	183.7	202.6
Operating lease rentals	205.2	200.1
Investment property expenditure	2.5	4.1
Supplier-related expenses	**3,219.7**	**3,202.5**
Depreciation	170.1	188.5
Amortisation	134.1	160.1
Depreciation and amortisation	**304.2**	**348.6**
Impairment of assets:		
Receivables	0.1	4.0
Inventory	6.3	6.8
Property, plant and equipment	3.1	4.1
Computer software	0.4	–
Investments:		
– Held for sale	38.5	–
– Equity-accounted	4.2	–
Intangibles:		
– Brand name intangibles	32.5	–
– Goodwill and other intangibles	6.5	3.7
	91.6	18.6
Net revaluation loss on investment property	11.9	–
Foreign exchange loss (net)	6.5	4.6
Sundry expenses	40.7	58.4
Other expenses	**150.7**	**81.6**
Total expenses	**6,725.6**	**6,640.0**

The components of finance costs for the year ended 30 June are as follows:

Consolidated ($m)	2018	2017
Bonds	32.0	33.4
Interest rate swaps	–	0.7
Other interest	–	13.5
Total finance costs	32.0	47.6

Recognition and measurement

Employee benefit expenses
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; or
- when the carrying value of an asset held for sale is lower than its fair value less cost to sell. Refer to note B2 for further discussion.

Restructuring costs
Refer to note B8 for provision-related accounting policies.

Finance 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 2018

Our business performance

A4 Taxation

Taxation for the year
The major components of tax expense are:

Consolidated ($m)	2018	2017
Statement of comprehensive income		
– current income tax charge	26.6	38.3
– adjustments for current income tax of previous years	(5.6)	0.7
– deferred income tax relating to origination and reversal of temporary differences	(30.4)	(9.0)
– adjustments for deferred income tax of previous years	0.9	0.7
Income tax expense/(benefit) reported in the statement of comprehensive income	**(8.5)**	**30.7**
Other comprehensive income		
Net remeasurements on defined benefit plans	74.0	104.7
Sundry items	5.4	(4.9)
Income tax expense/(benefit) reported in other comprehensive income	**79.4**	**99.8**
Tax reconciliation:		
Profit/(loss) before income tax	**125.7**	**126.1**
At the Group's statutory income tax rate of 30% (2017: 30%)	37.7	37.8
Adjustments relating to prior years	(4.7)	1.4
Capital gains and losses		
– Property	(47.3)	(6.5)
– Other	–	(3.7)
Sundry items	5.8	1.7
Income tax expense/(benefit) on profit/(loss) before tax	**(8.5)**	**30.7**

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 items are 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, associates and joint ventures:
  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; and
  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 2018

Deferred income tax in the balance sheet relates to the following:

	2018	2017
Accrued income	(61.2)	(88.3)
Intangibles	(9.9)	(21.3)
Research and development	(32.7)	(30.3)
Net superannuation asset	(275.6)	(210.1)
Other	(13.8)	(6.4)
Deferred tax liabilities	**(393.2)**	**(356.4)**
Property, plant and equipment	22.2	17.0
Accrued and other payables	27.2	25.9
Provisions	305.9	326.6
Make good	14.0	13.2
Other	17.2	17.7
Deferred tax assets	**386.5**	**400.4**
Net deferred tax assets	**(6.7)**	**44.0**

Deferred income tax in the statement of comprehensive income relates to the following:

Provisions	20.7	1.5
Research and development	2.4	2.1
Intangibles	(11.4)	(3.6)
Accelerated tax depreciation	(5.2)	(15.6)
Accrued and other payables	(1.3)	2.6
Accrued income and other	(27.1)	17.6
Net superannuation asset	(8.5)	(15.7)
Make good	(0.8)	(0.5)
Other	1.7	3.3
Deferred income tax expense	**(29.5)**	**(8.3)**

Tax consolidation

Australian Postal Corporation (the head entity) and its 100 per cent owned Australian resident subsidiaries (members) formed a tax consolidated group effective 1 July 2002. DFE Pty Ltd (the head entity) and its 100 per cent 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 2018

Our business performance

A5 Cash flows

Consolidated ($m)	2018	2017
Cash on hand	592.2	442.7
Total cash and cash equivalents	**592.2**	**442.7**

The reconciliation of net profit after tax to net cash provided by operating activities for the year ending 30 June is as follows:

Consolidated ($m)	2018	2017
Net profit/(loss) for the year	**134.2**	**95.4**
Impairment of assets:		
Property, plant and equipment	3.1	4.7
Brand name intangibles	32.5	–
Assets held for sale	38.5	–
Equity-accounted investees	4.2	–
Intangibles (including goodwill)	6.9	3.1
Receivables and inventory	6.4	10.8
	91.6	18.6
Depreciation and amortisation	304.2	348.6
Net revaluation (gain)/loss on investment property	11.9	(93.5)
Net gain from sales of property, plant and equipment, subsidiary and finance lease receivable	(66.9)	(30.0)
Sundry items	(15.2)	(4.3)
	325.6	**239.4**

Changes in assets and liabilities adjusted for the acquisition and disposal of businesses

	2018	2017
(Increase)/decrease in assets:		
Receivables	(53.1)	8.4
Other current assets	(4.5)	(39.5)
Deferred income tax asset	13.8	(12.9)
Net superannuation asset	28.3	52.2
Increase/(decrease) in liabilities:		
Creditors, other payables and accruals	(72.0)	44.8
Employee entitlements	(63.5)	6.4
Income tax payable	(51.5)	46.7
Deferred tax liability	(37.6)	–
	(240.1)	106.1
Net cash from operating activities	**219.7**	**440.9**

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 Statement of cash flows 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)	2018	2017
Final ordinary dividend (from prior year results)	33.2	20.0
Interim ordinary dividend	45.3	30.1
Total dividends paid	**78.5**	**50.1**
Dividend not recognised as a liability	37.8	33.2

Notes to the financial statements
for the year ended 30 June 2018

Our asset platform

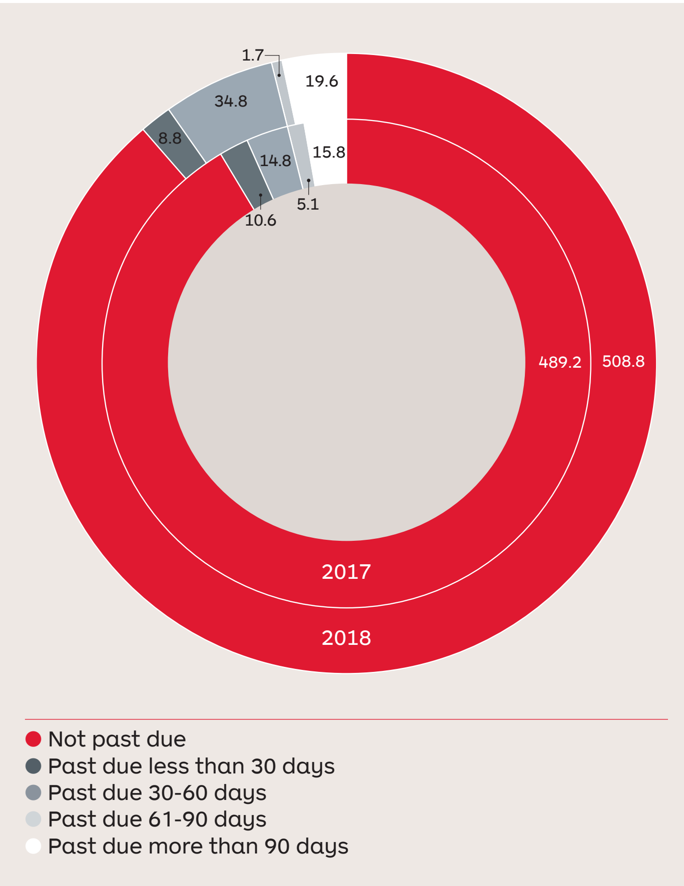
This section analyses the primary elements of our asset platform used to generate the Group's financial performance and operating liabilities incurred as a result.

B1 Receivables

The composition of trade and other receivables at 30 June is:

Consolidated ($m)	2018	2017
Trade receivables	570.0	526.4
Allowance for doubtful debts	(6.3)	(7.4)
	563.7	519.0
Accrued revenue	181.6	194.2
Other receivables	3.7	9.1
Total current trade and other receivables	**749.0**	**722.3**

Total current 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. International customers are settled in accordance with Universal Postal Union arrangements that may be longer than 30 days.

Analysis of ageing and recoverability

At 30 June 2018, no material receivables are individually determined to be impaired, with the total receivables determined to be impaired being $6.3 million (2017: $7.4 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 Assets held for sale

The amount recognised in the balance sheet at 30 June is represented by the following:

Consolidated ($m)	2018	2017
Investment in associate	211.4	–
Investment properties	–	138.2
Assets held for sale	**211.4**	**138.2**

Investment in Aramex PJSC

During the year, the Group has reviewed its international strategy. As a result of this review, the Group has committed to sell its 10.01 per cent shareholding in Aramex PJSC, an individually material investment in associate. The timing of divestment will be subject to market conditions.

The impairment loss recognised, as a result of measuring the investment at fair value, as represented by the observable market price of Aramex PJSC shares on the Dubai Financial Market, is $38.5 million. The Group categorises this as a level one measurement as per the fair value hierarchy described in note D4.

The observable market price of Aramex PJSC shares on the Dubai Financial Market is denominated in United Arab Emirates dirhams (AED), a currency pegged to United States dollars (USD). Based on the exposure to AED from the Group's investment at the reporting date, the effect on profit after tax as at 30 June from a 9.2 per cent favourable or unfavourable change in the Australian dollar would be ($17.8 million) or $21.4 million respectively. The Group manages its AED exposure using USD forward exchange contracts as described in note D3.

Notes to the financial statements
for the year ended 30 June 2018

Our asset platform

B2 Assets held for sale (continued)

Spencer Street Investment Property
During the comparative 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 in the comparative year, as a result of measuring the investment property at fair value, as represented by the contracted sale price, was $88.4 million. The Group categorised this as a level one measurement as per the fair value hierarchy described in note D4.

All remaining conditions precedent were satisfied and cash settlement occurred on 28 July 2017.

Recognition and measurement
Assets are classified as held for sale where their carrying amount will be recovered principally through a highly probable sale transaction rather than continuing use. Assets held for sale are measured at fair value less costs to sell.

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 and Buildings	Plant and equipment	Total
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**
Additions	2.1	100.1	102.2	136.9	239.1
Depreciation	–	(61.2)	(61.2)	(108.9)	(170.1)
Disposals	(0.7)	(0.8)	(1.5)	(3.8)	(5.3)
Sundry items[1]	(1.2)	3.1	1.9	(26.1)	(24.2)
Gross book value	225.1	1,483.9	1,709.0	1,558.4	3,267.4
Accumulated depreciation	–	(842.5)	(842.5)	(825.6)	(1,668.1)
Net book value at 30 June 2018	**225.1**	**641.4**	**866.5**	**732.8**	**1,599.3**

1. Sundry items include $19.8 million of transfers to intangible assets (2017: $7.0 million of transfers from intangible assets), impairment losses of $3.1 million (2017: $4.1 million), $1.3 million transfers to investment properties (2017: $0.5 million) and nil additions from acquisition of subsidiaries (2017: $0.5 million).

Notes to the financial statements
for the year ended 30 June 2018

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 expected 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 future reporting periods, as appropriate.

A summary of the useful lives of property, plant and 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)	2018	2017
Property, plant and equipment	117.5	100.9

B4 Intangible assets

The reconciliation of the opening and closing balances of intangible assets at 30 June is as follows:

Consolidated ($m)	Computer software	Goodwill	Brand names & trade marks	Customer relationships	Other intangibles	Total intangibles
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	60.0	–	–	–	0.5	60.5
Amortisation expense	(147.9)	–	(7.9)	(0.4)	(3.9)	(160.1)
Sundry items[1]	(0.4)	1.7	6.4	0.6	0.1	8.3
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**
Additions	36.5	–	–	–	0.1	36.6
Amortisation expense	(128.7)	–	(1.4)	(0.2)	(3.8)	(134.1)
Sundry items[1]	19.4	(6.5)	(32.5)	–	(0.4)	(20.0)
Gross book value	1,078.2	494.1	40.3	2.8	11.5	1,626.9
Accumulated amortisation	(863.9)	–	(10.4)	(2.5)	(8.6)	(885.4)
Net book value at 30 June 2018	**214.3**	**494.1**	**29.9**	**0.3**	**2.9**	**741.5**

1. Sundry items includes impairment of the P|StarTrack brand name of $32.5 million, goodwill impairment of $6.5 million and other impairment losses of $0.4 million (2017: $3.1 million of goodwill impairment), $19.8 million of transfers from property, plant & equipment (2017: $7.0 million of transfers to property, plant & equipment), disposals of $0.4 million (2017: $0.2 million) and nil additions from acquisition of subsidiaries (2017: $18.6 million).

Notes to the financial statements
for the year ended 30 June 2018

Our asset platform

B4 Intangible assets (continued)

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 Impairment of non-financial assets.

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.

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	Finite not exceeding 10 years[1]
Customer relationships	Finite up to 7 years
Other intangibles	Finite up to 3 years

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)	2018	2017
Goodwill – P|StarTrack	492.9	488.1
Goodwill – Other CGUs	1.2	12.5
Brand name – P|StarTrack[1]	–	61.3
	494.1	**561.9**

1. During the year, the Group reviewed its strategy in relation to the StarTrack brand name intangible asset, which was previously assigned an indefinite useful life. As a result of the review, the useful life of the asset has been reassessed as finite (10 years). A reassessment of useful life from indefinite to finite constitutes an indicator of impairment and an impairment has been recognised – refer to note B5. Amortisation of the recoverable amount of $28.8 million will commence 1 July 2018.

There are no other indefinite life brand name intangible assets allocated to the Group's CGUs.

Commitments
Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

Consolidated ($m)	2018	2017
Intangible assets	1.7	3.1

Notes to the financial statements
for the year ended 30 June 2018

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.

Impairment testing for CGUs containing goodwill
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 growth rates 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 cash generating unit 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.

Recognised impairment

StarTrack brand name
During the year, the Group reviewed its strategy in relation to the StarTrack brand name. The brand name intangible asset, which management had previously not considered to have a foreseeable brand maturity date, is now expected to have a probable usage tenure of 10 years from the reporting date.

Accordingly, the Group has estimated the recoverable amount of the brand name intangible asset individually, as its value in use can be estimated to be close to its fair value. The recoverable amount, estimated at $28.8 million, representing its value in use, was determined using a post-tax discount rate of 7.8 per cent. Accordingly, an impairment loss of $32.5 million has been recognised.

CGUs containing goodwill
There was no material impairment recognised during the 2018 financial year.

Key assumptions for impairment testing for CGUs containing goodwill
The value in use calculations used to determine the recoverable amount of all CGUs includes 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	2018	2017	2018	2017	2018	2017
P|StarTrack CGU	8.4	4.2	2.0	2.0	7.6	7.8
Other CGUs	1.7 – 2.3	3.5 – 15.0	1.7 – 2.0	2.5	8.5 – 9.6	8.5 – 9.0

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of any CGUs containing goodwill to change materially.

Notes to the financial statements
for the year ended 30 June 2018

Our asset platform

B6 Investment property

Investment property as at 30 June is as follows:

Consolidated ($m)	2018	2017
Investment property	168.9	169.0

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 64 per cent (2017: 75 per cent) 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 CBRE Group Inc. (CBRE) (2017: Savills), an accredited, external and independent valuer. CBRE 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 2018 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.

Notes to the financial statements
for the year ended 30 June 2018

B7 Payables

The components of payables at 30 June are as follows:

Consolidated ($m)	2018	2017
Trade creditors	476.5	575.9
Agency creditors[1]	105.1	104.3
Salaries and wages	57.1	57.4
Unearned postage revenue	63.5	57.4
Other advance receipts	137.0	141.4
Borrowing costs	3.8	3.9
Other payables	114.9	159.5
Total current trade and other payables	**957.9**	**1,099.8**

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 remains 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 arrangements, which may be longer than 30 days. Salaries and wages are accrued for in accordance with note C1.

Unearned postage income 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 2018

Our asset platform

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 2016	**52.8**	**17.8**	**17.3**	**87.9**
– current provision	**8.8**	**9.0**	**17.3**	**35.1**
– 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**
Reassessments and additions	4.4	1.6	1.5	7.5
Unused amount reversed	(1.4)	(1.7)	(3.6)	(6.7)
Utilised	(0.9)	(3.8)	(5.8)	(10.5)
Discount rate adjustment	(0.1)	–	–	(0.1)
Balance at 30 June 2018	**53.6**	**4.0**	**6.2**	**63.8**
– current provision	**10.3**	**1.5**	**6.2**	**18.0**
– non-current provision	**43.3**	**2.5**	**–**	**45.8**

1. Includes legal provisions $4.4 million (2017: $6.5 million), other provisions $1.8 million (2017: $6.3 million) and onerous agreement provisions Nil (2017: $1.3 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:

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 2018

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)	2018	2017
Current provisions		
Employee provisions:		
Annual leave	179.9	179.8
Long service leave	377.0	370.0
Separations and redundancy[1]	68.3	93.4
Incentives/bonuses	86.5	92.2
Other employee	2.1	2.5
	713.8	737.9
Employee-related provisions:		
Workers' compensation	35.9	34.1
Balance at 30 June	**749.7**	**772.0**
Non-current provisions		
Employee provisions:		
Long service leave	54.1	55.6
Separations and redundancy[1]	41.2	78.9
Incentives/bonuses	–	2.3
	95.3	136.8
Employee-related provisions:		
Workers' compensation	141.0	136.1
Balance at 30 June	**236.3**	**272.9**

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 indicates that a probable constructive obligation exists.

Separation and redundancy

Separation and redundancy provisions are recognised when the recognition criteria for provisions is 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.

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 rate; 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 $34.3 million of claims made in the 2018 financial year (2017: $33.7 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.

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for the year ended 30 June 2018

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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 Board Directors, the Group Chief Executive Officer and Managing Director and senior executives who report directly to the Group Chief Executive Officer and Managing Director and who have authority and responsiblity for planning, directing and controlling the activities of the organisation. 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 ($)	**2018**	**2017**
Short-term employee benefits[1]	11,548,374	14,291,611
Post employment benefits	299,178	2,064,963
Other long-term benefits[2]	885,990	3,058,727
Termination/retirement benefits	1,448,283	–
Total key management personnel remuneration	**14,181,825**	**19,415,301**

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)	**2018**	**2017**
Senior executives	9	8
Directors	9	10
	18	**18**

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.

Other key management personnel transactions with the Group

Andrew Parker was on secondment from PricewaterhouseCoopers (PwC) filling the role of Executive General Manager (EGM) International Services (Acting). Andrew's secondment concluded on 13 July 2018 following the appointment of the permanent incumbent, Annette Carey. The secondment fees were paid directly to PwC. PwC provide various accounting and consulting services to the Group.

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for the year ended 30 June 2018

Key management personnel remuneration by individual

The tables below reflect an extract from the Australia Post Remuneration Report contained on pages 75 to 87 of the Annual Report. These tables should be read in conjunction with the remuneration report.

Remuneration received directly or indirectly by key management personnel under an accrual basis for the most recent financial year 2018 and previous financial year 2017 is as follows:

Board Directors' remuneration

		Short-term benefits	Post-employment contributions	
Directors ($)	Year	Director Fees[8]	Super-annuation[9]	Total
John Stanhope AM (Chairman)	**2018**	**186,180**	**17,687**	**203,867**
	2017	182,520	17,339	199,859
Holly Kramer[1] (Deputy Chair)	**2018**	**114,680**	**10,895**	**125,575**
	2017	102,498	9,737	112,235
Bruce McIver	**2018**	**103,900**	**9,871**	**113,771**
	2017	101,850	9,676	111,526
Tony Nutt[2]	**2018**	**33,130**	**3,147**	**36,277**
	2017	–	–	–
The Hon. Michael Ronaldson	**2018**	**102,300**	**9,719**	**112,019**
	2017	100,290	9,528	109,818
Paul Scurrah[3]	**2018**	**101,621**	**9,654**	**111,275**
	2017	750	71	821
Jan West AM	**2018**	**114,670**	**10,894**	**125,564**
	2017	110,761	10,522	121,283
Deidre Willmott[4]	**2018**	**103,103**	**9,795**	**112,898**
	2017	750	71	821
Former Directors ($)				
Brendan Fleiter[5] (Deputy Chair)	**2018**	**–**	**–**	**–**
	2017	96,228	10,393	106,621
Michael Byrne[6]	**2018**	**–**	**–**	**–**
	2017	46,879	4,453	51,332
Dominique Fisher[7]	**2018**	**41,761**	**3,967**	**45,728**
	2017	100,290	9,528	109,818
Total (9 directors)	**2018**	**901,345**	**85,629**	**986,974**
Total (10 directors)	2017	842,816	81,318	924,134

1. Holly Kramer appointed as Acting Deputy Chair 30 May 2017 and Deputy Chair 27 June 2017.
2. Tony Nutt appointed to the Board 2 March 2018.
3. Paul Scurrah appointed to the Board 27 June 2017.
4. Deidre Willmott appointed to the Board 27 June 2017.
5. Brendan Fleiter retired from the Board 29 May 2017.
6. Michael Byrne resigned from the Board 15 December 2016.
7. Dominique Fisher retired from the Board 26 November 2017.
8. Board Director fees are set by the Remuneration Tribunal and paid in cash.
9. Minimum superannuation contributions are provided as prescribed under Superannuation Guarantee legislation.

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for the year ended 30 June 2018

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C2 Key management personnel remuneration and retirement benefits (continued)

Senior Executives remuneration

		Short-term employee benefits				Post-employment contributions	Long-term employee benefits			Other	
Senior Executives ($)	Year	Base salary[9] $	Annual leave[10] $	Non-monetary benefits[11] $	Short-term annual incentive[12] $	Super -annuation[13] $	Short-term incentive deferred[14] $	Long service leave[15] $	Long-term incentive[16] $	Termination benefits[17] $	Total $
Christine Holgate[1]	2018	902,063	69,389	32,868	515,625	20,049	85,938	20,894	–	–	1,646,826
	2017	–	–	–	–	–	–	–	–	–	–
Robert Black	2018	1,129,951	86,919	–	885,500	20,049	73,719	44,568	–	–	2,240,706
	2017	830,384	63,876	–	691,688	19,616	160,969	17,340	330,000	–	2,113,873
Christopher Blake	2018	771,404	59,996	–	612,000	20,049	29,531	27,224	–	–	1,520,204
	2017	728,275	56,021	–	610,313	19,616	85,406	11,968	298,000	–	1,809,599
Christine Corbett[2]	2018	891,165	68,551	–	669,375	101,646	32,484	38,372	–	875,000	2,676,593
	2017	721,786	55,522	–	671,345	83,353	94,359	2,914	320,000	–	1,949,279
Janelle Hopkins	2018	804,951	61,919	–	635,250	20,049	58,406	27,475	–	–	1,608,050
	2017	709,288	54,561	–	610,313	19,616	29,531	31,006	146,667	–	1,600,982
Gary Starr[4]	2018	192,258	14,789	–	103,991	6,646	5,571	13,339	–	–	336,594
	2017	–	–	–	–	–	–	–	–	–	–
Andrew Walduck	2018	742,347	61,919	27,319	631,125	20,049	29,531	29,255	–	573,283	2,114,828
	2017	654,815	53,987	47,017	610,313	19,616	29,531	17,829	250,000	–	1,683,108
Former Senior Executives ($)											
Ahmed Fahour AO[5, 6]	2018	145,926	10,569	–	–	5,012	362,475	7,208	–	–	531,190
	2017	1,902,250	137,769	102,562	2,174,850	1,747,914	733,449	38,133	–	–	6,836,927
Peter Bass[7]	2018	–	–	–	–	–	–	–	–	–	–
	2017	485,256	34,827	–	368,430	54,298	38,338	72,202	167,200	–	1,220,551
Laz Cotsios[8]	2018	–	–	–	–	–	–	–	–	–	–
	2017	543,304	41,793	–	488,250	19,616	23,625	13,593	146,667	–	1,276,848
Senior Executive Engaged Under Secondment Arrangement		Payment[9] $									
Andrew Parker[3]	2018	519,860	–	–	–	–	–	–	–	–	519,860
	2017	–	–	–	–	–	–	–	–	–	–
Total (9 executives)	2018	6,099,925	434,051	60,187	4,052,866	213,549	677,655	208,335	–	1,448,283	13,194,851
Total (8 executives)	2017	6,575,358	498,356	149,579	6,225,502	1,983,645	1,195,208	204,985	1,658,534	–	18,491,167

1. Christine Holgate was appointed as the Group Chief Executive Officer and Managing Director on 30 October 2017.
2. Christine Corbett was appointed to the role of Acting Managing Director & Group CEO between 29 July 2017 and 29 October 2017.
3. Andrew Parker is seconded from PwC on a consulting basis from 15 January 2018. Remuneration reflects consulting fees paid to PwC for the secondment. Andrew Parker is remunerated separately by PwC.
4. Gary Starr was appointed as a KMP on 1 March 2018.
5. Ahmed Fahour AO resigned from the position of Managing Director & Group CEO (MD & GCEO) with Australia Post with effect from 28 July 2017.
6. The 2017 superannuation of the former 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.
7. Peter Bass ceased as a KMP on 30 June 2017.
8. Laz Cotsios ceased as a KMP on 30 June 2017.
9. Base salary comprises cash salary excluding annual leave accrued. In the case of Andrew Parker, the payment amount comprises consulting fees paid to PwC for his secondment. Andrew Parker is remunerated separately by PwC.
10. Annual leave comprises the total amount of leave accrued on a non-cash basis for the period as required by RMG 125 *Commonwealth Entities Financial Statements Guide*.
11. Non-monetary benefits for Christine Holgate comprises accommodation costs paid by the Corporation for the first nine months of her tenure in accordance with the determination set by the Remuneration Tribunal. Non-monetary benefits for other KMP 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).
12. Short-term annual incentive comprises accrued short-term incentives and bonuses payable within 12 months of the end of the period.
13. 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 per cent. If the employee is a member of a defined contribution plan, the benefit is calculated at 9.5 per cent in accordance with the applicable legislation.
14. 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. The short-term incentive deferred amount for the former MD & GCEO for the 2018 financial year of $362,475 represents 50 per cent of the deferred component of the incentive payment awarded for performance in the 2016/17 financial year. The total deferred amount will be payable subject to certain performance conditions being met.
15. Long service leave comprises the amount of leave accrued for the period.
16. Long-term incentive accrued in 2017 for payment of the second tranche of the 2015 to 2017 long-term incentive plan on 1 November 2018.
17. Termination benefits are payments that may be made in relation to the termination of the KMP role.

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for the year ended 30 June 2018

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 per cent of their ordinary time earnings and all other employees receive 9.5 per cent 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)	2018	2017
Current service cost	176.3	193.0
Past service cost	–	–
Interest cost on benefit obligation	123.8	113.7
Interest income on plan assets	(147.4)	(122.3)
Plan expenses	9.9	12.8
Defined benefit superannuation expense	**162.6**	**197.2**

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	3,350.6	3,506.8
Interest cost	123.8	113.7
Current service cost	176.3	193.0
Benefits paid and payable	(299.9)	(283.7)
Past service cost	–	–
Actuarial (gain)/loss due to changes in financial assumptions	(131.2)	(169.5)
Actuarial (gain)/loss due to changes in demographic assumptions	(9.6)	–
Other remeasurements	69.4	(9.7)
Closing defined benefit obligation at 30 June[1]	**3,279.4**	**3,350.6**

Changes in the fair value of the plan assets

Consolidated ($m)	2018	2017
Opening fair value of plan assets at 1 July	4,051.0	3,910.4
Return on plan assets	127.1	189.6
Interest income on plan assets	147.4	122.3
Contributions by employer	134.3	145.0
Benefits paid and payable	(299.9)	(283.7)
Plan expenses	(9.9)	(12.8)
Contributions tax reserve	(18.7)	(19.8)
Other remeasurements	66.8	–
Fair value of plan assets at 30 June[1]	**4,198.1**	**4,051.0**

1. Excluded from the obligation and plan assets above is $3,563.2 million (2017: $3,578.4 million) relating to member financed accumulated benefits.

Amount recognised in other comprehensive income

Remeasurements on liability	71.4	179.2
Return on plan assets excluding interest income	127.1	189.6
Remeasurements on asset	66.8	–
Contributions tax	(18.7)	(19.8)
Total amount to be recognised in other comprehensive income	**246.6**	**349.0**

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, certain employees of 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 2018 totalled $3,563.2 million (2017: $3,578.4 million) and have been excluded from the disclosures.

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C3 Post-employment benefits (continued)

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 $128.0 million for the year ended 30 June 2019.

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)	2018	2017
Active Market		
Cash	442.6	339.8
Australian public equities	359.9	411.6
International public equities	1,179.2	1,027.0
Emerging markets public equities	258.0	261.0
Australian public debt	674.6	575.8
International public debt	167.9	166.6
Inactive Market		
Equities and debt	870.9	1,078.6
Real estate	104.8	190.6
Alternative credit	140.2	–
	4,198.1	**4,051.0**

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 Australia 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 2018 is $12.6 million (2017: $12.7 million).

Amount recognised in the balance sheet

The amount recognised in the balance sheet as at 30 June is as follows:

Consolidated ($m)	2018	2017	2016	2015	2014
Present value of benefit obligation (wholly funded)	(3,279.4)	(3,350.6)	(3,506.8)	(3,310.7)	(3,685.9)
Fair value of plan assets	4,198.1	4,051.0	3,910.4	3,923.6	3,726.5
Contributions tax reserve	–	–	–	–	7.2
Net superannuation asset/(liability)[1]	**918.7**	**700.4**	**403.6**	**612.9**	**47.8**

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.

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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:

	Actuarial assumption (%)		Sensitivity ($m)			
			Rate increase of 1%		Rate decrease of 1%	
Consolidated	2018	2017	2018	2017	2018	2017
Discount rate	3.8	3.8	(220.5)	(232.1)	253.0	259.7
Future inflationary salary increases (for year to 30 June 2020)*	2.0	2.0	–	–	–	–
Future inflationary salary increases (the period thereafter)*	2.0	2.5	206.2	141.4	(178.2)	(132.3)

* 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.

Maturity profile
The duration of the liabilities is approximately 8.5 years (2017: 8 years), calculated using expected benefit payments on an accrual basis.

Accumulation post-employment benefits
Australia Post pays the Superannuation Guarantee contribution (9.5 per cent, except Australia Post and StarTrack award level employees who receive 12 per cent 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)	2018	2017
Accumulation superannuation expense	92.4	79.3

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.

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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 and 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 Group 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 (2017: 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, foreign currency risk and commodity risk.

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 2018, the maximum credit risk in respect to guarantees is $248.8 million (2017: $236.0 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 (2017: A- or better).

Liquidity risk
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.

Maturity of financial liabilities
The tables below detail the Group's remaining contractual maturity for its material non-derivative financial liabilities, as well as cash outflows arising from derivative financial instruments.

The tables present undiscounted cashflows 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 tables include both interest and principal cashflows. Where interest cash flows are floating rate, the undiscounted amount is derived from the interest rate curves at the end of the reporting period.

The tables also include 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.

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Consolidated ($m)	Contractual maturity (nominal cash flows) 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 2018						
Trade and other payables	629.8	–	–	–	**629.8**	**629.8**
Bonds payable	32.3	32.4	411.7	385.0	**861.4**	**703.0**
Hedge foreign exchange contracts (net settled)	8.5	0.3	–	–	**8.8**	**8.8**
	670.6	**32.7**	**411.7**	**385.0**	**1,500.0**	**1,341.6**
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**
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**

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, while 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.

Consolidated ($m)	Carrying amount 2018	2017
Financial assets		
Cash and cash equivalents (floating rate)	425.0	294.7
Financial liabilities		
Bonds payable (fixed rate)	603.0	602.7
Bonds payable (floating rate)	100.0	100.0
Interest rate swaps (fixed rate)	(140.1)	–
Interest rate swaps (floating rate)	140.0	–

Interest rate risk sensitivity
An interest rate sensitivity analysis of the Group at the reporting date has been performed, using a 20 basis point (2017: 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, the sensitivity analysis indicated that the impact on profit after tax at reporting date would be $0.6 million (2017: $0.4 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.

On this basis, the weighted average duration of debt is 4.8 years (2017: 5.8 years).

Consolidated ($m)	2018	2017
Payable in 1 – 5 years[1]	349.7	349.5
Payable in over 5 years[1]	353.3	353.2
Total non-current loan liabilities	**703.0**	**702.7**

1. A portion of loan liabilities are designated in fair value hedge relationships and adjusted by the gain/loss attributable to interest rate risk. The remainder is measured at amortised cost.

Notes to the financial statements
for the year ended 30 June 2018

Our funding structure and management of our financial risks

D2 Managing our financial risks (continued)

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 (JPY), EUR, British pound and Chinese renminbi (CNH)). 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 and collars. These aim to mitigate the volatility experienced in the statement of comprehensive income 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.

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), foreign currency bank accounts and the Group's investment in Aramex PJSC.

Foreign currency sensitivity
The following table also details the effect on profit after tax as at 30 June 2018 from a 9.2 per cent (2017: 10.2 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 +9.2%		Exchange -9.2%	
Consolidated AUD ($m)	Exposure	Impact on profit	Impact on equity	Impact on profit	Impact on equity
2018					
Financial assets					
Cash on hand	2.7	(0.2)	–	0.2	–
Trade and other receivables	262.7	(16.9)	–	16.9	–
Other assets	3.3	2.8	11.5	(2.8)	(11.5)
Financial liabilities					
Trade and other payables	(89.2)	5.7	–	(5.7)	–
Other liabilities	(12.1)	4.9	3.8	(4.9)	(3.8)
Net exposure	**167.4**	**(3.7)**	**15.3**	**3.7**	**(15.3)**

		Exchange +10.2%		Exchange –10.2%	
	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	(16.2)	–	16.2	–
Other assets	1.7	(0.1)	8.3	0.1	(8.3)
Financial liabilities					
Trade and other payables	(78.2)	5.6	–	(5.6)	–
Other liabilities	(3.8)	0.7	(2.0)	(0.7)	2.0
Net exposure	**150.9**	**(10.3)**	**6.3**	**10.3**	**(6.3)**

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Of the total $167.4 million of foreign currency denominated exposures, $167.3 million is SDR and $0.1 million made up of USD, Hong Kong dollar (HKD) and EUR (2017: Total of $150.9 million of foreign currency denominated exposures is $142.8 million in SDR, $4.1 million is USD and $3.9 million in HKD, EUR, JPY, CNH and GBP).

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 2018 and 30 June 2017. 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.

Commodity price risk management
Commodity price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices. The Group's objective on commodity price risk management is to ensure that movements in commodity prices do not adversely affect operating costs. The hedging strategy is set annually as part of the planning process and the hedging activities are evaluated monthly.

Exposure
The Group is exposed to commodity prices directly through the bulk purchase of fuel, and indirectly arising from contractual pricing mechanisms with third party providers. The risk is measured by reviewing forecast commodity exposures monthly and managed by entering into long term supply contracts, the use of fuel surcharges, and through the use of commodity swap and commodity option contracts.

For the year, the Group has elected to adopt hedge accounting in respect of some of its fuel hedging exposures. The fair value of contracts designated as hedging instruments is a net asset of $8.2 million (2017: net liability of $3.0 million) for the Group.

Commodity sensitivity
Based on a change in the most significant input, such as commodity prices, by an increase/(decrease) of 9.2 per cent using Australian Government Department of Finance guidance, with all other variables held constant, would increase/(decrease) profit after taxation by $0.1 million and increase/(decrease) equity by $2.8 million (2017: increase/(decrease) profit after tax by $0.1 million and increase/(decrease) equity by $2.3 million).

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 several interest rate swap contracts which all settled on a quarterly basis, totalling $140.0 million, hedging debt maturing in 2023 and 2026.

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)
2018		
From 1–5 years	5.5	70.0
	4.0	70.0
2017		
From 1–5 years	–	–

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. The fair value of foreign currency contracts designated as hedging instruments is a net liability of $8.8 million (2017: net liability of $2.1 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 five to 20 years after the assets are available for use.

The Group hedges its expected SDR revenue flows and the hedged exposures are in a hedge accounting relationship with monthly revaluations recorded in the cashflow hedge reserve.

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for the year ended 30 June 2018

Our funding structure and management of our financial risks

D3 Using derivatives to hedge risks (continued)

The following table details the foreign currency contracts outstanding as at balance date:

Consolidated	Average exchange rate	Notional amount (foreign currency) ($m)
BUY USD		
0–6 months	0.739	19.0
7–12 months	0.779	12.7
over 12 months	0.789	6.1
		37.8
BUY EUR		
0-6 months	0.638	9.5
7-12 months	0.629	8.3
over 12 months	0.616	4.0
		21.8
BUY JPY		
0–6 months	84.205	281.6
7–12 months	79.393	255.7
over 12 months	80.485	123.7
		661.0
BUY GBP		
0–6 months	0.572	2.4
7–12 months	0.566	1.8
over 12 months	0.559	0.8
		5.0
BUY CNH		
0–6 months	5.090	24.1
7–12 months	5.083	21.9
over 12 months	5.139	10.6
		56.6
BUY SDR		
0–6 months	1.861	11.4
7–12 months	1.871	10.2
		21.6

Consolidated	Average exchange rate	Notional amount (foreign currency) ($m)
SELL USD		
0–6 months	0.744	104.8
7–12 months	0.758	12.5
over 12 months	0.768	6.1
		123.4
SELL EUR		
0–6 months	0.622	9.2
7–12 months	0.613	8.3
over 12 months	0.601	4.0
		21.5
SELL JPY		
0–6 months	81.478	281.6
7–12 months	81.993	255.7
over 12 months	78.014	123.7
		661.0
SELL GBP		
0–6 months	0.558	2.0
7–12 months	0.564	1.8
over 12 months	0.544	0.8
		4.6
SELL CNH		
0–6 months	4.964	24.1
7–12 months	4.960	21.9
over 12 months	5.003	10.6
		56.6
SELL SDR		
0–6 months	1.901	42.9
7–12 months	1.914	31.2
over 12 months	1.912	19.8
		93.9

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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

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 or 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.

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 or 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 income statement when the hedged transaction affects profit or 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. The maturity profile of cash flow hedges is shown in note D2.

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for the year ended 30 June 2018

Our funding structure and management of our financial risks

D3 Using derivatives to hedge risks (continued)

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 and losses attributable to the risk being hedged. The derivative is also remeasured to fair value, with the net gain or 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 or 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.

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 reassessing 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
2018		
Financial assets		
Finance lease receivable	–	–
Financial liabilities		
Bonds payable	703.0	743.1
2017		
Financial assets		
Finance lease receivable	103.2	120.1
Financial liabilities		
Bonds payable	702.7	744.4

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:

	2018 %	2017 %
AlphaCommerceHub Pty Ltd (formerly DFE Transport Pty Ltd)[1]	50.01	100
AP Innovation Ventures Pty Ltd[1]	100	100
AP International Holdings Pty Ltd[1]	100	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[9]	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[1,10]	100	100
Australian Express Freight Pty Limited[1,11]	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
Mail Call Bikes Pty Ltd[1]	100	100
Mail Call Commercial Pty Ltd[1]	100	100
Mail Call Couriers Pty Limited[9]	100	100
Mail Call Couriers Melbourne Pty Ltd[1]	100	100
Mail Call Motor Bikes Pty Ltd[1]	100	100
Mail Call Non Commercial Pty Ltd[1]	100	100

	2018 %	2017 %
Mail Call Queensland Pty Ltd[1]	100	100
Mail Call Services Pty Ltd[1]	100	100
Mail Call South Australia Pty Ltd[1]	100	100
Mail Call Western Australia Pty Ltd[1]	100	100
Mail Plus Pty Ltd[1,8]	75	75
Mardarne Pty. Ltd.[1,12]	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
POLi Payments Pty Ltd[1]	100	100
Post Fulfilment Online Pty Ltd[1]	100	100
Postcorp Developments Pty Ltd[1]	100	100
PostLogistics (Hong Kong) Pte Limited[3]	100	100
SecurePay Holdings Pty Ltd[9]	100	100
SecurePay Pty. Ltd.[9]	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
Wantitnow Australia Pty Ltd[1]	100	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 has been wound up 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. 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.
10. Trust company of Darra No 1 Trust and Minchinbury No 1 Trust.
11. Trust company of Darra No 2 Trust and Minchinbury No 2 Trust.
12. Trust company of Mardarne No 1 Trust.
13. The parent entity, Australian Postal Corporation, is Trust company for The Australia Post Shelf Trust (Number 1) and The Australia Post Shelf Trust (Number 2).

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Other information

E2 Equity-accounted investees

Consolidated ($m)	2018	2017
Equity-accounted investees	11.4	247.9

Consolidated ($m)	2018	2017
Net profits from operations	6.3	6.5
Other comprehensive income/(losses)	5.0	(4.2)
Total comprehensive income	**11.3**	**2.3**

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 is as follows:

Consolidated ($m)	2018	2017
Carrying amount	**11.4**	**7.9**
Group's share of:		
Net (losses) from operations	(0.1)	(0.4)
Other comprehensive income/(losses)	1.9	(1.1)
Total comprehensive income/(losses)	**1.8**	**(1.5)**

Individually material investee
The Group holds 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 compliments the Group's existing range of global partnerships, and will allow Australian businesses and consumers to take advantage of growth in cross-border eCommerce.

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.

During the year, as disclosed in note B2, the Group has committed to a plan to sell its shareholding and the timing of divestment will be subject to market conditions. Accordingly, the investment has been classified as an asset held for sale. Prior to reclassification, the Group accounted for its interest as an equity-accounted associate, as it determined it has significant influence primarily because it has representation on the board of the investee.

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.

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Summarised financial information of the investee for the comparative period is as follows:

Consolidated ($m)	2017
Ownership interest	**10.1%**
Current assets (including cash and cash equivalents $247.8m)	620.8
Non-current assets	832.6
Current liabilities (including financial liabilities excluding payables and provisions $117.7m)	(504.4)
Non-current liabilities (including financial liabilities excluding payables and 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 and 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 and 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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Other information

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
At 30 June 2017, the Group carried a finance lease receivable relating to the 99-year lease of the Sydney GPO heritage site. The finance lease receivable was sold in July 2017.

The reconciliation of minimum lease payments to finance lease receivable is as follows:

Consolidated ($m)	2018	2017
Gross minimum finance lease rentals receivable	–	516.8
Finance lease revenue not yet recognised	–	(413.6)
Total	**–**	**103.2**

Minimum finance lease rentals receivable:

Consolidated ($m)	2018	2017
– within 1 year	–	6.5
– from 1 year to 5 years	–	26.0
– over 5 years	–	484.3
Total	**–**	**516.8**
Finance lease receivable[1]	–	103.2
– Current	–	6.5
– Non-current	–	96.7

1. The lease commitments receivable at year-end equals the minimum lease payments, as there are no material contingent payments or unguaranteed residual value relating to the lease agreement.

Operating leases for assets the Group leases to external parties
The Group leases or sub-leases a total of 139 sites to external parties. These are under operating leases with various occupancy terms that are due to expire in the next one to twenty years. The leased property portfolio comprises five commercial, 26 industrial and 108 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)	2018	2017
– within 1 year	39.4	30.2
– from 1 year to 5 years	79.2	78.1
– over 5 years	35.2	46.3
Total	**153.8**	**154.6**

Operating leases for assets the Group leases from external parties
The Group leases a total of 928 sites. These are under operating leases with various occupancy terms that are due to expire in the next one to fifteen years. The leased property portfolio comprises 24 commercial, 282 industrial, eight residential, 481 retail, 117 parcel locker and 16 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)	2018	2017
Minimum lease payments	204.8	199.7
Contingent rentals	0.4	0.4
Operating lease rentals	**205.2**	**200.1**

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Consolidated ($m)	2018	2017
– within 1 year	162.8	156.0
– from 1 year to 5 years	463.9	400.9
– over 5 years	267.4	249.0
Total	**894.1**	**805.9**

Notes to the financial statements

for the year ended 30 June 2018

E4 Australian Postal Corporation

Corporation ($m)	2018	2017
Current assets	1,539.4	1,393.8
Total assets	5,448.0	5,471.7
Current liabilities	1,850.0	2,004.9
Total liabilities	3,181.2	3,368.1
Contributed equity	400.0	400.0
Retained profits	1,839.1	1,696.0
Asset revaluation reserve	24.7	11.6
Hedging reserve	3.0	(4.0)
Net equity	**2,266.8**	**2,103.6**
Net profit/(loss) of the parent entity	220.0	104.2
Total comprehensive income/ (losses) of the parent entity	172.6	244.3
Dividends paid	(78.5)	(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 $2.1 million (2017: $5.4 million);
- issued bank guarantees amounting to $179.0 million (2017: $164.3 million) which represent guarantees supporting workers compensation self-insurance licences in various jurisdictions;
- contractual obligations which relate to sub-lease rent receivables and operating lease receivables in the amount of $153.7 million (2017: $154.6 million). Capital commitments of the parent entity in relation to land and buildings and plant and equipment amount to $110.5 million (2017: $110.3 million); and
- operating lease commitments of $779.7 million (2017: $715.6 million).

E5 Auditor's 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 for the following:

Consolidated ($)	2018	2017
An audit or review of the financial report of the entity and any other entity in the consolidated entity	1,964,000	1,961,500
– assurance-related	206,000	205,000
– other non-audit related[1]	472,000	885,000
Total auditor's remuneration	**2,642,000**	**3,051,500**

1. These services are performed by Ernst & Young (Australia) directly and include governance and compliance services.

Notes to the financial statements
for the year ended 30 June 2018

Other information

E6 Contingencies

The Group has the following contingent assets and liabilities as at 30 June 2018. 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 and other costs		Total	
Consolidated ($m)	2018	2017	2018	2017	2018	2017
Balance from previous period	236.0	232.4	5.8	2.4	241.8	234.8
New contingent liabilities recognised	–	3.5	1.4	9.8	1.4	13.3
Re-measurement	26.5	11.3	2.4	2.1	28.9	13.4
Liabilities realised	–	–	(1.6)	(6.7)	(1.6)	(6.7)
Obligations expired	(13.7)	(11.2)	(4.6)	(1.8)	(18.3)	(13.0)
Total contingent liabilities	**248.8**	**236.0**	**3.4**	**5.8**	**252.2**	**241.8**
Balance from previous period	21.4	16.1	–	–	21.4	16.1
New contingent assets recognised	5.0	8.5	–	–	5.0	8.5
Re-measurement	0.1	(0.2)	–	–	0.1	(0.2)
Assets realised	–	–	–	–	–	–
Obligations expired	(4.0)	(3.0)	–	–	(4.0)	(3.0)
Total contingent assets	**22.5**	**21.4**	**–**	**–**	**22.5**	**21.4**
Net contingent liabilities	**226.3**	**214.6**	**3.4**	**5.8**	**229.7**	**220.4**

Recognition and measurement

Contingent liabilities and contingent assets arise when:

- there is sufficient uncertainty as to the existence of a liability or asset; or
- 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

Relate 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*.

Claims for damages or other costs

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 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 2018, 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 2018

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 2018. Liabilities are disclosed as current when they are due within 12 months of 30 June 2018 or when there is no unconditional right to defer settlement of the liability for at least 12 months after 30 June 2018.

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 2017:

Reference	Description
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. There were no material changes to the Group's financial statements from the application of these amendments.
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. There were no material changes to the Group's financial statements from the application of these amendments.
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. There were no material changes to the Group's financial statements from the application of these amendments.

Notes to the financial statements
for the year ended 30 June 2018

Other information

E7 Other accounting policies (continued)

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 these financial statements.

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
AASB 9, and relevant amending standards	Financial Instruments	AASB 9 establishes new requirements governing the classification and measurement, impairment and hedge accounting for financial assets, replacing AASB 139 *Financial Instruments: Recognition and Measurement*. The Group will apply AASB 9 for the first time for the financial year beginning 1 July 2018. Under the revised requirements, the classification and measurement of financial assets is contingent on the objective of the entity's business model for managing the asset, and the asset's contractual cashflow characteristics. Based on the Group's financial asset portfolio, which is of limited scale and complexity, the Group does not expect the new classification and measurement requirements to have a material impact on the Consolidated Financial Statements of the Group in the period of initial adoption. Revised requirements also apply to the recognition of impairment losses on financial instruments, requiring the recognition of expected credit losses on the initial recognition of a financial asset, rather than delaying loss recognition until after a loss event has occurred under the existing requirements. After application of the standard, the loss allowance to be recognised on trade receivables will be determined using a full lifetime expected credit loss model (simplified approach) using an impairment matrix, with expected loss percentages in the matrix informed by historical default rates adjusted to take account of expected future economic conditions. Whilst this will result in the earlier recognition of impairment losses on the Group's trade receivables, the Group does not expect application of the model to have a material impact on the Consolidated Financial Statements of the Group. The revised hedge accounting requirements provide greater flexibility surrounding the designation of hedge relationships, and a more qualitative approach to effectiveness testing. The Group does not expect these changes to have a material impact on the Consolidated Financial Statements of the Group in the period of initial adoption.	1 January 2018	1 July 2018

Notes to the financial statements
for the year ended 30 June 2018

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 recognition 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 principles based five-step model which, when applied, ensures that revenue is recognised in a manner that depicts the transfer of control 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, with the project to assess the impact of adopting the new standard being substantially complete at the reporting date. The assessment concludes that a substantial portion of the Group's revenues are represented by a single performance obligation, being the delivery of mail, parcels or packets. While each delivery service is generally rendered within a short timeframe, the new requirements require the recognition of revenue as the service is provided over time, rather than deferring recognition until the point of delivery under the Group's existing revenue recognition processes. Due to short delivery timeframes, the increase to revenue and decrease to deferred income resulting from this change is expected to be immaterial to the Consolidated Financial Statements. Additionally, although the Group's delivery-related contracts can include variable consideration, including volume-based discounts or rebates, this is generally recognised when the uncertainty associated with the variable consideration is resolved. The assessment concludes these are rarely significant and do not change the amount or timing of revenue recognised under current practises. Revenue derived from other delivery-related services, such as extra cover, mail redirection services and the provision of PO boxes will be recognised over time as the services are provided. The assessment of the Group's revenues derived from retail, agency and other services concluded that there will be no material changes to the amount or timing of revenue recognised under current practises. Overall the Group does not expect that the introduction of the new standard will have a material impact on the Consolidated Financial Statements of the Group.	1 January 2018	1 July 2018

Notes to the financial statements
for the year ended 30 June 2018

Other information

E7 Other accounting policies (continued)

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
AASB 16, and relevant amending standards	Leases	This Standard will replace AASB 117 Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements. The Standard introduces a new lease accounting model for lessees that requires lessees to recognise all leases on balance sheet, except short-term leases and leases of low value assets. Under AASB 16, the present value of operating lease commitments would be shown as a liability on the balance sheet together with an asset representing the right-of-use. In addition, the current operating lease expense recognised in profit or loss in the statement of comprehensive income will be replaced with amortisation and interest expense. The approach to lessor accounting remains largely unchanged. AASB 16 also requires lessees and lessors to make more extensive disclosures than under AASB 117. A project has commenced to assess the impact of adopting the new standard to the Group's financial statements. The impact is yet to be fully quantified, however the adoption of the standard is expected to result in a material increase in property, plant and equipment and corresponding lease liability balances due to the size of the Group's lease portfolio. The new standard will also result a shift of operating costs to financing costs with rent expenses be replaced by depreciation and interest for right-of-use assets.	1 January 2019	1 July 2019
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 Interpretation 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, and is not anticipated to have a material impact on the Group's financial statements.	1 January 2019	1 July 2019

Notes to the financial statements

for the year ended 30 June 2018

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
AASB 2018-1	Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle	Amendments to: • AASB 3 *Business Combinations* to clarify that an entity remeasures its previously held interest in a joint operation when it obtains control of the business; • AASB 11 *Joint Arrangements* to clarify that an entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the business; • AASB 112 *Income Taxes* to clarify that an entity accounts for all income tax consequences of dividend payments according to where the entity originally recognised the past transactions or events that generated the distributable profits i.e. in profit or loss, other comprehensive income or equity; and • AASB 123 *Borrowing Costs* to clarify that an entity treats any borrowing originally made to develop a qualifying asset as part of general borrowings when the asset is ready for its intended use or sale. These changes are not anticipated to have a material impact on the Consolidated Financial Statements of the Group.	1 January 2019	1 July 2019
AASB 2018-2	Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	This Standard amendment provides clarification on the calculation of current service cost and net interest when an entity remeasures the net defined benefit liability (asset) when a plan amendment, curtailment or settlement occurs. These changes are not anticipated to have a material impact on the Consolidated Financial Statements of the Group.	1 January 2019	1 July 2019
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 Consolidated Financial Statements of the Group.	1 January 2022	1 July 2022

Community service obligations

for the year ended 30 June 2018

Australia Post's community service obligations (CSO) is set out in section 27 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
- the performance standards for the service reasonably meet the social, industrial and commercial needs of the community.

Performance standards

Regulations made under section 28C 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 performance standards were met or exceeded in 2017/18. The actual result for each standard is outlined in the table below. The associated ANAO Audit Report is reproduced on pages 93 to 96.

Organisational arrangements

The ongoing focus on CSO compliance is maintained within the office of the Corporate Secretary.

CSO costs

There is a financial cost associated with meeting the CSOs. Australia Post is required to provide certain products to customers at a uniform price but costs can vary considerably, primarily as a result of the higher operational unit costs to service more remote destinations.

Working in collaboration with our Shareholder, we have updated the methodology and approach to calculating the cost of the CSO. Key changes are to:

- capture a fuller range of costs to determine loss-making destinations
- include all international products mandated under the Universal Postal Union, in addition to reserved products
- provide greater transparency of the distribution of this cost to the Australian community.

Under this new methodology, the cost of providing the CSO for 2017/18 is currently estimated at $403.5 million (2016/17: $389.9 million[1]), including $191.8 million in rural and remote locations (2016/17: $213.5 million[1]).

Performance Standard			2017/18 performance
Lodgement			
10,000 street posting boxes			15,085
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			98.5%
Access			
4,000 retail outlets (2,500 in rural and remote areas)			4,356 (2,538 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			93.5%
• 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%

1. 2016/17 values restated under new methodology.

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 Australian 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 2018.

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 2018.

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 2018. ASAE 3100 *Compliance Engagements* requires that I plan and perform my procedures to obtain reasonable assurance about whether the Australian Postal Corporation has complied, in all material respects, with the Prescribed Performance Standards for the year ended 30 June 2018.

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 2018.

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 2018 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
23 August 2018

Domestic letter service monitor (TNS)

KANTAR TNS.

Level 2/16 Palmer Parade
Cremorne, VIC 3121

T +61 (3)8862 5900

July 23, 2018

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 2018 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 305,690 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 letters. 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 2018 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 30/06/2018 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 2018, the monitor showed that Australia Post delivered 98.5 per cent of all letters early or on time, and 99.6 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 2018 against the scope provided.

Yours faithfully,

Jon Foged
CEO Australia
Kantar

Margaret Persico
Director
Kantar TNS

Survey certification

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20 July 2018

Jon Foged
Kantar CEO Australia Insights
Level 2/16 Palmer Parade
Cremorne VIC 3121
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 year 01 July 2017 to 30 June 2018.

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").

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

Survey certification

Deloitte.

Page 2
20 July 2018

quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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 3 June 2018 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

Survey certification

Deloitte.

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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.

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 25 August 2017 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	98.5% (±0.1)	98.5%

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 2018 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

Letters/ Non-Letters services

2018	Letters[1] ($m)	Letters[1] %	Non-Letters ($m)	Non-Letters %	Total ($m)	Total %
Revenue	2,433.0	35.5%	4,425.4	64.5%	6,858.4	100.0%
Expenditure[2]	2,478.2	36.9%	4,241.1	63.1%	6,719.3	100.0%
Profit before interest and income tax expense	**(45.2)**	**(32.5%)**	**184.3**	**132.5%**	**139.1**	**100.0%**
Net interest					(13.4)	
Profit before tax					125.7	
Income tax benefit/(expense)					8.5	
Net profit for the year					**134.2**	

2017	Letters[1] ($m)	Letters[1] %	Non-Letters ($m)	Non-Letters %	Total ($m)	Total %
Revenue	2,554.0	37.6%	4,246.9	62.4%	6,800.9	100.0%
Expenditure[2]	2,586.2	39.0%	4,047.3	61.0%	6,633.5	100.0%
Profit before interest and income tax expense	**(32.2)**	**(19.2%)**	**199.6**	**119.2%**	**167.4**	**100.0%**
Net interest					(41.3)	
Profit before tax					126.1	
Income tax benefit/(expense)					(30.7)	
Net profit for the year					**95.4**	

1. Letters includes reserved letters (revenue $2.0 billion (2017: $2.1 billion) and profit before interest and income tax expense of $131.3 million (2017: $150.9 million)), domestic non-reserved letters (including unaddressed mail), and international letters & small packets (i.e. packets less than 2 kilograms).
2. Expenditure is allocated using the full cost allocation methodology which is consistent with the principles of the Record Keeping Rules Australia Post has agreed with the Australian Competition and Consumer Commission (ACCC) and the costing applied to the measurement of the community service obligations. Prior year costs have been restated to be presented on a consistent basis.

Statutory reporting requirements index

for the year ended 30 June 2018

This 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.

Statutory reporting requirements index

for the year ended 30 June 2018

Statutory reporting requirements
for the year ended 30 June 2018

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 pages 151 to 152 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.

Section 22 of the *Public Governance, Performance and Accountability Act 2013* empowers the Finance Minister to make an order specifying a policy of the Australian Government that is to apply in relation to one or more corporate Commonwealth entities. No order with application to Australia Post 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 2017/18 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 2017/18 to be $1.2 million.

ACCC record keeping
The cost of regulatory compliance with the ACCC's record keeping rules in 2017/18 is estimated at $250,000.

Maintaining heritage properties
The cost of repairing and maintaining heritage listed properties in 2017/18 was $2.5 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 2017/18, revenue forgone in relation to the service is estimated to be $51,965.

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 Australia Post 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.

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 Group Safety and Wellbeing Strategy was developed in 2017/18, with the following key focus areas and commenced activities:

Serious Injury and Fatality (SIF)
- supported and enabled a migration away from motorcycle to other modes of delivery such as electric delivery vehicles
- evolved focus on motorcycle rounds to reduce exposures
- continued dog awareness training
- convened three working groups with frontline participants from across the key operational areas of our business to review close to 4,000 SIF incidents to support clear 2-3 year exposure reduction roadmap focused on developing SIF decision trees and identifying critical controls required to address exposures
- commenced educating and training our people in utilisation of the SIF tools to address exposures
- introduced forklift minimum standards
- ensured that new facility design incorporated separation

Statutory reporting requirements

for the year ended 30 June 2018

between pedestrians and load shifting equipment
- continued to educate our people on dealing with aggressive customers in post offices and contact centres.

Manual Handling
- continued to automate as many processes as possible to eliminate manual handling exposure
- completed a data mining exercise to determine focus areas
- piloted a new movement training program in several areas across the business, and rolled out the program in all post offices in NSW
- extended the exercise physiology program to transport depots, parcel and major StarTrack facilities
- commenced ergonomic mapping of tasks associated with specific job roles – with a focus on higher order controls
- trialled a number of local initiatives to reduce manual handling exposure.

Mental Health and Wellbeing
- improved mental health reporting with detailed reports received by the Executive Team
- engaged our entire workforce in the mental health conversation through enterprise-wide 'Safety Time' workshops
- the mental health focus assisted to educate people on the signs of poor mental health, how to maintain positive mental health and reduce stigma
- engaged a new employee assistance provider
- expanded our assistance provider to contractors, licensees and their immediate family members
- continued mental health essentials training for people leaders
- included a mental health index in the staff survey to gather data to target programs
- implemented an on line health assessment check which involved around 7 per cent of our workforce
- promoted healthy eating through 'dial a dietitian' services
- coordinated on site health checks including blood pressure, cholesterol and blood sugar testing
- encouraged staff to get active through parkrun promotion and a 'new year' campaign
- commenced integrated psychological risk assessments for specific job roles
- delivered resilience workshops to postal managers.

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:

Group
- a refreshed senior leader commitment to WHS, including convening a new Enterprise Safety Council (ESC) as a peak decision-making body. The ESC is chaired by the Group Chief Executive Officer and Managing Director, and includes a non-executive Director representative
- a safety management forum of senior leaders was also newly formed to oversee safety strategy implementation through monthly meetings
- senior leaders continued to attend sites across the country to conduct serious injury incident investigations
- the safety leadership journal was improved and re-issued and has now been used by 4,500 operational leaders to guide safety observations and conversations and provide resource material
- the Safety Leadership program was rolled out to a further 200 people leaders across the business
- an exposure recognition and response program was piloted in three sites with 60 staff attending workshops
- a major technology project commenced (OneSafe), to make it easier to capture near misses, hazards, incidents and safety observations
- 'Safety Time' was implemented for the seventh year in a row, with a theme of 'mental health'
- our WHS management system continued to be improved and over 30 new WHS documents were developed
- WHS committees continued to meet at local sites, and at state and national levels
- health and safety representatives continues to be supported to play a key role in local safety committees and engaging frontline staff.

The new safety strategy clearly extends our focus beyond employees to our extended workforce, and there is ongoing work to engage and support our contractors and licensees to work together to reduce exposures.

eCommerce delivery
- finalised the national rollout of delivery 'Safety teams' involving peer-to-peer and conversation training (a bottom up approach)
- continued focus on hazard identification in delivery – reviewing round hazard profiles and hazard videoing
- blue halo lights have been fitted to all forklifts to highlight 3-metre distances to separate load shifting equipment from pedestrians
- targeted lower-performing sites to implement exposure reduction strategies
- trained over 600 workers to act as Chain of Responsibility champions
- implemented a digital reporting app for hazard, near miss and safety observations which increased reporting significantly
- focused Safety Observation training occurred, targeting load shifting equipment operations
- fortnightly national incident review meetings were held to share learnings
- regular communications pack safety briefings ensured consistent messaging
- we invested $2 million in delivering 33 facility-generated safety initiatives such as new equipment
- WHS reviews of over 1,000 customers premises, where transport drivers pick up product, were undertaken
- a second external communication campaign targeting dog owners to reduce dog attacks on our posties and delivery drivers was implemented
- a set of toolbox talks was developed for local facilities to deliver with specific SIF-related topics such as motorcycle operation
- during our peak period (November and December 2017), over a hundred peak site safety visits were conducted by our safety team to maintain safety focus and reduce exposure to frontline staff
- 'Safety Advocates' were selected during peak period and taken offline to assist with exposure reduction strategies in the facilities.

Statutory reporting requirements
for the year ended 30 June 2018

Post Office network
- a 'Blackspot program' DVD was developed to build awareness of exposures that we become blind to, and can accept
- developed an online tool on Managing Customer Aggression to further build on the skills learnt in face-to-face training as well as being a tool for new starters, or to debrief following an incident. The tool has also been rolled out to licensed post offices (LPOs)
- safety circles continued, where safety issues were reviewed by peers. The program was also expanded to include head office employees
- two-hour training modules were developed that included Mental Health Workplace Essentials, Mental Health Performance Management and managing return to work of people suffering mental illness
- during our peak period (November and December 2017) over a hundred peak site safety visits were conducted by our safety team to maintain safety focus and reduce exposure to frontline staff
- safety and wellbeing sessions were included in LPO forums and discussed at LPO expos.

Also during 2017/18:
- eighty incidents were notified to Comcare under section 38 of the Act
- three investigations/compliance inspections occurred
- no seizures made under sections 175 or 176 of the Act
- two 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
- no prosecution was instituted under the Act.

There were 24 Health and Safety Representative training courses run during the year, with a total of 217 participants trained.

Freedom of information report
In 2017/18, Australia Post received 100 applications under the *Freedom of Information Act 1982*.

Including the four applications already on hand at 1 July 2017, and with two applications outstanding at 30 June 2018, a total of 102 Freedom of Information applications were resolved in the year.

These were handled as follows:

Access granted in full	13
Access granted in part	50
Access refused	33
Requests withdrawn	6
Total resolved	102

There were eight applications for internal review received during the year.

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 auspost.com.au.

Access to documents
Access to documents under the *Freedom of Information Act 1982* can be obtained by forwarding a written request to:

Freedom of Information Officer
Legal
Australia Post Headquarters
GPO Box 1777
Melbourne VIC 3001
Email: 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

Statutory reporting requirements
for the year ended 30 June 2018

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 and Hospitality Policy, Group Conflicts of Interest Policy, Group Information Technology Policy, Group Information Security Policy and Group Fraud and Corruption Policy*. The Australia Post Board Audit and Risk Committee is provided with an annual fraud and crime report, which confirms the adequacy of, and compliance with, the fraud management plan.

Australia Post has dedicated Group functions that comprise a number of specialist groups responsible for providing risk and compliance, audit, assurance, legal, and security and investigation services to Australia Post.

The Group Risk, Security and Compliance (GSRC) team is responsible for a Group-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.

Within the GSRC team, there are specialist teams that design and manage the Group 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 Border Force (ABF), in the following circumstances:
- when it is suspected that articles may contain prohibited substances
- to determine that appropriate duties/taxes are met.

ABF personnel have also been authorised under section 90T of the Act to remove and open articles in excess of a particular weight which Customs ABF reasonably believes may contain drugs or other chemical compounds being carried in contravention of a law of the Commonwealth. ABF has also been authorised under section 90FB (3) of the Act to act as an authorised examiner for the purpose of examining mail without opening (by x-ray or with drug detection dogs).

Domestic mail
Biosecurity Inspection and Quarantine Officers from a prescribed state or territory (Western Australia, Tasmania or Northern Territory) are authorised under section 90U of the Act 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 consist of, or contain 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, 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
The Corporation is authorised to disclose information to agencies which have the legislative power to obtain such information. 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.

Reports of outside bodies
The following reports by outside bodies were given on Australia Post during 2017/18:

In September 2017, the Auditor General issued a report titled *Australia Post's Efficiency in Delivering Reserved Letter Services* on whether Australia Post was meetings its Community Service and International obligations efficiently, and on the effectiveness of Commonwealth shareholders in monitoring value for money.

In April 2018, the Commonwealth Ombudsman issued a report titled *Review of Australia Post complaints* about carding, Safe Drop and compensation on the impact of Australia Post's implementation of Ombudsman recommendations and other action.

Statutory reporting requirements
for the year ended 30 June 2018

As required under ss.43 (1) (o) (i) and (ii) of the Act, Tables 1 and 2 detail the number of times that such information was disclosed during the year and the authorities or bodies to which it was disclosed.

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)]	40	• Australian Border Force (Federal) • Police (New South Wales) • Police (Queensland) • Police (South Australia) • Police (Tasmania) • Police (Victoria) • Crime and Corruption Commission (QLD)
Disclosure under a law of the Commonwealth [s. 90J(5)]	4,857	• Australian Border Force (Federal) • Australian Financial Security Authority (Federal) • Australian Pesticides and Veterinary Medicines Authority (Federal) • Australian Taxation Office (Federal) • Australian Sports Anti-Doping Authority (Federal) • Department of Agriculture and Water Resources (Federal) • Department of Agriculture, Fisheries and Forestry (Federal) • Department of Environment and Energy (Federal) • Department of Foreign Affairs and Trade (Federal) • Department of Human Services (Federal) • Police (Australian Federal) • Therapeutic Goods Administration (Federal)
Disclosures under certain laws establishing commissions [s. 90J(6)]	336	• Australian Commission for Law Enforcement Integrity • Australian Crime Commission (Federal) • Crime Commission (NSW) • Australian Crime Intelligence Commission (ACIC) • Crime and Corruption Commission (QLD) • Australian Electoral Commission • Australian Securities and Investments Commission (Federal) • Building Commission – Department of Commerce (WA)

* There were no disclosures made under s. 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)]	44	• Australian Security Intelligence Organisation (Federal)
Disclosure for the enforcement of laws or protection of public revenue [s. 90K(5)]	3,205	• Department of Environment, Land, Water and Planning (VIC) • Department of Parks and Wildlife (WA) • Department of Fair Trading (NSW) • Department of Fair Trading (QLD) • Department of Justice (WA) • Department of Transport and Main Roads (QLD) • Director of Public Prosecutions (TAS) • Consumer Affairs Victoria (Vic) • Consumer Affairs Northern Territory (NT) • Police (Australian Capital Territory) • Police (New South Wales) • Police (Northern Territory) • Police (Queensland) • Police (South Australia) • Police (Tasmania) • Police (Victoria) • Police (Western Australia)

* There were no disclosures made under s. 90K (2) or (3).
Note: Commonwealth agencies, unless otherwise indicated.

Statutory reporting requirements
for the year ended 30 June 2018

Our organisational structure

Australia Post – the statistics

Table 1 – Five year statistical summary

Consolidated	2014	2015	2016	2017	2018
Revenue ($m)	6,383.3	6,373.8	6,562.2	6,807.2	6,877.0
Expenditure ($m)	6,280.3	6,726.2	6,520.9	6,687.6	6,757.6
Profit/(loss) before tax ($m)	103.0	(352.1)	41.0	126.1	125.7
Total assets ($m)	4,651.2	5,094.4	5,043.2	5,537.3	5,590.9
Return on average operating assets (%)	3.4%	(8.2%)	1.8%	4.0%	3.3%
Community service obligations ($m)[1]	205.8	211.6	183.6	389.9	403.5
Total taxes and government charges ($m)	494.2	433.9	399.3	469.5	540.2
Dividends declared ($m)	78.8	0.0	20.0	63.3	83.1
Operations[2]					
Full-time employees	27,315	27,371	26,939	27,132	27,333
Part-time employees	8,613	8,395	7,990	7,838	7,537

1. 2016/17 values restated under new costing methodology.
2. Exclude casuals and external contractors.

Table 2 – Employees by contract, type and gender at 30 June 2018

	Workforce representation		Female		Male	
	No.	%	No.	%	No.	%
Permanent						
Full-time	26,589	76.3%	8,017	23.0%	18,572	53.3%
Part-time	6,949	19.9%	4,273	12.3%	2,676	7.7%
Total permanent	33,538	96.2%	12,290	35.2%	21,248	60.9%
Fixed term						
Full-time	744	2.1%	180	0.5%	564	1.6%
Part-time	588	1.7%	213	0.6%	375	1.1%
Total fixed term	1,332	3.8%	393	1.1%	939	2.7%
Total employment	**34,870**	**100.0%**	**12,683**	**36.4%**	**22,187**	**63.6%**

Table 3 – Basic postage rate[3] (BPR) and consumer price index (CPI)

	2014	2015	2016	2017	2018
BPR cents	70	70	100	100	100
BPR concession cents	60	60	60	60	60
CPI all groups 8 capitals base 2011-12=100	105.9	107.5	108.6	110.7	113.0
Year-on-year change in BPR (%)	16.7%	0.0%	42.9%	0.0%	0.0%
Year-on-year change in CPI (%)	3.0%	1.5%	1.0%	1.9%	2.1%
Change in real postage (%)	13.7%	(1.5%)	41.8%	(1.9%)	(2.1%)

3. Postage rates applicable to standard letters carried within Australia by ordinary post.

Australia Post – the statistics

Table 4 – Post offices at 30 June 2018

	NSW/ACT	VIC/TAS	QLD	WA	SA/NT	Total
Corporate offices						
1 July 2017	260	198	124	77	61	**720**
30 June 2018	260	197	123	77	61	**718**
Licensed post offices						
1 July 2017	862	945	465	290	318	**2,880**
30 June 2018	853	938	469	290	317	**2,867**
Community postal agencies						
1 July 2017	141	92	200	108	238	**779**
30 June 2018	141	92	195	103	240	**771**
Total outlets						
1 July 2017	1,263	1,235	789	475	617	**4,379**
30 June 2018	1,254	1,227	787	470	618	**4,356**

Australia Post – the statistics

Environmental Performance Summary

Indicator	2014	2015	2016	2017	2018
Scope 1 emissions (tonnes)	**116,251**	**115,620**	**119,345**	**118,291**	**119,288**
Natural gas	4,756	4,787	5,278	5,547	5,536
LPG (All)	5,962	5,753	5,399	5,845	5,897
Diesel including generation	95,809	95,954	100,301	99,318	100,354
Petrol	9,724	9,126	8,368	7,581	7,502
Scope 2 emissions (tonnes)	**188,855**	**181,920**	**169,447**	**161,446**	**156,472**
Electricity grid	188,855	181,920	169,447	161,446	156,472
Scope 3 emissions (tonnes)	**651,563**	**642,795**	**592,888**	**505,556**	**547,698**
Energy and fuel losses	39,479	34,061	29,483	28,353	26,874
Sub-contracted road transport	214,232	264,494	237,061	222,046	199,768
Sub-contracted air transport	351,013	286,104	272,874	202,866	272,389
Sub-contracted rail	5,636	3,538	5,695	5,659	9,772
Sub-contracted ship	1,143	2,324	2,678	3,574	2,851
Business travel	3,434	4,116	4,910	4,872	4,058
LPO electricity	26,086	36,996	27,270	25,187	19,644
Waste	10,539	11,162	12,917	12,999	12,341
Other indicators					
Energy consumed (GJ)	2,499,868	2,426,095	2,443,571	2,404,018	2,402,047
Renewable energy production (GJ)	291	1,648	3,072	5,403	9,828
Waste to landfill (tonnes)	11,060	9,899	9,381	9,285	8,815
Waste recycled – operational	7,141	9,092	8,484	10,532	11,698
Waste recycled and reuse – (customers)		3,364	4,056	4,156	2,808
Water (kilolitres)			479,000	449,300	494,851

Notes: Australia Post reports all scope 3 related transport emissions based on the calendar year which is then reported to the International Postal Corporation.

GHG Emissions Commentary

- **Scope 1** – Australia Post has seen a 0.8 per cent increase, in scope 1 emissions in 2018, related to an increase in emissions from the extra diesel from Australia Post's large trucks delivering more parcels.
- **Scope 2** – Australia Post has seen a 3 per cent reduction in electricity emissions arising from a combination of energy efficiency, the roll out of one of Australia's largest solar installations and Melbourne CBD property consolidation.
- **Scope 3** – Australia Post has seen an 8.3 per cent increase in scope 3 emissions primarily associated with the change in air freight emissions factor (negative impact) and a combined reduction in road and rail transport.

Other Indicators - Highlights

- Renewable Energy Production - Australia Post continues to increase the amount of solar generation available across the Australia Post network with a total of 3,833 kilowatts of solar now in network at 49 sites. Ninety-six per cent of the reported usage is actual data and 4 per cent is an estimate. The estimate occurred when the system was generating electricity but source data was not sent to the service provider.
- Waste recycled operational – This year Australia Post has reported an increase of 1,167 tonnes of waste recycled, this is primarily due to an increase the volume of pallets recycled through the network.
- Water – Australia Post has reported water of 494,851 kilolitres, an increase on 2016/17, and the result of a couple of major water leaks.

Criteria

- Scope 1 and 2 emissions have been calculated in accordance with the National Greenhouse Accounts (NGA) Factors August 2017.
- Scope 3 emissions have been calculated in accordance with the NGA Factors August 2017, 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 the reporting of scope 3 emissions. This includes limitation with regard to the quality of the 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 are based on the best available information at the time of preparing the Annual Report.

Corporate Directory

Copies of the report

The 2018 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 7678)

Feedback

We would 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

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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 and 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

Project Management: Elizabeth Trethewey, Catherine Ewart
Design/Typesetting: RifleMedia.com.au

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