

Corporate governance

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

These practices derive principally from the provisions of the *Australian Postal Corporation (APC) Act 1989*, the *Commonwealth Authorities and Companies (CAC) Act 1997* (replaced by *Public Governance, Performance and Accountability Act 2013* from 1 July 2014), and the Commonwealth Government Business Enterprise Governance and Oversight Guidelines (2011). Our governance framework is also guided by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, as documented in the 3rd edition.

Principle: Lay solid foundations for management and oversight

(based on ASX Principle 1)

Role and responsibilities of the Australia Post board

The board is responsible for the corporate governance of Australia Post. Under Section 23 of the APC Act the role of the board is to:

- decide the objectives, strategies and policies to be followed by Australia Post
- ensure that Australia Post performs its functions in a manner that is proper, efficient and, as far as practicable, consistent with sound commercial practice.

In discharging those broadly defined roles, the board's primary tasks include, among others:

- approving the enterprise strategic directions through the corporate plan, strategic business plans and approval of major new business initiatives
- approving key corporate policies including product pricing and development, network structures, financial matters, risk management, information technology, community service obligations, human resources and environment
- monitoring corporate performance by reviewing business performance, product performance and the corporate plan
- appointment, evaluation, remuneration, and succession planning of the managing director & group CEO
- meeting its accountability to government by: submitting corporate plans, evaluating and recommending dividend proposals, reporting on business and operational performance, preparing an annual report, notifying significant business proposals by ensuring compliance with notified government policies, and ensuring proper accounting and enterprise risk management and oversight.

Delegation to the managing director & group CEO

Sections 18 and 19 of the APC Act specify a wide number of postal, postal-related and other powers of Australia Post. These powers reside in the managing director and may be delegated by him to other employees of Australia Post under Section 93.

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

The board has delegated to the managing director & group CEO responsibility for implementing Australia Post's strategic priorities and for managing Australia Post's day-to-day operations. Specific limits on the authority delegated to the managing director & group CEO are set out in the delegated authorities approved by the board.

Executive Committee

The Executive Committee comprises the managing director & group CEO and nine senior executives. The Executive Committee is accountable to the managing director & group CEO. The purpose of the Executive Committee is to assist the managing director & group CEO to deliver the strategic priorities for the corporation.

The Executive Committee also comprises a number of forums which assist in managing these priorities.

Board and Executive Committee appointments

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

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

The managing director & group CEO is appointed by the board whereas the Executive Committee is appointed by the managing director & group CEO.

The managing director & group CEO and the Executive Committee are employed under individual contracts of employment that are not limited to a specific duration. Continuation of employment is subject to ongoing performance reviews by the board and the managing director & group CEO. Where the board terminates the managing director & group CEO or endorses the termination of other senior executives' employment for reasons other than performance or misconduct, they are entitled, in the case of the managing director & group CEO, to:

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

and, for other senior executives, to:

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

All of the payments for other senior executives are based on the total fixed annual remuneration.

Corporate secretary

The corporate secretary has a dual reporting role as Corporate Secretary & General Manager Government Affairs. The Corporate Secretary & General Manager Government Affairs is a member of the Executive Committee and reports to Executive General Manager Corporate Affairs & People.

The corporate secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. The corporate secretary is also responsible for advising the board, through the chair, on all corporate governance matters, as well as helping to organise and facilitate the induction and professional development of directors, as required.

Diversity

Australia Post is committed to an inclusive workplace that values diversity. Our diversity and inclusion strategy aims to promote improved diversity outcomes to foster an inclusive workplace culture and equal employment opportunities (EEO). Managing diversity at Australia Post is a corporate objective and this responsibility is vested in the board, our Executive Committee, managers and employees.

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

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

While we define diversity in the broadest-possible sense, we formally measure and track our progress against four key areas: gender, Aboriginal & Torres Strait Islanders, people from culturally and linguistically diverse backgrounds, and people with disability.

Performance against each of these measures is disclosed in Australia Post's Diversity and Inclusion Annual Report, which is prepared in compliance with the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* and presented to the Minister for Communications. The report is published on our website at auspost.com.au. Our 2013–14 performance was:

	2014	2013
Aboriginal & Torres Strait Islander representation	1.5%	1.6%
Culturally and linguistically diverse	23.0%	23.1%
People with disability	6.9%	7.1%
Female representation	38.9%	39.1%
Female bands 1–4	34.1%	33.3%
Women in management	36.2%	35.9%

Board and individual directors' evaluation

The board regularly reviews its own performance and the performance of individual directors. An externally facilitated board performance appraisal is undertaken every two years, focusing on board, board committee and individual director effectiveness.

The most recent review was conducted in May 2014. It was facilitated by an independent board performance consultant and included interviews with, and the completion of a board evaluation survey by, all directors and Executive Committee members.

The results of the board evaluation were discussed at a meeting of the board of directors. The chairman also met separately with each director to discuss the director's own performance. The board agreed to accept the board evaluation report and implement ongoing improvements as part of its ongoing development and learning.

Board Committee evaluation

The Audit & Risk Committee charter states that, to ensure the Audit & Risk Committee is fulfilling its duties, it must:

- undertake an annual self-assessment of its performance against the requirements of the charter and provide that information to the board
- provide any information the board may request to facilitate its review of the committee's performance and its members.

In 2013–14 the Audit & Risk Committee achieved its requirements, as per the charter.

Executive Committee evaluation

Executive team performance evaluations were conducted for the year ended 30 June 2014. Refer to page 104 for further details.

Principle: Structure the board to add value

(based on ASX Principle 2)

The APC Act provides that the board of Australia Post comprises up to nine directors including the chairperson, the deputy chairperson, the managing director and not more than six other directors. As at 30 June 2014, the board comprised seven non-executive directors and one executive director. The executive director is Australia Post's managing director & group CEO, Ahmed Fahour. During the year, Ms Penny Bingham-Hall retired as a director effective on 11 May 2014.

The directors of Australia Post, at any time during the financial year, are listed with a brief description of their qualifications and experiences on pages 16 to 17 of the 2014 Integrated Annual Report.

The board met eight times during the financial year. Directors' attendances are set out on page 52 of the 2014 Integrated Annual Report.

The board has established three committees:

- Human Resources Committee
- Nomination and Remuneration Committee
- Audit & Risk Committee.

Each committee has a charter that is reviewed periodically. The committees are also part of the board evaluation process. The board committee charters are available at auspost.com.au

Board and committee meeting timetables are agreed annually in advance. The corporate secretary sets the timetables in consultation with the board and committee members.

Human Resources Committee

The Human Resources Committee provides a governance framework for the consideration of strategic matters relating to Australia Post's people and culture. Key matters that the committee particularly addresses and makes recommendations to the board about, as appropriate, are:

- occupational health and safety
- culture, ethics and enterprise engagement
- organisational structure
- performance management
- learning and development
- recruitment, selection and succession planning
- terms and conditions of employment.

The committee as at 30 June 2014 comprised four members: Brendan Fleiter (Chair), Ahmed Fahour, Michael D'Ascenzo AO and The Hon. Trish White.

The committee meets four times a year. Meeting attendance details for 2013–14 are provided in the table on page 52.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee provides shareholder ministers with recommendations on board composition and membership, and performance and succession management for the managing director & group CEO.

Specifically, the role of the committee is to:

- provide a recommendation to shareholder ministers on board composition and membership
- develop an annual board plan
- undertake a board effectiveness review every two years
- inform shareholder ministers prior to any board or managing director & group CEO vacancies
- review and make recommendations to the board in relation to managing director & group CEO remuneration
- establish and maintain succession arrangements for the managing director & group CEO
- consider the managing director & group CEO's recommendations around recruitment, performance, remuneration and succession planning for executive general managers.

The managing director & group CEO is entitled to attend meetings of the committee, but will be excused when his own remuneration or performance is discussed.

During the year, Penny Bingham-Hall ceased to be a member on her retirement as a non-executive director while Susan Bitter became a member of the committee. The committee currently comprises five non-executive and independent directors – John Stanhope (Chair), Susan Bitter, Peter Carne, Brendan Fleiter and Talal Yassine OAM.

The committee met five times during the year. Details of directors' attendances appear on page 52.

Audit & Risk Committee

The Audit & Risk Committee's primary focus is to assist the board to discharge its responsibilities under the *Australian Postal Corporation Act (1989)* and *Commonwealth Authorities and Companies Act (1997)*.

In particular the committee will assist the board by its oversight and review of financial reporting, risk management, internal control, auditor independence and performance and compliance with laws and regulations.

The Audit & Risk Committee operates with a minimum of three members – all of whom must be non-executive directors, the majority being independent. The committee's charter also requires all members to be financially literate and for at least one member to possess accounting or related financial qualifications and experience.

The committee as at 30 June 2014 comprised five members – Peter Carne (Chair), John Stanhope, Susan Bitter, Brendan Fleiter and The Hon. Trish White.

Further details on the qualifications and experience of all committee members are disclosed on pages 16 to 17.

In conducting its activities the committee focuses on the areas of financial reporting, enterprise risk management and internal controls. Among other duties it reviews:

- the financial reports before their consideration and adoption by the board
- the clarity and quality of the corporation's policies, practices and disclosures
- internal and external auditor plans, reports and performance
- significant existing and emerging risks and mitigation activities
- the adequacy and effectiveness of internal controls
- compliance with laws and regulations
- progress of delivery of major programs.

The managing director & group CEO, group chief operating officer, chief risk officer, group chief financial officer, internal audit and the external auditor attend committee meetings at the discretion of the committee. Other non-executive directors may attend meetings.

The committee meets privately with the external auditor on general matters concerning the audit and other related matters, including the half-year and full-year financial reports. The committee also meets privately with the group chief financial officer, Internal Audit and the chief risk officer.

The committee collectively, and its members individually, have access to internal and external resources including access to advice from external consultants or specialists.

The committee met four times during the year. Details of directors' attendances appear on page 52.

Board skills

The most recent board performance review confirmed that there is currently a good mix of skills and experience on the Australia Post board, and that each board member brings a different perspective to the table, including relevant commercial acumen. There is also a strong board culture to enable the mix of skills and experiences on the board.

The skill sets that were identified among board members include:

- significant IT and digital retailing/service experience
- international logistics experience
- experience in successfully leading major transformation programs
- significant retail management skills
- detailed financial and risk management skills associated with complex organisations and structures
- people, industrial relations and culture skills
- CEO experience and commercial acumen in complex environments.

Independent directors

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

In determining whether a director is independent, the board has considered whether the director:

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

In addition, the chairman is appointed by the Governor-General on the nomination of the portfolio minister. The board is satisfied that Australia Post's chairman, John Stanhope, is and was throughout the entirety of the financial year, independent. The position of managing director & group CEO was held by Ahmed Fahour.

Directors who may have a material personal interest in a matter to be considered by the board or a board committee are required to make the nature of that interest known, and must not be present while the matter is being considered. Details of such disclosures are recorded in the minutes of the meeting.

If the board or a board committee is due to consider an issue that may present a director with a potential conflict of interest, the director in question will not be provided with the associated background material.

The board has determined that each non-executive director is, and was throughout the entirety of the financial year, independent.

Directors have unfettered access to Australia Post records and information that they reasonably need to fulfil their responsibilities. Directors also have access to the corporate secretary on any matter relevant to their role as director. In addition, the board has access through the corporate secretary to other relevant senior executives to seek additional information concerning Australia Post's business.

Provided they have prior agreement from the chairman, directors have the right to obtain relevant independent professional advice (at the corporation's expense) in connection with the discharge of their responsibilities. During the financial year, Australia Post reviewed the Directors' and Officers' insurance cover provided to Australia Post's directors and officers. The associated fee was covered as part of the annual management of the overall corporate insurance program and associated insurance broking services.

It is common practice for the non-executive directors to confer, without management being present, at the start of each scheduled board meeting.

Details regarding the length of service of each director are disclosed on pages 16 to 17.

Directors' induction program

All new directors receive a formal letter of appointment from shareholder ministers and an induction pack. The induction pack contains sufficient information to allow the new director to gain an understanding of:

- the Ministerial powers granted to the portfolio minister
- the rights, duties and responsibilities of directors
- the role of board committees
- the roles and responsibilities of the executive team
- Australia Post's financial, strategic, and operational risk management position.

New directors undertake an induction program which comprises:

- an information pack which includes: Australia Post's Governance Framework, the Commonwealth Government Business Enterprise Governance and Oversight Guidelines, the *Australian Postal Corporation Act 1989*, the *Commonwealth Authorities and Companies Act 1989*, the *Public, Governance, Performance and Accountability Act 2013*, the most recent corporate plan, the most recent annual report, our organisational chart, and insurance and indemnity details pertaining to Australia Post's Directors and Officers Insurance policy
- a program of meetings with Australia Post's Chairman, managing director & group CEO, members of the Executive Committee and the Corporate Secretary
- a program of facility and network tours to cover key areas such as domestic and international letters and parcels, and delivery operations.

Principle: Act ethically and responsibly

(based on ASX Principle 3)

At Australia Post we conduct our business as a good corporate citizen. We respect our stakeholders and conduct ourselves with integrity in compliance with all relevant laws, regulations, codes, corporate policies and procedures.

Importantly, we behave in accordance with our culture pillars: Safety, Accountability, Customer Focus and Speed of Action. Everything we do can have social, environmental and economic impacts. In fact, our long-term commercial success – our own sustainability – depends on what we do and how we do it.

Australians trust Australia Post to deliver their mail as well as a number of other everyday services such as bill payment and identification checks, through our vast retail network which places us at the heart of communities across the country.

It is imperative that all representatives of Australia Post act in an ethical way so we continue to preserve and grow the trust that Australians have in our brand. When we demonstrate ethical behaviour, we show respect for each other, our customers and the community.

The Australia Post Our Ethics booklet details the ethical standards of expected behaviour that help guide us through possible ethical dilemmas and lead by example in our dealings with customers, suppliers, the corporation and each other.

While our managers and supervisors have a responsibility to foster a culture in which ethical conduct is valued, recognised, demonstrated and expected, all employees are accountable for demonstrating the culture pillars in their daily duties to help make Australia Post a better place to work and ensure a strong future for our organisation.

Under Australia Post's whistleblower policy, an independently operated contact service is in place to facilitate the confidential disclosure of serious breaches of ethical standards.

Competition and consumer law

Australia Post's internal compliance policy ensures information about our products and services is honest and not misleading, and meets the legislative requirements of the *Competition and Consumer Act 2010*.

To ensure our people clearly understand their responsibilities in this area, we have a National Competition and Consumer Compliance program. This comprises comprehensive competition and consumer law training for employees every two years, and a formal clearance process for all promotional and advertising material.

During the year more than 470 employees completed the online training module, over 8,090 retail staff across corporate, licensee and franchisees post offices completed the consumer law workbook, and more than 850 individual promotional items were cleared. In 2013–14 there were no reported incidents of material non-compliance with the relevant legislation or fines issued in relation to the provision or use of our products and services.

Protecting privacy

Australia Post has a Chief Privacy Officer who is accountable for maintaining the corporation's National Privacy Compliance program. This program aims to ensure that our policies and procedures comply with privacy legislation. It also acts to safeguard our customers' personal information and foster a corporate culture that values privacy.

Australia Post is committed to meeting the legislative requirements associated with personal information. We handle large volumes of data and have a corporate responsibility to treat this data with the respect and confidentiality it requires.

Efforts during the reporting period extended to the implementation of the Australian Privacy Principles (APPs) which came into force on 12 March 2014. Broadly, the APPs extended our existing privacy obligations which outline how we must manage personal information when: collecting, handling, using, securing, storing, and disclosing personal information to other parties (internal and external).

Our commitment has been reflected in the establishment of a dedicated Privacy Reform Program (PRP) to ensure that required changes are effectively implemented throughout the organisation. The PRP has facilitated a range of activities to strengthen compliance including coordinating Privacy Impact Assessments across different business areas, updating our existing Privacy and You customer brochure, and refreshing our Privacy Policy. These and other privacy initiatives are underpinned by the implementation of class-leading technology security solutions and standards together with ensuring that we only engage with suppliers who share our dedication to effectively manage our personal information commitments.

During the financial year there were no determinations against Australia Post by any of the federal, state or territory privacy commissioners.

Security and investigation

The Australia Post Security Group is an internal service function which provides security and crime risk advisory and investigation services for Australia Post, and its subsidiaries. The group is chartered to identify, analyse, and advise on mitigation strategies for all security and crime risks relevant to Australia Post's people, property, information and reputation. This specialist group maintains close internal working relationships with the legal, risk and compliance and internal audit units, and liaises externally with international, national, state and territory law enforcement services and agencies.

As the protection of our customers' trust is paramount, we have a comprehensive security strategy in place to ensure the continued protection of our business and customer data. It has a number of key components including protecting Australia Post's customers, brand and confidential information; supporting the development of secure products and services; implementing best-practice information security governance, operations and services; building a secure technology environment to enable an agile business, and creating a security-aware culture.

This strategy is supported by a national fraud control policy and the corporation's Our Ethics policy. This is reviewed annually, with the next appraisal due to be undertaken in August 2014.

Principle: Safeguard integrity in corporate reporting

(based on ASX Principle 4)

Audit & Risk Committee

The Audit & Risk Committee assists the board through its oversight and review of financial reporting, risk management, internal control, auditor independence and performance and compliance with laws and regulations.

See page 46 for more information on the Audit & Risk Committee.

Internal audit

Australia Post's internal audit service brings a systematic and disciplined approach to risk management, control and governance processes. Empowered by the board to direct a wide-ranging program of internal auditing, it has full and unrestricted access to all functions, property, personnel, records, accounts, files and other documentation.

The internal audit work program is endorsed annually by the Audit & Risk Committee, with results, progress and performance regularly reviewed by both the committee and the external auditors.

The internal auditor also meets privately with the committee before each meeting.

External audit

Under Section 8 of the CAC Act, the Auditor-General is responsible for auditing the financial reports of Australia Post and its subsidiaries. The Auditor-General is also responsible for auditing compliance with the performance standards prescribed for Australia Post under Section 28C of the APC Act. Ernst & Young (E&Y) has been retained by the Australian National Audit Office (ANAO) to assist in both of these assignments.

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

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

Management internal control approval

Prior to the adoption of the half-year or full-year financial reports, the board received and considered a written statement from the managing director & group CEO and group chief financial officer to the effect that the:

- report presented a true and fair view, in all material aspects, of the corporation and the consolidated entity's financial position and performance and were in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia as required by the Finance Minister's Orders under the CAC Act

- integrity of the financial report is founded on a sound system of risk management, internal compliance and control that operated effectively and efficiently in all material aspects, consistent with the principles of the International Standard for Risk Management (AS/NZS ISO 31000:2009), the Australian Standard on Compliance Programs (AS 3806:2006), and the ASX Corporate Governance Principles and Recommendations (Principle 7: Recognise and Manage Risk) adopted by the board.

Principle: Make timely and balanced disclosure

(based on ASX Principle 5)

Australia Post's required disclosure obligations are prescribed from the provisions of the APC Act, the CAC Act, and the Commonwealth Government Business Enterprise Governance and Oversight Guidelines (2011).

Australia Post is accountable to its shareholder ministers for its performance. We regularly disclose details to our shareholder ministers on performance, expenditure and any significant issues in a timely and balanced manner. We do this formally through our quarterly progress reports, annual report and website updates. This is in addition to responding to requests from shareholder departments on a regular basis.

Principle: Respect the rights of shareholders

(based on ASX Principle 6)

The Minister for Communications has portfolio responsibility for Australia Post. Under a dual shareholder model, overall responsibility for the enterprise is exercised jointly with the Minister for Finance.

Shareholder representatives and key stakeholders can access information about Australia Post on our website, auspost.com.au. The dedicated corporate governance section provides a detailed description of the corporation's governance framework and associated practices, with links to key documents.

Shareholder relations program

Australia Post has not established a formal shareholder communications policy. However, it does take appropriate measures to keep shareholder representatives informed about its activities on a regular basis. Engagement with shareholders occurs through fortnightly teleconferences, quarterly face-to-face meetings, meetings upon request and responses to any enquiries made from time to time.

While Australia Post has not established any formal shareholder policies or processes regarding facilitation and participation at meetings, it does set agendas in consultation with the shareholder to ensure that all required discussion topics are set down for discussion.

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

In addition, Australia Post effectively engages with stakeholders who have a high degree of influence over our business. Our primary stakeholder groups include customers, our workforce, government and the broader community. Other stakeholders include regulatory bodies, suppliers, industry organisations and peak bodies, environmental groups and the media. Throughout the year we undertake a number of activities to engage with each of our stakeholder groups.

Understanding our stakeholders

Getting to know our stakeholders by understanding their needs and how our business impacts them is critical to our success. Research activities are an effective way to obtain this information. For example, each year we conduct staff attitude surveys and focus groups to understand our employees' views about our business. Comprehensive Voice of our Customer surveys across our consumer, small and medium-to-large business customer segments also help to inform us about customer satisfaction levels with valuable feedback and insight into how they view their relationship with our business.

These initiatives help us to improve our understanding of the business and facilitate a better experience for our people, customers and stakeholders when dealing with us.

An integrated approach to stakeholder engagement

Our integrated stakeholder model ensures that our business planning and decision-making processes consider the stakeholder groups they may affect. The model enables us to assess the risks and impacts in the early stages of a project to allow the implementation to be coordinated with other key enterprise projects, and to identify potential stakeholder conflicts before they occur.

Effective stakeholder engagement is a key enabler of our enterprise strategy and is embedded and integrated across the corporation through a number of key business forums.

Principle: Recognise and manage risk

(based on ASX Principle 7)

Audit & Risk Committee

The Audit & Risk Committee assists the board by its oversight and review of financial reporting, risk management, internal control, auditor independence and performance and compliance with laws and regulations.

See page 46 for more information on the Audit & Risk Committee.

Recognising and managing risk

The board has established a comprehensive Risk Management Policy.

The policy provides guidance on risk management practices and adds clarity to the management and director roles and responsibilities, both for developing and administering the policy, and for implementing risk management processes. This policy and any associated processes are consistent with the principles of the International Standard for Risk Management (AS/NZS ISO 31000:2009), the Australian Standard on Compliance Programs (AS 3806:2006), and the ASX Corporate Governance Principles and Recommendations (Principle 7: Recognise and Manage Risk).

The policy describes a 3-lines of defence principles-based approach to risk management at Australia Post to ensure consistency with frameworks and processes as stated in the annual report. Specific details concerning the core risk management components are set out in the Australia Post Risk Management Framework.

Under the framework all business units maintain a risk profile detailing their material business risks, associated controls and mitigation strategies.

The status of Tier 1 (significant risks) is reported to the Enterprise Risk Management Forum, the Executive Committee and the Audit & Risk Committee each quarter. The status of each major compliance program is provided annually to the Audit & Risk Committee. To support increased awareness and understanding of the corporation's Tier 1 risk profile, the Audit & Risk Committee undertakes a Risk Deep Dive Session at each meeting.

Risk identification, measurement and mitigation strategies are included in all business-related proposals considered by the board. A number of additional programs are in place to manage risk and compliance in specific areas such as fraud, environment, injury prevention and management, competition and consumer law, information security and privacy, IT, emergency procedures and business continuity planning.

Australia Post maintains adequate insurance cover to manage the potentially adverse financial impacts associated with catastrophic risk exposures. The insurance program is reviewed and amended annually to ensure it is capturing significant emerging and previously identified significant business risks.

The board conducts an annual review of the corporation's risk policy and supporting framework to maintain its effectiveness and adequacy. Independent external reviews of risk management and compliance processes across the corporation are undertaken every four years to ensure better practice is maintained. The most recent such review was undertaken by PwC and presented to the Audit & Risk Committee in February 2014.

Internal control framework

Australia Post's internal control includes strategic, financial, operational and compliance elements. Controls are embedded within financial planning and reporting, commitment and expenditure delegations, due diligence, procurement contract tendering, expenditure gating, external performance reporting and corporation-wide risk management and internal audit practices. Financial reporting and business system integrity are assured through the maintenance of extensive operating procedure policies and practices.

Before adopting the annual financial reports, the board receives written confirmation from the managing director & group CEO and group chief financial officer that the integrity of the statements is founded on sound systems of risk management, compliance and internal control, and that all material risks have been managed effectively.

Corporate responsibility

Australia Post's Corporate Responsibility program is an important element of the corporation's strategy.

At the heart of our approach to corporate responsibility is the notion of balance. Australia Post is embedded in the Australian community and, as such, our approach to corporate responsibility seeks to ensure that our daily decision-making gives genuine consideration to balancing our stakeholder interests and commercial returns, customer service and community and environmental interests. This consolidated approach enhances the enterprise philosophy "that all Australians should have equitable access and that we are an organisation that continues to connect community and commerce".

The Corporate Responsibility Policy that underpins this approach provides for clear accountability in meeting the program's goals and objectives. The policy's key objectives are to:

- ensure our long-term sustainability is founded on responsible business practices
- give meaningful consideration to community and environmental impacts and stakeholder expectations when we make decisions
- be open and accountable to our people, our customers, the Australian community and our shareholder on the decisions we make and their impact.

Our corporate responsibility performance is reported periodically to management as well as the board and the Australia Post Stakeholder Council. Formal corporate responsibility reporting occurs annually through the annual report.

Corporate responsibility is embedded and integrated across the corporation through key business focus groups. Our workforce needs and subsequent programs are governed by the Human Resources Committee. The Australia Post Stakeholder Council, which provides an external perspective to the Corporate Responsibility program, comprises representatives ranging from small, medium and large business, direct marketing, corporate responsibility and senior Australia Post executives.

Responsible sourcing

Australia Post conducts its business with integrity and ensures compliance with all relevant laws, regulations, policies and procedures. Our comprehensive Code of Ethics clearly defines the standards of behaviour expected from our employees and business partners to operate ethically and with integrity when purchasing goods and services, and working with suppliers.

Australia Post's Supplier Code of Conduct specifies that social and environmental outcomes be considered when selecting suppliers. Under the code, suppliers are expected to demonstrate a commitment to human rights, fair employment practices and environmental responsibility in accordance with existing international standards, such as the United Nations Universal Declaration of Human Rights, the International Labour Organization Declaration on Fundamental Rights at Work, and the United Nations Convention on the Rights of the Child. Our commitment to environmental sustainability requires all suppliers to comply with all applicable environmental laws and regulations, conduct their business in a manner that protects the environment and have an environmental management program that takes responsibility for goods and services throughout their lifecycle to minimise the impact of activities on the environment.

Treasury

A comprehensive and prudent treasury policy exists to manage cash and liquidity, interest rate, foreign exchange, fuel price, counterparty and operational risks. Reviewed by the board at least annually, the policy provides for the use of hedging instruments to protect the corporation against adverse movements in interest rates and minimise the impact of volatility of foreign exchange rate and oil price movements. The aim is to ensure reasonable certainty against budget estimates and in the cost of imported capital equipment and other supplies.

Established treasury procedures incorporate risk control principles of segregation of duties, dual control access and independent reconciliations. An internal Asset and Liability Committee meets monthly and reviews or recommends appropriate hedging strategies to the group chief operating officer and group chief financial officer in accordance with policy parameters. Treasury activities are reported quarterly to the board and are subject to review by auditors as part of the annual external audit process. Breaches to the Treasury policies require prompt disclosure to the Audit & Risk Committee.

Taxation

Australia Post manages its taxation obligations in all jurisdictions in which it operates in accordance with the board-approved Risk and Compliance Framework.

In implementing its corporate strategy, Australia Post abides by a set of documented corporate tax policies and procedures that ensure full and transparent compliance with its taxation obligations.

The five core drivers of our corporate tax operating framework are:

- maintain full compliance – we will ensure full compliance with all statutory tax obligations and seek to pay the legally correct amount of tax wherever the Australia Post Group operates
- maximise shareholder value – we will manage the tax affairs of the Australia Post Group in a proactive manner and seek to maximise shareholder value in relation to the taxation consequences of implementing the overall group strategy
- manage risk – we will maintain documented policies, procedures and positions in relation to tax risk consequences of business strategy within the corporation's Enterprise Risk and Compliance Framework taking into account the implications for the Group's corporate reputation as a trusted iconic brand. All identified risks and tax exposures will be tracked and reported to the group chief operating officer and the group chief financial officer where material
- maintain openness and transparency – we will maintain an open and honest relationship with revenue authorities and consult appropriately with them in accordance with the Tax Code of Conduct
- build assurance – we will provide the board, managing director & group CEO, group chief operating officer, group chief financial officer, senior management and other key stakeholders with assurance that the Australia Post Group's tax is being managed in accordance with its tax policies.

Principle: Remunerate fairly and responsibly

(based on ASX Principle 8)

Nomination and Remuneration Committee

The committee provides shareholder ministers with recommendations on board composition and membership, and performance and succession management for the managing director & group CEO.

See page 46 for more information on the Nomination and Remuneration Committee.

Corporate governance

Director remuneration

Remuneration for Australia Post's non-executive directors is determined by the Commonwealth Remuneration Tribunal. For 2013–14 this was:

Chairman	\$178,940
Deputy Chairman	\$99,860
Directors	\$89,500
Audit & Risk Committee Chairman	\$20,700
Audit & Risk Committee member	\$10,360

Total amounts received or receivable in 2013–14 by each non-executive director are provided in Note 29 to the financial reports (see page 104).

Executive remuneration

The board is responsible for setting the remuneration arrangements for the managing director & group CEO. In doing so, it follows a set of principles approved by the Commonwealth Remuneration Tribunal which are designed to link the level of remuneration with the financial and non-financial performance of the corporation.

Remuneration arrangements for other senior executives are reviewed and determined by the managing director & group CEO within parameters set by the Human Resources Committee and the Nomination and Remuneration Committee.

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

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

On the basis of this advice, the managing director & group CEO ensures that payments to senior executives are in line with market practice, and that they are competitively placed to attract and retain the necessary talent for the work required by these roles.

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

Before a reward is payable, a threshold must be reached, according to predefined measures. In the case of the managing director & group CEO and some senior executives, part of their incentive payment is deferred and expensed over the deferral period.

Remuneration details for the managing director & group CEO and other key executives are provided in Note 29 to the financial reports (see page 105).

Directors' attendance at meetings 2013–14

	Board		Audit & Risk Committee		Human Resources Committee		Nomination & Remuneration Committee	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
John Stanhope	8	8	4	4	–	–	5	5
Brendan Fleiter	8	8	4	4	4	4	5	5
Ahmed Fahour	8	8	–	–	4	4	–	–
Penny Bingham-Hall	8	7	–	–	4	3	4	4
Susan Bitter	8	8	4	4	–	–	–	–
Peter Carne	8	8	4	4	–	–	5	5
Michael D'Ascenzo AO	8	7	–	–	4	4	–	–
The Hon. Trish White	8	7	4	3	4	4	–	–
Talal Yassine OAM	8	7	–	–	–	–	5	5

(a) Number of meetings held while a director/committee member

(b) Number of meetings attended

Note: Two board meetings and one Human Resources Committee meeting were held at Australia Post operating sites.