

Our year

\$116.2 million

Profit after tax

34.5% decrease in profit

36,944

employees nationwide, reflecting Australia Post and StarTrack's combined strength

-\$328.4 million

Operating EBIT in mail services

15.2% increase in loss

8.0

Lost Time Injury Frequency Rate

2.4% reduction in LTIFR

\$337.5 million

Operating EBIT in parcel services

20.8% increase in profit

2nd

Most reputable brand (position held)

2014 AMR Corporate Reputation Index



Declared a \$78.8 million dividend to our shareholder

(More information on page 12)

Exceeded all regulated delivery performance standards

(More information on page 14)

Established Australia's largest parcels and logistics network

(More information on page 28)

Preserved our reputation as a trusted service provider

(More information on page 9)

Launched Post People 1st to protect, prioritise and support our employees

(More information on page 11)

Recorded fewer workplace injuries and championed safe road use

(More information on pages 32–33)

Built better neighbourhoods across Australia

(More information on page 37)

Reduced carbon emissions to deliver better environmental outcomes

(More information on page 39)





This is the fourth year Australia Post has produced an integrated annual report. It discusses our overall sustainability performance including our financial, social and environmental achievements for the 2014 financial year.

The report provides information for our four primary stakeholders – our shareholder (the Australian Government), our people, our customers and the broader community. The material issues we cover in this report, and our process for identifying these topics this year, are discussed on page 19.

Our integrated report is prepared according to legislative requirements, the Global Reporting Initiative (GRI) G3.1 Guidelines and the GRI Transport and Logistics Sector Supplement, and the principles of the United Nations Global Compact.

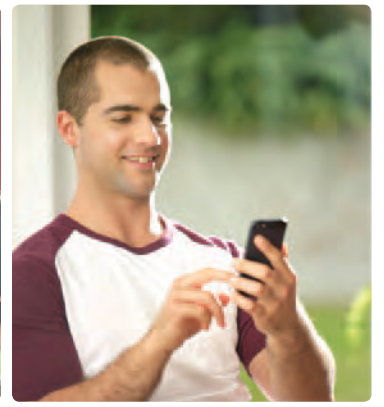
Front cover images:

(Top) Australia Post Bourke Street Superstore Postal Manager, Anthony Allwood, explains the benefits of the new MyPost Concession Account to customer Vally Crowe.

(Bottom) Dick Smith Camberwell Store Manager, Geoff Mortimer, accepts a delivery from StarTrack driver, Van Nguyen.

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Changing with you

For over 200 years we have been serving Australians. We have always sought to help citizens, businesses and government. Not just some, but everyone, everywhere, every day so that communities work better, and can prosper.

However, the needs of communities are changing as a result of the digital age. Therefore so must our services if we are to continue to fulfil our purpose. Your Post is evolving by:

- Building world-class delivery, supply chain and ecommerce solutions for businesses
- Developing the post office and our digital services to support the everyday essentials of citizens and small business owners, including a special focus on rural and regional communities
- Enabling governments and corporations to connect with their customers online as well as through our postal network
- Helping our people and partners be safe and supported so that they can have fulfilling jobs and businesses that serve our customers well.

In a rapidly changing world, the needs of our people, customers and communities, and the trust they place in us, remain at the core of every decision and action we take.

Ahmed Fahour
Managing Director & Group CEO



Chairman's message

Australia Post again delivered on its core obligations of providing reliable community service and sound commercial performance – while investing in new services that are vital to serving Australians in the digital world.



I am very pleased to report that we met all of our community service obligation (CSO) performance standards and managed to earn a modest profit in the 2013–14 financial year. That is a significant achievement, in itself, given the ongoing digital disruption to many of our core products and services.

Our strategy

We remain focused on running Australia Post efficiently and productively, while simultaneously working on a range of strategic initiatives that all relate to changing, growing and reforming the business – in the long-term interests of the Australian community.

Our primary strategic goal is to run the business in a way that captures our immediate growth opportunities. This year we made significant headway with the construction of our future parcels network; the integration of StarTrack; the expansion of our trusted services offering; and by building the functionality and scale of the MyPost Digital Mailbox.

Strategically, we also remain focused on growing in new areas that are aligned to both our customers' needs and our existing strengths across communications, ecommerce and trusted services.

Reforming our letters service

The Australian community's reducing reliance on our letters service remains a significant and ongoing challenge. In the six years since our mail peak, the volume of domestic addressed letters sent in Australia has fallen 25.3 per cent. So, this year, our posties delivered 1.2 billion fewer letters than they did in 2007–08.

We're also delivering this dwindling volume to an ever-expanding network. So, in real terms, letters delivered per letterbox has actually fallen 30.6 per cent over the past six years.

In this year alone, we incurred a loss of \$328.4 million in our highly regulated mail services business (up from last year's loss of \$285.1 million). Under the existing regulatory settings for the letters service (the CSO standards and price constraints), we know that these losses will inevitably grow in future years as volumes continue to decline. In fact, without regulatory reform, our losses in letters will soon overwhelm the profits that we earn from our parcels and retail businesses, combined.

Therefore, we have been actively engaging in the recent community discussion about the future of our letter services – pointing out that regulatory reform is fundamental to securing a viable, self-funding future for Australia Post. We will continue to work closely with our Shareholder and engage with the community as we develop a new model that ensures we maintain accessible, reliable and sustainable letter services for all Australians.

Looking ahead

Australia Post is a much-loved brand with unrivalled community-based post office and delivery networks that underpin connection and commerce, for all Australians. By managing the reform of our letters business now, I am confident that we will be in a strong position to maintain those networks – and invest in new services that will serve Australians well into the future.

I'd like to thank my fellow directors, the management team and our outstanding CEO, Ahmed Fahour – as well as the thousands of employees, licensees, agents and contractors who work so hard to deliver a tremendous community service across Australia.

A handwritten signature in black ink, which appears to read 'John Stanhope'. The signature is fluid and cursive.

John Stanhope
Chairman

Managing Director & Group CEO's message

This was a year of significant challenge and change at Australia Post, as we continued to adapt in order to stay relevant to our customers.



For the 14th consecutive year, we met all of our CSO service performance targets. In 2013–14 we delivered 94.5 per cent of letters on time or early (ahead of our 94 per cent target) and maintained 4,417 post offices nationwide (well above the target of 4,000 access points).

In terms of commercial performance, our revenue increased to \$6.4 billion (up 8.3 per cent on last year), but after-tax profit was down 34.5 per cent to \$116.2 million.

In addition, we continue to make significant improvements in our safety performance.

On a portfolio basis, the operating EBIT loss in our highly regulated mail services business (predominantly our reserved and non-reserved letters services), increased by 15.2 per cent to \$328.4 million – due to falling volumes and the fixed-cost nature of this business. Retail Services earned \$175.6 million, which is in line with last year's result. Parcel and Express Services earned operational EBIT of \$337.5 million, which is up 20.8 per cent on last year. This is the fourth consecutive year of profit growth in our parcels business – and it was achieved despite a slowdown in ecommerce activity and intensifying competition across the parcels market.

Turning point

As was anticipated and communicated, the corporation made an overall loss in the second half of the financial year. It is the first time that our business has made a loss in any six-month period, since being corporatised in 1989.

This indicates that we have now reached a turning point where we can no longer expect profits from our competitive parcels business to offset the growing losses that we are

incurring in the highly regulated mail services business. We believe this is a permanent structural issue and, as a result, we are now actively seeking to change our letters services, prices and operations.

Looking after our stakeholders

As we adapt to the ongoing shift in the community's use of our services, we are very conscious of minimising the impact of service changes for our stakeholders. I am particularly proud of the initiatives we developed this year for our employees (such as Post People 1st), for our licensees (new LPO payment streams and the Rural Sustainability Package) and for disadvantaged and senior Australians (by introducing concession-rate postage).

Investing in tomorrow

I am optimistic about our ability to sustain Australia Post's role as the trusted organisation that connects Australian consumers, business and government agencies. This year, we invested heavily in expanding our parcel facilities, which will, ultimately, double our processing capacity. We also added a broad range of new trusted services that are available in our post offices and online. And we continued to develop the services that are available via the MyPost Digital Mailbox.

We are also integrating our parcel operations and services – and have elevated StarTrack as one of our two core brands, with the responsibility of providing ecommerce-driven logistics and delivery solutions for Australian businesses.

Thank you

It is my great privilege to work with the board, the management team, our employees and business partners. I want to sincerely thank everyone for their contribution to our great business – and for their daily commitment to serving our customers and the Australian community.

A handwritten signature in black ink that reads "Ahmed Fahour". The signature is written in a cursive, flowing style.

Ahmed Fahour
Managing Director & Group CEO

Meeting the needs of our customers

Our customers' behaviour and expectations continue to evolve in this digital age.

Consumers are shopping online, and demanding easier and more convenient delivery services. Businesses are seeking easy ecommerce solutions as they reinvent their customer service model for a digital, mobile economy. Meanwhile, governments and corporations are seeking help to digitise their services while ensuring over-the-counter help is available in all communities.

Consequently we have been investing to change and improve our services.

Delivery solutions for today's ecommerce market

Over the past 12 months, we've been combining the trust, reach and convenience of Australia Post with the premium service standards, express freight capability and business-to-business strength of StarTrack. Our parcel services business, under the StarTrack banner, draws on the strengths and interoperability of our vast network to deliver ecommerce-driven logistics, supply chain and parcel delivery solutions.

Improvements to our product and service offering this year provided online buyers and sellers with greater choice to select the parcel, freight, express, courier and international service that best suits them – based on cost, speed, visibility and security. And, working even more closely with major ecommerce marketplaces like eBay, Amazon and Google, we've simplified packaging and postage processes to offer customers more convenience and price certainty.

Digitising traditional postal services

We've digitised many of our traditional post office services so that customers can interact with us anywhere, anytime. No matter what device our customers use, our digital service improvements are empowering them to more easily manage their deliveries and transactions with a greater sense of security, choice and control.

During the year we made significant enhancements to our suite of iOS and Android apps. The popularity of these digital services was highlighted by a 23 per cent rise in digital product revenue from last year, driven by a 38 per cent increase in online mail redirection and mail hold services, and 39 per cent growth in our Online Shop.

Helping Australians through MyPost Digital Mailbox

Another way we've made it easier for businesses and their customers to connect simply and securely online is through our MyPost Digital Mailbox, which continues to build momentum. There are now 30 providers on-board including Telstra and AMP, as well as several utility providers and local governments. Our newest partners, Westpac and Velocity, also signed on during the year and will go live in 2014–15.

Modernising post offices across Australia

We are committed to keeping our post offices open and vital to the businesses and consumers they serve, and growing the everyday essential service that they offer.

Superstores are our modern post office solution, providing access to our full suite of postal products and services along



The modern mailroom

to suit Telstra's online shoppers

With less people at home during the day, more online shoppers are diverting their parcels from their home to their business address.

Following a steady rise in parcels for employees at Telstra's Melbourne headquarters, Telstra was keen to improve the ways it manages mailroom traffic for its business and employees. By installing our parcel lockers at their Melbourne headquarters in November 2013, Telstra has reduced the burden of delivering increasing parcel volumes for its mailroom.

The location recorded 480 registrations – the highest number ever received for a locker in its first week of installation. By June 2014, more than 1,000 customers had registered to use the parcel lockers, making it our third most utilised parcel locker site in Victoria, and fifteenth in Australia. Employee feedback has been positive, with users describing the parcel lockers as “a very good initiative” and “a great gift to employees”.

with 24/7 access to postage vending machines and parcel lockers. These services are also available at many of our 56 Business Hubs, which are dedicated to local small and medium businesses. In 2013–14 we opened another 15 superstore outlets to bring our national network to 48 – including 11 in rural and regional areas. We will invest in another 50 rural and regional superstores over the next five years.

Extending post office trading hours


Our customers have also told us that they'd like easier, more convenient access to our services, and the extension of weekend trading is the next step in meeting those expectations.

We will expand to Saturday trading in November 2014. When you include licensed post offices, there will be around 2,300 post offices that are open six days a week.

Delivering parcels on Saturdays

This year we announced plans to deliver parcels on Saturdays and extend our next-day Express Post delivery service to households six days a week.

Customers already enjoy the convenience of six-day parcel deliveries during the Christmas period, but these changes mean that a six-day-a-week delivery service will be available permanently from November 2014.



Supply chain solutions, sorted for Dick Smith

StarTrack provides iconic Australian electronics retailer Dick Smith with end-to-end logistics and product distribution to its 377 retail stores in Australia and New Zealand.

We offer a unique supply chain solution where orders are consolidated, packed according to store and state, then shipped into sea freight containers from China to Australia, before being delivered to stores or direct to online shoppers. Stock is also stored at our StarTrack warehouses in Australia and sent to New Zealand Post's warehouse in Auckland as part of a partnership that was facilitated by our StarTrack team.

Nick Abboud, Dick Smith's Managing Director and CEO said, "As Dick Smith extends its retail offering into new market spaces, we expect that further enhancements to the store fulfilment model will provide our customers with the flexibility of quicker and cheaper local delivery or click and collect in each of our stores".

Image: Dick Smith Camberwell Store Manager, Geoff Mortimer

Staying true to our purpose in the community

Right now, we face the significant challenge of managing a letters service in decline.

At the same time, we are transforming our network to provide improved communications support, new parcel delivery capabilities and access to more everyday essential services.

As we implement these changes, we remain true to our purpose to help citizens, businesses and government – not just some, but everyone, everywhere, every day; so that communities work better, and can prosper.

This has us keeping the contemporary needs of our people, customers and communities at the centre of every decision.



Australia Post is essential to **87% of regional and rural customers**

Australia Post plays a pivotal role in smaller and more isolated communities where advocacy and use of our services are highest.

In a January 2014 survey commissioned by Australia Post, 87 per cent of respondents stated that our network of 2,560 rural and remote post offices is essential to meeting the needs of their community.

To support customers when and where they need us the most, in June 2014 we announced a package of

initiatives to strengthen the viability of rural and regional post offices. This means working with our licensees to introduce a range of financial and technology measures – such as increased payments to post office operators and new point-of-sale technology – so that smaller and more isolated communities can enjoy access to more important services including banking and card payments.

Image: James Kerin (Licensee) and Chris Brown (Manager) operate the Clunes Licensed Post Office in Victoria.

Reforming Australia's letters service

We're committed to maintaining a reliable, accessible postal service for all Australians. Under Section 27 of the *Australian Postal Corporation Act 1989* we have a set of Community Service Obligations (CSOs) that require us to provide a service that is "reasonably accessible to all people in Australia on an equitable basis, wherever they reside or carry on business".

In 2013–14 we again met or exceeded all of the prescribed targets that underpin our CSOs, but this is being achieved at an ever-increasing cost. The community's shift to online channels has led to a dramatic and irreversible decline in letter volumes. This year we expanded our delivery network to 11.3 million delivery points, contributing to a 4.8 per cent year-on-year decline in letter volumes delivered per letterbox. The financial cost associated with meeting our community service standards this year is estimated to be \$203.5 million, up 17.0 per cent on last year.

Based on the experiences of our international counterparts the community's declining reliance on letters will continue to accelerate. With the current momentum of the business, the losses we incur in our letters division will soon overwhelm the profits we make from other sectors.

This involves making changes to our letters services, pricing and operations. In particular it means transitioning to a two-speed letters service – Priority and Regular – that is priced to recover the cost of delivering the service.

Supporting neighbourhoods in need

As we face the challenges and opportunities of the future we will continue to keep the community at the heart of our decision making. We believe that a thriving, vibrant community – connected physically and digitally – will drive our business to be sustainable and ensure that we continue to deliver essential services to all Australians.

It is with this philosophy in mind that the Our Neighbourhood program comes to life. It represents Australia Post's commitment to the community beyond its business operations and role as a large employer of people. It guides our community approach and the investments we make.

Our programs and partners represent a diverse group of dynamic activities and organisations who all share the common goal of creating a stronger sense of community. Collectively, they help us connect to all corners of the community and build better neighbourhoods. Individually, they focus our attention on specific community members and organisations that need help to participate in the communities in which they live and operate.



Capturing Australians' confidence

We have one of the strongest reputations of any company in Australia, according to the 2014 AMR Corporate Reputation Index.

The annual corporate reputational study is based on surveys of around 7,800 Australian adults aged 18–64, who were asked to rank 60 companies across seven areas: products and services, innovation, workplace, citizenship, governance, leadership and performance.

Our second place ranking (the same as last year), shows that Australians continue to identify with our brand after more than 200 years of delivering trusted services to the community.

Reducing our environmental impact

This year a number of our operational decisions and initiatives directly contributed to better efficiency and productivity outcomes for us, as well as delivering real value for the community and for the environment. Fleet and energy management initiatives continued to reduce costs and emissions, contributing to a further 6.9 per cent decrease in our Scope 1 and 2 carbon footprint.

We're also extending our environmental and social commitments beyond our business and throughout our supply chain by helping our customers deliver better environmental outcomes. In November 2013 we introduced our new Environmental Sustainability Strategy to guide internal improvements, product development, and sourcing decisions. These actions support our "shared value" approach to delivering tangible, economic and social benefits for us, and the communities we serve.

Providing for all Australians

We're committed to maintaining our essential services for all Australians by ensuring they remain affordable for low-income groups and customers who depend on us to stay connected.

This year, we created the MyPost Concession Account for Australia's 5.7 million federal government concession cardholders. The MyPost Concession Account provides access to concession stamps, effectively freezing the cost of basic postage at 60 cents for account holders for the next three years. It also provides our customers with access to other concessional benefits as well as our MyPost Digital Mailbox.

Supporting our people through change

As our business evolves, we are engaging our entire workforce in the need for change – and supporting them as we transform our services and operations.

We are committed to communicating openly and providing the support our people need to adapt to operational and service changes, while never compromising on safety.

Strengthening our safety culture

Ensuring a safe working environment is Australia Post's highest priority. We believe that everyone deserves to go home at the end of their day as healthy as they were when they came to work, so our safety program supports our ongoing vision for zero injuries and zero tolerance of unsafe acts in our workplaces.

Recently our safety strategy has matured from one of compliance to a focus on leadership commitment, and an increased level of personal accountability. This is promoting a culture where everyone takes ownership of safety in their workplace by making positive changes that reduce risks to themselves and their colleagues.

We saw a continued decline in workplace injuries, demonstrating the sustained benefits of our safety strategy. Our All Occupational Injury Frequency Rate decreased to 22.8 from 25.6 (down 10.9 per cent from last year), while our Lost Time Injury Frequency Rate reduced to 8.0 (down from 8.2 last year), a 2.4 per cent reduction.

Engaging our workforce

During the year we continued the journey of engaging with our employees on the current state of our business and future direction.

Between March and April 2014, our Managing Director & Group CEO and members of the Executive Committee travelled to all major capital cities where they held briefing sessions with managers and supervisors and visited employees at more than 30 mail facilities and post offices.

These events were an opportunity to celebrate the successes we've achieved through our Future Ready strategy over the past four years, while importantly encouraging some 2,000 attendees from across our business to speak frankly with senior leaders about the challenges and opportunities that lie ahead.

We recognise the need to foster ongoing discussions about our business transformation. To support this approach, this year we introduced the Workforce Conversation portal, a secure website providing employees with access to important business information.

Prioritising our people

Australia Post is committed to managing change in a way that is fair and reasonable for our people.

As we implement more efficient ways to run our business, it's vital that we provide our employees with access to career development opportunities and support, so that they can make an informed choice about their future. Central to the way we implement change is the notion of a well-planned and respectfully implemented career transition.

We have launched a number of initiatives to help our people transition into growth areas of our business, which includes providing training and re-skilling through our Post People 1st program (see page 11). Career development programs such as these will be integral in developing and preparing our people for future roles, ensuring that they have the skills, experience and confidence they need to have a successful and fulfilling career.

Supporting licensees and Community Postal Agencies

In recognition of the shared challenges Licensed Post Office (LPOs) and Community Postal Agencies (CPAs) face, this year we made a commitment to strengthen the viability of these business partners with a \$40 million package of initiatives.



Record 80% response for our employee engagement survey

Our annual say2action employee engagement survey, conducted in April and May 2014, achieved a response rate of 80 per cent, representing the views of nearly 30,000 of our people – a record number for Australia Post.

Through the survey, many of our people demonstrated their understanding and willingness to accept change as we transform our business to deliver on our customer commitments (see page 33 for more).

This rural sustainability package, which will increase the minimum guaranteed annual payment for LPOs and introduce a minimum payment for CPAs, is the latest in a series of initiatives that will contribute \$40 million on top of around \$338 million already paid annually. The announcement followed other measures introduced earlier in the year such as additional scanning payments for trackable articles, a \$25 million (16.7 per cent) growth in payments related to the basic postage rate increase (see page 23) and new services and payments for the MyPost Account.

More than 25% of parcels delivered by posties

We're implementing wide-ranging operational changes to build flexibility in our delivery network as we make the shift from delivering small, thin letters to handling parcels.

As just one example of this shift, three years ago our posties did not deliver many parcels at all. Today, more than a quarter of our regular parcels are delivered by posties.

Post People 1st

In September 2013 we launched our Post People 1st initiative, to develop the skills and experience of our employees and give them the confidence to have successful and fulfilling careers. The program ensures that available positions are first advertised internally, guaranteeing priority consideration for our people before we seek external candidates. Since launching our Post People 1st initiative, 2,705 jobs have been filled by internal applicants.

“For my new job, I was provided with extensive training, including how to handle parcels safely. I really enjoy this position.”

Sandra Bambery used Post People 1st to find a job closer to home as a mail officer at the Underwood Parcel Facility in Queensland.

Our business

Financial report

The Australia Post Group has achieved significant milestones in realising our growth and performance opportunities in the final year of our Future Ready business renewal program. However, this year was a turning point for our overall profitability as the effects of digital disruption on our letters and retail businesses significantly impacted the positive results achieved in our parcels business.

Performance

This year the Group's profit after tax was \$116.2 million. This includes \$63.0 million of costs associated with our corporate restructuring program, which will reduce overheads in our corporate centre so we can direct valuable resources into frontline services for our customers. Our underlying profit after tax (excluding restructuring costs) was \$179.2 million, which is in line with last year's result (up 1.0 per cent).

This marginal profit growth reflects the challenges we face in our mail services business, which is under considerable pressure due to the continued take-up of digital methods for communicating and transacting. We expect that letter volumes will continue to decline at an accelerated rate as a result of this shift in customer behaviour. The full impact of this decline has been partially offset by robust yield management due to the increase to the Basic Postage Rate in March, price increases for our PreSort products and volume growth resulting from the Federal Election in September.

The shift towards electronic payment substitutes along with declining customer visits to our post offices has impacted our retail trading. This is being countered by the continued investment in trusted services, which has resulted in revenue growth in our financial, identity and commercial services portfolio.

We have declared a dividend to our shareholder, the Australian Government, of \$78.8 million (down 59.1 per cent year-on-year due to our lower profit result). Our return on equity was 6.7 per cent.

Investment

Our total cash investment this year across strategic projects and asset replacement was \$523.1 million. This program focused on new infrastructure to boost capacity in our parcel network by expanding the footprint of our major parcel processing facilities and investing in cutting-edge automation technology. We continued to strengthen our digital infrastructure, predominantly MyPost Digital Mailbox (formerly known as Australia Post Digital Mailbox) which gives businesses and consumers a digital alternative for sending and receiving mail.

This was the largest capital expenditure program in the history of the Australia Post Group and reflects the major transformation our business is undergoing to adapt to changing customer preferences. These investments will strengthen our position as a world-class parcels business and help build a sustainable communications business across both physical and digital platforms.

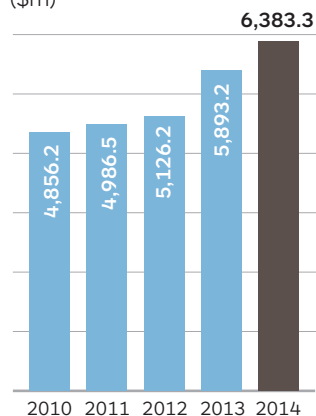
Taxes

The Group made a significant contribution to the Australian economy through our total tax contribution of \$494.2 million. This comprised \$243.4 million in income and property taxes and, indirectly, \$250.8 million in GST and withholding taxes.

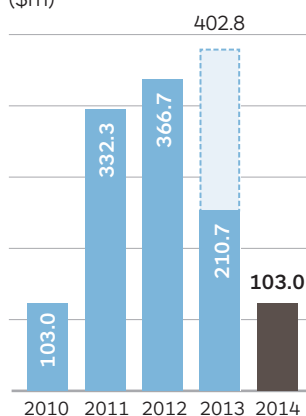
Segment performance

Our Parcel Services business again delivered a strong performance this year, returning an operating EBIT of \$337.5 million (up 20.8 per cent) and revenue growth of 16.4 per cent. Underpinning this result was domestic parcel volume growth of 12.8 per cent which included a full year of StarTrack trading (compared to eight months last year). Revenue for this portfolio increased, despite the increasingly competitive landscape and economic uncertainty that is impacting consumer confidence. We again achieved an outstanding parcels service delivery result of 97.8 per cent.

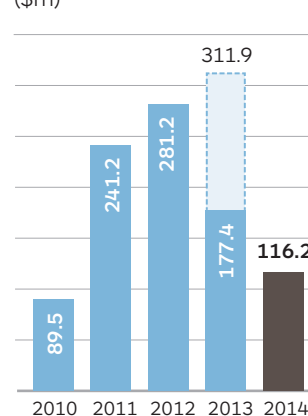
Revenue
(\$m)



Profit before tax⁽³⁾
(\$m)



Profit after tax⁽³⁾
(\$m)



The structural challenges facing our mail services business resulted in an operating EBIT loss of \$328.4 million (up 15.2 per cent). This loss was driven by the continued decline in addressed letter volumes, which were down 4.0 per cent (or 5.0 per cent excluding Federal Election volumes). Once again, the fixed-cost nature of our letters network meant that the loss could not be offset by cost savings.

Operating EBIT for our retail business remained relatively flat (down 1.3 per cent). This was impacted by declining customer visits to our post offices (down 9.7 million or 5.0 per cent), which resulted in lower merchandise sales and payment revenue. Growth in our financial, commercial and trusted services portfolio was not enough to offset the revenue implications of declining customer visits.

Outlook

Over the past four years, Australia Post's Future Ready program has delivered strong results by embedding a change culture and execution discipline to transition the business from a postal to a parcels-dominant business. However, the continued migration of businesses and consumers to digital methods for communicating and transacting remains the greatest challenge for our letters and retail businesses, and the Group as a whole.

While our Parcel Services business is expected to continue to deliver volume and revenue growth, aggressive competition from other parcel and logistics providers remains our biggest threat. Our focus is to invest and innovate to ensure we can compete on price and offer our customers exceptional levels of service.

Five-year trends

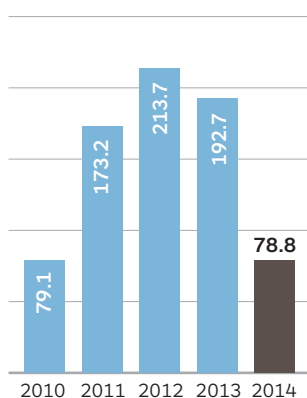
	2010	2011	2012	2013	2014
Revenue (\$m)	4,856.2	4,986.5	5,126.2	5,893.2	6,383.3
Profit before tax (\$m) ⁽³⁾	103.0	332.3	366.7	210.7	103.0
Profit after tax (\$m) ⁽³⁾	89.5	241.2	281.2	177.4	116.2
Profit/(loss) from reserved services (\$m) ⁽¹⁾⁽³⁾	(250.1)	(66.5)	(114.4)	(198.0)	(242.6)
Return on equity (%) ⁽²⁾⁽³⁾	6.2	15.0	16.8	10.5	6.7
Return on average operating assets (%) ⁽³⁾	3.8	10.9	11.5	6.2	3.4
Debt to debt plus equity	26.4	23.6	29.1	27.3	28.8
Dividends declared (\$m)	79.1	173.2	213.7	192.7	78.8
Interest cover (times) ⁽³⁾	4.6	10.9	10.8	7.7	3.6
Reserved services letter volumes (m)	3,876.6	3,738.8	3,545.3	3,305.7	3,173.5

⁽¹⁾ The 2014 balance includes the impact of organisational restructuring.

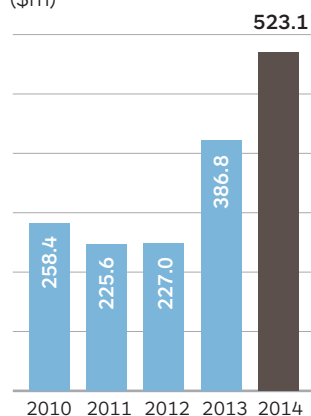
⁽²⁾ Return on equity is calculated as profit after tax as a percentage of equity. Equity has been adjusted to remove the impact of the Group's net superannuation liability/asset.

⁽³⁾ Changes to AASB 119 *Employee Benefits* took effect on 1 July 2014. 2013 has been restated for like-for-like comparison. Years prior to 2013 have not been adjusted to reflect this change in accounting standard.

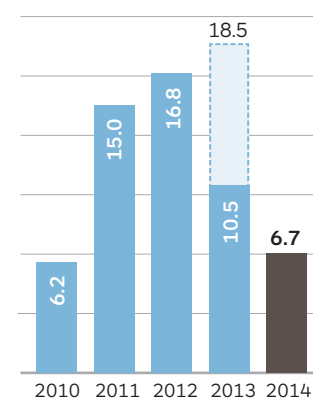
Dividends declared (\$m)



Capital expenditure (cash) (\$m)



Shareholder return on equity⁽²⁾⁽³⁾ (%)



Our business

About Australia Post

At Australia Post, we provide trusted and reliable services to help people and communities throughout Australia.

We've done this by delivering letters, helping businesses and consumers with parcels, simplifying everyday tasks through digital channels and providing a national post office network that supports local communities and organisations.

Our business model

Australia Post is the oldest continually operating organisation in Australia. We are committed to meeting the evolving needs of the community and our customers. From humble beginnings delivering the nation's physical mail, we've recognised the need to adapt our services in line with the community's shift to online channels. To stay true to our community-based brand and our original purpose, we're expanding access to trusted services – physically through our post offices and by offering secure and convenient digital formats – while reforming our letters service and investing in our parcels network.

Australia Post is a self-funded government business enterprise with the Australian Government as the sole shareholder. As required under the *Australian Postal Corporation Act 1989*, we continue to balance our commercial objectives with the need to meet our community service obligations (CSOs).

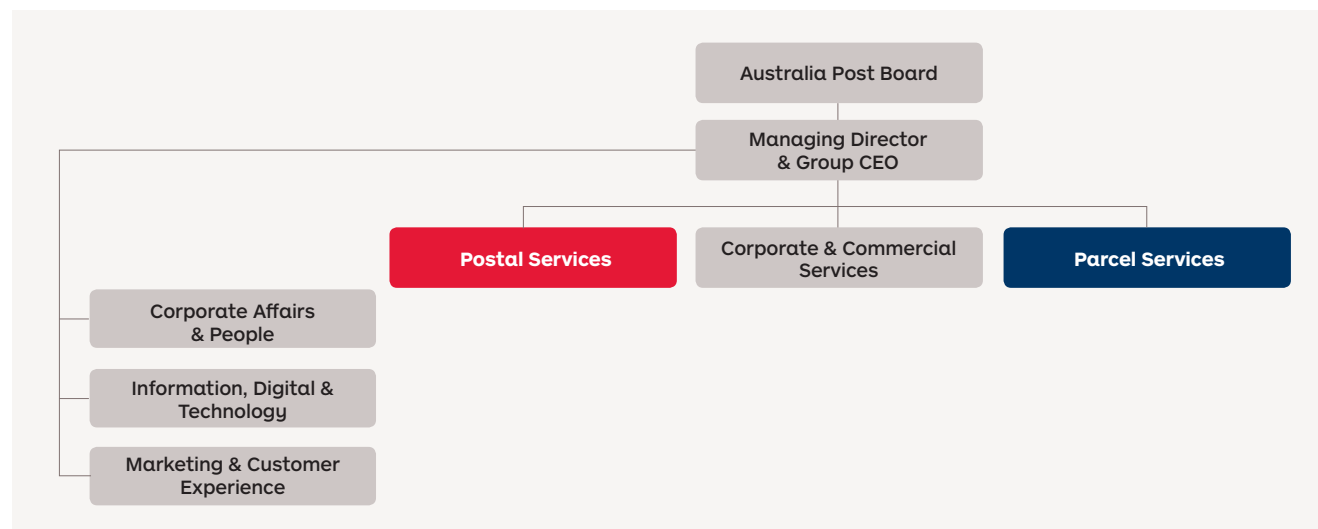
The profit we earn is used to pay a dividend to our shareholder, and to reinvest in our assets and services so that we are equipped to meet the changing needs of our customers. Our commercial success therefore ensures we can positively impact the communities we serve, and continue to improve the products and services we provide.

Delivering a reliable and accessible service

This year we again met all the performance standards associated with our CSOs, including delivering 94.5 per cent of letters on time or early, against our 94 per cent target (see page 123 for more).

CSO performance standards	Target	Actual
		2013–14
Retail outlets		
Total	4,000	4,417
Rural and remote areas	2,500	2,560
Street posting boxes	10,000	15,805
On-time delivery (domestic letters)	94.0%	94.5%
Addresses receiving deliveries:		
Five days a week	98.0%	98.8%
At least twice a week	99.7%	99.9%

Our organisational structure



11.3 million
delivery points



1,857 metropolitan
post offices



2,560 post offices in
rural and remote Australia



15,805 street
posting boxes



56 Business Hubs



12,400 trucks, vans,
motorcycles and bikes

Our strategy

As we plan for Australia Post's future, we are focused on offering vital and relevant services that meet the contemporary needs of our customers so that we can be part of tomorrow. Given that the community is shifting away from using our letters service at an accelerating rate, we are now at a critical turning point.

Over the past four years our business renewal strategy, Future Ready, has set the foundations for growth, and helped us to remain strong, sustainable and customer focused.

Our investments during the Future Ready period have allowed us to:

- adapt our products and services for both the physical and digital worlds
- alter our investment profile with a strong focus on growth opportunities in trusted services, ecommerce and digital services
- streamline our operations
- build better connections with our people, our customers and the community.

In the next phase of our transformation, we will have an ongoing focus on customer-centricity, operational excellence, reform and business efficiency. This will be essential to ensuring we continue to be relevant to the Australian community for years to come.



Australia Post culture pillars



StarTrack code of success



202 million+ post office customer visits



181 24/7 Parcel Lockers



395+ mail and parcel processing facilities



4 gateway facilities



Our business

Board and leadership team



From left: Peter Carne, Talal Yassine OAM, Susan Bitter, Michael D'Ascenzo AO, Brendan Fleiter, Ahmed Fahour, John Stanhope, The Hon. Trish White. Pictured at the Sprintpak facility, Rowville.

John Stanhope

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 2016), 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, a director of AGL Energy Limited, the Bionics Institute and Our Neighbourhood and council member of Deakin University. He was previously chief financial officer and group managing director, finance of Telstra and an executive director of Telstra.

Brendan Fleiter

LLB, B.Juris. MAICD

Deputy Chairman (non-executive)

Brendan Fleiter has been a member of the Australia Post board since October 2011, and was appointed deputy chairman in May 2013 (current term expires May 2017). Mr Fleiter is a former CEO of Crazy John's Group and is a qualified lawyer with extensive retail and telecommunications business experience. Mr Fleiter is currently the deputy chair of Methodist Ladies' College and Chair of its Foundation and is a non-executive director of Volleyball Victoria, Our Neighbourhood, The Ilhan Food Allergy Foundation and Kennards Hire.

Ahmed Fahour

BEcon (Hons), MBA, FAICD

Managing Director & Group CEO

Ahmed Fahour was appointed managing director & group CEO of Australia Post in February 2010. He has held a number of senior executive positions within the finance and banking industries in Australia and overseas and was previously CEO of Citigroup (Australia and New Zealand) and National Australia Bank (Australia) and is the former chairman of Rip Curl Group. Mr Fahour is currently a director of Methodist Ladies' College, Our Neighbourhood, Carlton Football Club and Pro-Pac Packaging.

Susan Bitter

BEC (Hons), Dip App Fin&Inv, FICA, MAICD

Director (non-executive)

Susan Bitter was appointed to the Australia Post board in August 2012 (current term expires in August 2015), and has extensive commercial experience, including in the areas of finance, corporate governance and risk management. Ms Bitter is currently a director of Our Neighbourhood and The Industry Superannuation Property Trust. Formerly she was a director of Worksafe Victoria and is the former chief operating officer of Corrs Chambers Westgarth, chief executive of Slater & Gordon and partner of Arthur Andersen.

Peter Carne

BA, LLB, FAICD, FAIM

Director (non-executive)

Peter Carne was appointed to the Australia Post board in December 2009 (current term expires December 2015). Mr Carne has served in both the public and private sectors, and until most recently held the position of Public Trustee of Queensland. He is also a former CEO of the Queensland Law Society and a former director of Lexon Insurance Pte Limited and Tarong Energy Corporation.

Michael D'Ascenzo AO

BEc, LLB, CA, FAICD, Hon. Life Member of CPA, Hon. FATMA
Director (non-executive)

Michael D'Ascenzo was appointed to the Australia Post board in May 2013 (current term expires in May 2016), and is recognised internationally for his leadership, expertise and innovation in administration, risk management and governance, as well as his technical design skills in tax law and superannuation. Mr D'Ascenzo is currently a member of the Clean Energy Regulator and the Foreign Investment Review Board. He was previously Commissioner of Taxation and a member of a range of public sector boards.

Talal Yassine OAM

BA, LLB, LLM, MBA, Hon. Professorial Fellow. (ANU), FAICD, FAIM, Fellow (Fin)

Director (non-executive)

Talal Yassine was appointed to the Australia Post board in August 2012 (current term expires in August 2015). Mr Yassine is currently the Managing Director of Crescent Wealth and also serves on the Board of the Whitlam Institute, the Australia Malaysia Institute and is the chairman of the Council of Australia-Arab Relations. He has previously served on the Board of Macquarie University, Sydney Ports Corporation and as the Deputy Chairman of a government regulator.

Retirements

Penny Bingham-Hall

BA (Ind Des), FAICD, SA (Fin)

Director (non-executive)

Penny Bingham-Hall was appointed to the Australia Post board in May 2011, and has experience across business, government, the investment community and the media. Ms Bingham-Hall retired from the Australia Post board in May 2014.

The Hon. Trish White

BE, BA, FAICD, FIEAust

Director (non-executive)

Trish White was appointed to the Australia Post board in July 2010 and has experience in the public and private sectors across a number of industries, including resources and energy, defence, transport, and communications. A former executive strategic advisor with WorleyParsons and former cabinet minister, she is currently a director of the Lifetime Support Authority and of university advisory boards in the areas of engineering and business, and deputy chairman of the Motor Accident Commission. Ms White resigned from the Australia Post board in August 2014.

Executive Committee



Pictured left to right

Chris Blake

Executive General Manager Corporate Affairs & People

Catherine Walsh

General Manager Human Resources, Group & Postal Services

Janelle Hopkins

Group Chief Financial Officer

Ewen Stafford

Group Chief Operating Officer

Ahmed Fahour

Managing Director & Group CEO

Christine Corbett

Executive General Manager Postal Services

Paul Burke

Corporate Secretary & General Manager Government Affairs

Andrew Walduck

Executive General Manager Information, Digital & Technology

Greg Sutherland

Executive General Manager Marketing & Customer Experience

Our business

Stakeholder engagement

Australia Post is transforming. The changes we have introduced over the past four years under our Future Ready program have been vital to protecting our brand, preserving our community services and maintaining profitability. But we have to keep adapting to manage the challenges and capture the opportunities resulting from the community's behavioural shift to digital communication and transaction channels.

Our primary stakeholder groups include our workforce, our customers, government and the broader community. Other important stakeholders include regulatory bodies, suppliers, industry organisations and peak bodies, environmental groups and the media.

As our business success is largely dependent on the support of these key stakeholders, we undertake a number of activities to engage with them. This year our efforts were focused on engaging the community in discussion and debate about the declining use of letters and the best way to adapt our business to make it more sustainable.

Understanding our stakeholders

Every year we conduct surveys, interviews and focus groups to understand the needs of our stakeholders and the way our business impacts them. We discuss our postal and logistics services with consumers, small business and corporations. We also conduct staff attitude surveys and focus groups to understand what our employees think about our business. The data and research we collect enable us to draw better insights and improve our stakeholders' experience.

An integrated stakeholder engagement approach

We are working in a coordinated way to manage the stakeholder impacts of our business transformation program. In 2013–14 we continued to drive an integrated approach to stakeholder engagement through cross-functional collaboration forums and integrated management.

During the year we developed and tested stakeholder assessment tools for our business leaders to empower them to identify how certain business decisions or service changes will affect our stakeholders. This helped us to determine the individuals and groups who have a stake in their project, and the engagement activities required to build support for change.

National and local community engagement

This year we entered into a more active phase of stakeholder engagement to publicly make the case for reforming our letters service. This involved engaging the government and media on the issues surrounding the sustainability of our letters business.

We also started to engage the broader Australian community in the need for change – and invite Australians to participate in a conversation about what they want. Our community engagement campaign aims to shift community perception on the need to reform our letters services, as well as encourage understanding and acceptance of change. The various elements of this community engagement campaign include:

- **Community Discussion Groups:** The first phase of the campaign launched in April 2014 with a pilot series of local community discussion groups in nine locations across the country. These periodic face-to-face community discussion groups enabled us to engage in topics of interest to the local community and give us insights into how different communities view their relationship with Australia Post.
- **National Conversation Platform:** We launched an online “national conversation” platform (auspost.com.au/conversation) in June 2014. This platform enables the entire community to participate in a conversation about the “Post of Tomorrow” and allows us to engage with a large number of Australians simultaneously across a range of topics. Australians can use this platform to view information, videos and fact sheets about Australia Post, participate in a discussion forum, ask a question, or complete a survey.

Our community engagement campaign will expand over 2014–15 and will include activities such as briefings with the leaders of key community representative groups, a social media influencers program, and local activities such as “town hall” meetings.

Australia Post Stakeholder Council

Our Stakeholder Council is an external advisory group of 10 individuals whose role is to help us improve our communication and engagement with stakeholders.

The council typically meets three times a year and is chaired by an Australia Post board member. Council members offer a range of views, representative of their roles and experience in small and medium business, industrial relations, direct marketing and corporate responsibility.

For more information about our Stakeholder Council, visit auspost.com.au/annualreport2014.

Stakeholder Council statement

For several years the Stakeholder Council has had the opportunity to guide and review Australia Post's approach to best practice integrated annual and corporate responsibility (CR) reporting.

In reviewing the corporation's fourth integrated annual report this year, we believe that Australia Post has continued to advance its commitment to CR and sustainability. Efforts to evolve the coverage of the corporation's material issues and further integrate its social and environmental performance within the 2014 report reflect a strategic, whole-of-business and supply chain focus on delivering improved social and environmental outcomes for the Australian community.

The report again provides a transparent representation and clearly integrated material in relation to Australia Post's performance that is accessible to all stakeholders.

**Australia Post Stakeholder Council
August 2014**

Identifying the issues that matter

Producing an integrated annual report, which incorporates our corporate responsibility and financial information, demonstrates our proactive approach to reporting.

A key element of best practice reporting involves a comprehensive materiality process to determine the societal and environmental issues that present risks or opportunities to our business, and issues of greatest concern to our stakeholders.

We aim to provide a balanced representation of those issues identified as “material” by covering them in depth in this report.

Having undertaken a rigorous materiality assessment in 2012, this year we further refined our process and focused

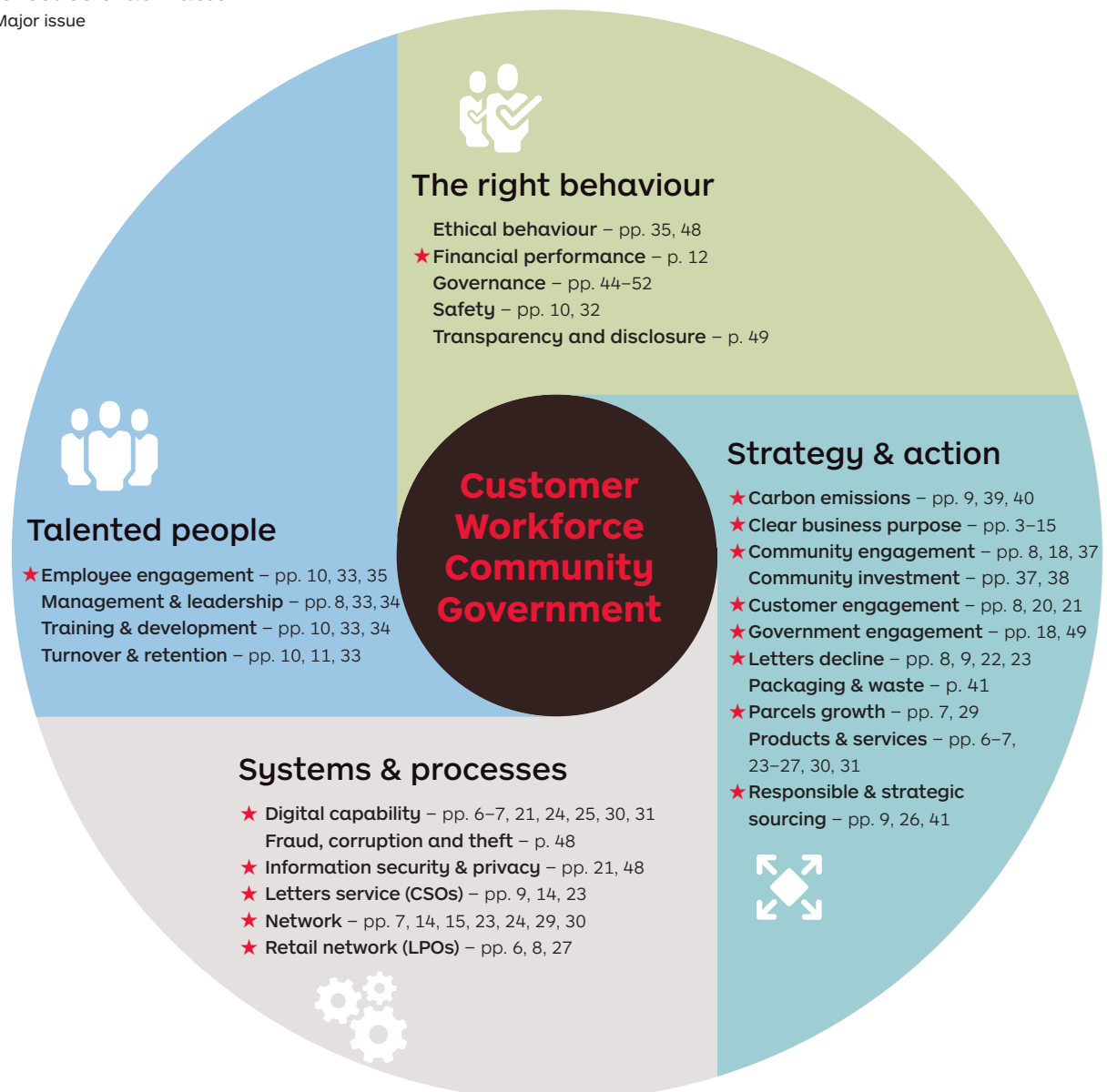
our efforts on reviewing the previously identified issues and their ranking to ensure they remained relevant to our business and stakeholders.

An assessment of these was conducted with internal stakeholders – including representatives of our Risk and Compliance, Stakeholder Relations, Workplace Relations, Sustainability and Community Relations areas. We also drew on a number of source materials such as recent customer research and media coverage. The final rankings were then tested with Australia Post’s Stakeholder Council.

The diagram below highlights those issues that ranked highest on our materiality matrix, which maps both business impact and stakeholder concern.

The issues that matter

★ Major issue



Our performance

Improving our customer experience

We're transforming our approach to customers and the solutions we offer them to better meet their needs.

Highlights

- Our combined Net Promoter Score jumped from +10.8 in 2012–13 to 13.6 in 2013–14, an increase of +2.8 points
- Maintaining our status as Australia's second most-trusted brand (2014 AMR Corporate Reputation Index)
- Achieving a record 9.14 out of 10 retail customer satisfaction score (2014 Retail CX Survey)

Challenges

- Modernising our postal services to meet contemporary customer needs
- Maintaining our position as Australians' first choice for parcel delivery in a highly competitive sector

Outlook

- Developing new products and services that offer Australian consumers and businesses greater choice, control and convenience
- Increasing the potential of our digital assets and encouraging more Australians to use our digital services

From our customer research, the community's view on what they want from a modern Australia Post is clear. They want us to maintain our nationwide post office and delivery networks, and to become more flexible by adding greater access, convenience and choice to our services.

That's why we're developing our services to support the everyday needs of Australian consumers. This includes helping with their deliveries, bills and application forms, and promising personalised service and trust to keep their details secure. The MyPost Digital Mailbox is one example of our new innovative services to empower consumers to simplify their everyday tasks with privacy and control.

Australia Post and StarTrack are helping small-to-medium business customers find better ways to ship, store, sell and deliver their goods using our complete shopping, fulfilment and supply chain solutions.

We are also dedicated to helping large corporations and government agencies build more effective relationships with their customers through our various letter products, our vast post office network and, now, the MyPost Digital Mailbox.

Understanding our customers

We use a range of data and research to better understand our customers, draw insights and improve the customer experience.

The Net Promoter Score (NPS) system is one of the ways that we gauge customer advocacy. Promoters are important to our business because they have the power to influence the purchasing decisions of the people they are connected to. The key measure of customer advocacy is determined by asking our customers one question: How likely are you to recommend Australia Post to others? A Promoter gives a rank of 9 or 10 out of 10, a Passive scores 7 or 8 while a Detractor scores 0–6. Our NPS is calculated by subtracting the percentage of Detractors from the percentage of Promoters.

This year our NPS improved for both consumers and small-to-medium businesses.

Net Promoter Score (NPS)

Customer	2012–13	2013–14	Change
Consumer	+9	+11.5	+2.5
Small-to-medium business	+12.6	+15.8	+3.2
Combined¹	+10.8	+13.6	+2.8

Source: Independent research conducted by TNS Research, June 2014.
1 Consumer and SMB combined (average) score

Improving the parcel delivery experience

To provide customers with the very best parcel delivery experience, we asked customers who had recently received a parcel in NSW to rate their experience. More than 30,000 people responded and gave us a NPS score of +49 – demonstrating that the vast majority are happy with our service. We use comments from dissatisfied customers to identify service problems and rectify them. Many of these customers, who were later contacted for follow-up, indicated that they were highly satisfied with our efforts to solve their specific issue. The success of this survey in directly improving the service experience led to our commitment to roll out this initiative nationally. We are now on track to capture over one million parcel delivery experiences over the coming year.

Supporting corporations and government

During the year we surveyed our top corporate and government customers to measure the strength of our relationship and to gather their feedback on our products and services. We used an independent consultant to interview 112 leaders from 76 of our largest customers.

Our government and business customers said that they like our day-to-day performance and that we are approachable and responsive. They said they value having one account manager to deal with. This feedback informs the way we engage with our customers and seek to improve our service.

Listening to our post office customers

Now in its second year, our Retail Customer Experience Program (Retail CX) provides a simple and effective way for customers to provide feedback about their in-store experience.

Run across 3,156 corporate, licensed and franchised post offices, the program invites customers to rate our business based on their overall experience, including queue time, staff friendliness and staff product knowledge.

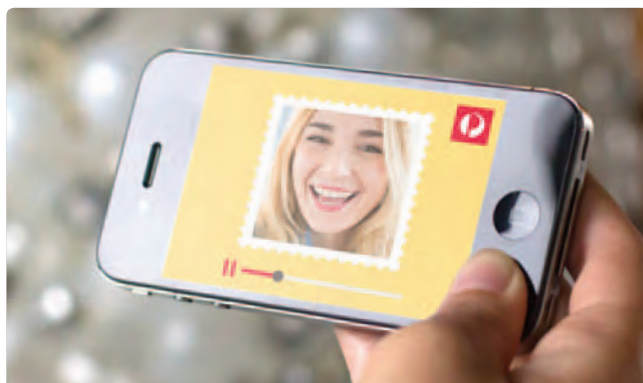
This year's results show slight but consistent improvement across all measures of customer satisfaction in our post offices.

Retail customer satisfaction results

Performance measure	Average score 2013	Average score 2014
Overall satisfaction	9.06	9.14
Time in queue satisfaction	8.72	8.90
Friendliness satisfaction	9.22	9.26
Product knowledge	9.22	9.27
Outlet referral score	+64.75	+69.42

Over the past two years we've conducted over 480,000 individual surveys with consumers. Weekly feedback is provided directly to each store so that specific improvements can be made at a local level. Examples of improvements implemented as a result of customer feedback include:

- changes to employee rosters and break times
- dedicated parcel collection counters established in-store
- the extension of parcel collection times
- improvements to store layout and queuing.



Introducing the world's first video stamp

In the lead-up to Christmas, Australia Post introduced the world's first video stamp so that customers could send a 15-second personalised video message with their Express Post and Express Courier International products.

Parcel senders used their smartphone to scan the video stamp and record a personalised greeting which recipients could view on their smartphone or tablet.

Video stamps connected people from more than 330 cities and towns, in 49 countries. The Australia Post Video Stamp advertising campaign, created with Clemenger BBDO Melbourne, also won Bronze in the Mobile category of the 2014 Cannes Lions Awards.

Developing our digital customer channels

Our digital channels, including our websites, apps and mobile sites, continued to enjoy strong growth in 2013–14. Customer visitation across our combined digital channels was up by 29 per cent on last year. The use of self-service tools, such as the post office locator and parcel tracking, grew to 75.1 million, an increase of 39 per cent on 2013–14. There was a 15 per cent increase in visits to auspost.com.au this year, with 90.5 million visits during the period (up from 78.6 million in 2012–13).

Improving the mobile experience

We relaunched our mobile site, m.auspost.com.au, in November 2013. Traffic to the site grew 514 per cent this year to reach 13.4 million visits (up from 2.2 million visits in 2012–13).

Usage of our apps grew to 7.1 million, up 29 per cent from 5.5 million. We now offer a total of five apps on iOS and/or Android – including MyPost Digital Mailbox, Postcards, Australia Post Parcel Send and Video Stamp (see breakout box).

Protecting information and privacy

The protection of our customers' trust is paramount as we offer more digital services. We have a comprehensive security strategy to safeguard our business and customer data, underpinned by technology-based security solutions.

In 2013–14 we invested in new security-monitoring training and tools, and implemented a customer-focused security awareness program to align our processes with the pace of our digital transformation. Our commitment to protecting customer privacy was further bolstered by compliance-strengthening activities such as coordinating Privacy Impact Assessments across different business areas, updating our existing Privacy and You customer brochure, and refreshing our Privacy Policy.

Australia Post also operates an enterprise-wide program to enhance our customer payment card information security to comply with the Payment Card Industry Data Security Standard (PCI DSS). In 2013–14 we completed the annual audit of PCI DSS compliance, achieving compliance for all of our merchant activities (such as post offices, call centres, online applications and banking) for the second consecutive year. This is a strong result given Qualified Security Assessor statistics indicate that only 11.1 per cent of companies pass all relevant requirements for compliance.

Resolving customer enquiries and complaints

We offer our customers a number of channels to contact us including phone, email, website, Twitter, Facebook and, of course, mail. We aim to resolve most complaints within 10 working days. The average time it took us to resolve a complaint this year was 6.0 days (down from 6.8 in 2013, and 8.6 per cent in 2012).

Customers who are dissatisfied with the outcome of our complaint-handling procedures can refer their concern to the Postal Industry Ombudsman for investigation. This year there were 321 completed investigations to the Ombudsman, which was a 27.0 per cent decrease from 2013.

Our performance

Postal Services

Providing trusted services and solutions across our physical and digital network to offer customers more convenience, choice and reliability.

Highlights

- Launching the MyPost Concession Account with more than 830,000 registrations in the first few months
- Signing on 27 new MyPost Digital Mailbox providers
- Introducing 1,871 Honda NBC110 motorcycles to our delivery fleet, which are 60 per cent more fuel efficient and have improved safety features

Challenges

- Continuing to meet our community service obligations while managing declining customer demand for our letters service
- Managing the decline in retail foot traffic driven by digital substitution

Outlook

- Extending mail delivery options to consumers by giving them a choice between two delivery speeds
- Offering improved customer access and convenience through Saturday trading and parcel delivery, as well as adding more digital services



Australia Post is proud of our unrivalled post office and delivery network. Our 4,417 stores cover the length and breadth of the country, with 2,560 of these located in rural and remote areas. We have 740 corporate post offices, 2,886 licensed post offices, 29 franchises and 762 community postal agencies providing essential products and services.

We maintain 15,805 Street Posting Boxes, which provide the community with convenient access to mail lodgement points. Through our delivery network we reach 11.3 million delivery points nationally, with 98.8 per cent of these receiving letter delivery five days a week.

The shift in customer behaviour towards faster, cheaper and more convenient communication and transactions is driving the evolution of our postal services business. With businesses and consumers relying less on physical letter options, it is vital that we transform our letters and retail businesses to give customers access to a greater range of valued and essential services, more choice about how they transact with us and added options to conveniently send and receive mail.

Australia Post plays an important role in helping communities across Australia. Community research conducted in January 2014 on Australia Post services

indicated that people who live in regional and remote areas in particular, regard our services as essential to the connection, vibrancy and viability of their communities.

At Australia Post, we are committed to maintaining our strong physical presence in communities and providing modern postal services that meet the contemporary needs of Australians.

Building a sustainable letters business

Much of our focus in 2013–14 was on implementing changes to secure the sustainability of our highly regulated mail services business, which incurred a loss of \$328.4 million (up from \$285.1 million in 2013). This is the fourth consecutive year we've returned a negative result, despite implementing a series of successful efficiency and cost-reduction initiatives under our Future Ready program.

The deteriorating and unsustainable financial position of our letters business is due to the combination of falling mail volumes and the fixed operating costs that are imposed by the existing regulatory framework for letters, particularly our Community Service Obligations (CSOs) and the prescribed performance standards. As the Australian population grows, so too does our delivery network, by an average of 130,000 addresses each year.

This year the cost of meeting our CSOs is estimated to be \$203.5 million, up from \$173.9 million last year. More information on our CSOs is provided on page 123.

The decline in Australian letter volumes is accelerating and all of our forecasts and international comparisons show that the demand for physical letters will continue to fall. We are now forecasting that by 2020 we could be delivering a quarter of the volumes that we were delivering in 2008, when Australian letter volumes peaked.

Five-year trend data – domestic reserved letters service

Year	CSO cost (\$ million)	EBIT (\$ million)		Volume change (%)
		Annual	Cumulative	
2010	\$147.7	-\$250.1	-\$250.1	3.9 -5.3%
2011	\$144.7	-\$66.5	-\$316.6	3.7 -3.6%
2012	\$165.9	-\$114.4	-\$431.0	3.5 -5.2%
2013	\$173.9	-\$198.0	-\$629.0	3.3 -6.8%
2014	\$203.5	-\$242.6	-\$871.6	3.2 -4.0%¹

¹ 2014 includes the benefit of the 2013 Federal Election

While this volume decline has significantly impacted the viability of our letters business, there are still segments of the community that remain heavily reliant on our core services to communicate and connect. Our challenge is to ensure that our letters business is set up to provide the flexibility and scalability we need to continue to adapt to changing customer preferences.

Increasing the basic postage rate

On 31 March we increased the basic postage rate (BPR) to 70 cents, which helped to partially offset the financial impact of the decline in letter volumes.



As part of our commitment to providing an affordable and accessible letters service, this year we launched the MyPost Concession Account (see page 9 for more details). This entitles 5.7 million federal government concession card holders to purchase basic stamps at the concessional rate of 60 cents.

Responding to customer demand for greater choice

This year we made some important changes to our business letter products (which comprise around 83.5 per cent of all addressed letter volumes) to provide businesses and government agencies with greater choice and flexibility for how they send information to their customers.

The changes included improvements to our delivery timetable for Regular mail (which was formerly called Surface mail) to provide senders with more consistent delivery times.

We also extended our Priority and Regular timetables to a broader range of business letter products to provide customers with choice of delivery speed. The Regular timetable allows one to two days more than the Priority timetable. Previously, choice of delivery speed was only available for PreSort letters.

This new offering has been very well received by both business and government customers. As at 30 June, 60 per cent of total addressed business letter volumes were delivered using the slower Regular timetable, up from around 14 per cent for the same period last year.

These service changes will impact how we configure our future mail operations as more of our customers migrate to the Regular delivery timetable. We are committed to working closely with our people as we implement changes to our operations in the future.

Optimising our letter processing network

We are always seeking to run our mail network as efficiently as possible while meeting the needs and expectations of businesses and the community.

In March we implemented an initiative to help optimise our letter processing network. The Sustainable Regional Mail program involved diverting the processing of non-local mail from smaller regional facilities in New South Wales and Victoria to our larger, more efficient sites that use advanced automation equipment. Importantly, we were able to achieve productivity gains and still meet our prescribed performance standards for delivery (see page 123 for more details on these standards).

We will continue to look for further opportunities to improve the efficiency of our mail processing sites, including installing next-generation automated mail-sorting equipment, which is slated for 2016.

Building capability in our delivery network

We're investing significantly in the capability of our delivery network to enable posties to deliver more than just letters.

During the financial year we completed the rollout of handheld parcel scanning devices across our delivery network as part of a broader investment in our parcel delivery capability. We now have more than 11,000 scanners across our national delivery network so that posties can deliver small parcels that require tracking and signature-on-delivery. Prior to this change, parcel contractors delivered all of our parcels. Today, our posties deliver more than 25 per cent of our total parcel volumes.



Fresh approaches in motorcycle delivery

As part of our commitment to continual improvement, in May 2014 we refreshed our motorcycle training program for our 6,000-plus motorcycle posties.

While practical riding skills is a key element, an intensive Mindset workshop was introduced to help posties understand the everyday risks they face – such as reversing cars, unrestrained dogs and swooping birds – and how to control them.

Safe Delivery compliance training on Australia Post policies and procedures (originally a paper-based training module) was redesigned as a multimedia program to deliver the content in a dynamic and engaging way. Safe Delivery won the Platinum Award for Best eLearning Model (Bespoke) at the LearnX 2014 Simply the Best eLearning Australia/Asia Pacific Awards in May.

With safety and fuel efficiency in mind, we also introduced 1,871 new Honda NBC110s to our delivery network (that's 14 per cent of our total motorcycle fleet).

The new bikes are 60 per cent more fuel efficient than the old models and have a number of improved safety features like plastic leg guards, improved manoeuvrability and brighter indicators. We will progressively replace the entire fleet as old models are decommissioned.

By diverting small parcels through our delivery network we're investing in the sustainability of our postie workforce. We're also adding value for our customers as we can capture more scan events and provide additional tracking information during delivery.

Multi-channel communications platforms

The shift to digital communications means both businesses and consumers expect a choice of physical and electronic channels. Our focus is on providing an efficient and cost-effective service so that our customers can select the physical and digital communication options that suit them best.

MyPost Digital Mailbox

MyPost Digital Mailbox (formerly named Australia Post Digital Mailbox) is a secure online platform that continues our tradition of providing trusted communications for Australians. The MyPost Digital Mailbox gives businesses and government agencies a secure way to connect to their customers. Consumers use it as a mobile payment and storage solution enabling them to receive and pay bills and archive important documents.

During the year we expanded the number of providers who signed on to use the Digital Mailbox to communicate with their customers. We now have 30 providers on-board – including Australia's largest water authority, Sydney Water and Australia's largest council, Brisbane City Council. Our newest partners, Westpac and Velocity Frequent Flyer, will be active in 2014–15.

In June we undertook an unaddressed mail campaign to 7.8 million households to promote Australia Post's new MyPost Concession Account (see page 9 for more details) as well as the free MyPost Digital Mailbox. The combined efforts of this campaign, along with other marketing and promotional activities, contributed to a 72 per cent spike in membership registrations in June.

We will continue expanding the overall value proposition of MyPost Digital Mailbox by extending its services to include parcel tracking, warranty receipts on behalf of retailers and change of address notification.

Multi-channel marketing

We work closely with businesses of all sizes to plan and deliver targeted, cost-effective and multi-channel direct marketing solutions. Catalogues, flyers and promotional mail remain some of the most effective channels to acquire and retain customers, according to an October 2013 consumer study of advertising preferences undertaken with the Association for Data-driven Marketing and Advertising (ADMA).

Through our data services, such as our National Change of Address service and the Australian Lifestyle Survey, we help businesses target, reach, acquire and retain customers based on a target profile or demographic. Our multi-channel communication platform and high-speed digital print technology mean we can produce personalised, high-impact and high-volume direct mail pieces via physical mail, email, SMS and MyPost Digital Mailbox channels.

Our focus this year has been on migrating customers to our multi-channel communications solution and demonstrating the value of promotional mail as a key element of their multi-channel marketing strategies.

Helping businesses manage their inbound communications

Decipha is a wholly owned subsidiary of Australia Post that helps medium-to-large companies manage their incoming information. Business solutions range from simple mailroom management to digital services that capture, process and deliver information to clients without the need for further processing. Decipha plays an important role in helping customers to transition to digital information management systems.

A strategic priority for Decipha is data security and privacy. During the year, we were again awarded accreditation with the global Payment Card Industry Data Security Standard (PCI DSS). Decipha is an Accredited Supplier under the Queensland Government Information Technology Contracting (GITC) Panel.

This year Decipha's revenue increased by 10 per cent, which was driven by new contracts with large businesses and the introduction of products such as scanning and online forms.

Extending our trusted services capability

As a destination for trusted services, our post offices provide access to a wide range of products and services on behalf of over 750 businesses and government agencies, from identity services such as passports and tax file number applications through to financial services including banking and bill payment.

In line with the decline in letter volumes, retail foot traffic fell by 5.0 per cent in 2013–14 as more and more customers made the switch to digital channels to manage their daily lives.

In response, we are extending the range of trusted services we offer in-store and online, launching new innovative products to expand our customer base and support our customers to transact securely online.

Our Retail Services division earned a profit of \$175.6 million for 2013–14, down 1.3 per cent on last year. Digital substitution and declining foot traffic resulted in reduced revenue for our traditional products such as bill payments and banking. Strong growth in our trusted and ID services did not quite offset this, despite good cost management overall.

Financial, identity and commercial services

Our investment in new trusted services initiatives was a significant contributor to overall revenue growth in this portfolio in 2013–14.

Our suite of travel solutions continued to deliver strong returns, supported by the Travel Essentials marketing campaign, which generated a sales uplift across all of our travel offerings. Our growth in this segment means Australia Post has become a one-stop shop for travel-related services – passport applications, travel insurance, travel cards, foreign exchange, pre-paid travel SIM cards and other travel merchandise.

We also added a range of new identity services to our in-store offer including the Keypass identity card (see page 26) and extending the tax file number services we offer for



Blending physical and digital channels improves convenience

Multi-channel services offer customers more choice about how they complete their transactions with Australia Post. We offer customers a wide range of services through multiple channels – from online ordering capability through our Postcard mobile app to send postcards physically, through to more complex transactions such as completing government application forms online before printing and lodging them at a post office.

This year we extended our multi-channel offering to include domestic money ordering. These can now be purchased online and emailed to the recipient. Customers can then either deposit the funds directly into a bank account or exchange the money order for cash at a post office.

We also improved the functionality of the Australia Post website (auspost.com.au) to make it easier for customers to shop online. This included launching a new travel services portal in January.

Initiatives like these support our strategic direction to become a multi-channel service provider, offering customers greater choice and convenience about when and how they interact and transact with us, in person and online.

the Australian Taxation Office. A number of new services were added or extended on behalf of government agencies including identification checks for the Land Titles Office in South Australia.

We also built on the success of the Australia Post Load&Go Reloadable Visa Prepaid Card and multi-currency Travel Card, adding two new Load&Go Gift Cards for consumers and businesses.

In June 2014, we extended our partnership with UnionPay International, the world's largest card organisation. We will issue Australia's first UnionPay multi-currency travel card by the end of 2014. While Chinese citizens and inbound tourists can already use their UnionPay card to purchase products and services at more than 3,300 post offices across the country, the new UnionPay Load&Go travel card will support the significant number of Australians travelling to China for business and leisure.

Merchandise services

Challenging retail conditions and declining foot traffic continued to impact the overall performance of the Merchandise Services portfolio, with revenue flat compared to last year. The Post Office Box peak occupancy rate remained steady at 84.5 per cent while philatelic sales grew 1.4 per cent.

Our philatelic team continued to create a program of innovative stamp releases to mark important historic and cultural milestones. These included the Australian cricket team's Ashes victory, Royal Baby Christening and Royal Visit, Legends of Australian Cooking (pictured), the Lunar Year of the Horse, ANZAC and Red Cross Centenary.

The confectionery program continued to expand this year with revenue up 26 per cent. We now supply confectionery in more than 1,900 stores. More than 1,200 licensed post offices participate in the program (up from 555 last year) and are benefiting from a new product line to drive revenue in their stores.



Capturing the youth market

Our first marketing campaign aimed at young Australians was launched in February to build awareness of Australia Post as a destination for "youth-related" products and services.

The Declare Your Independence campaign, targeted at 14–24 year-olds and their parents, included television commercials and digital advertising to show how Australia Post products and services can help young people take the next step to adulthood.

With more than six million people in this customer segment, it was an ideal opportunity to build awareness of Australia Post as a destination for trusted financial, identity and government solutions – including tax file numbers, passports, travel and payment products.

The campaign featured the Keypass photo identity card, which is ideal for young people who don't have a driver's licence, and our Load&Go Visa Prepaid card, which enables young Australians to shop securely online.

In line with our environmental policy, Australia Post considers the environment when we procure products and services to ensure they are delivered in an ethically responsible way.

Reimagining today's post office

As we continue to modernise our post offices it's important that we have the capability to help our customers complete more complex and specialised transactions.

Technology is a key component, ranging from self-service terminals and extended identity services capability to in-store iPads and digital display screens. We are investing in new in-store technology and store formats to provide customers with greater access, convenience and choice and help them bridge the divide between physical and online shopping.

Giving customers better access to services

Our customers have made it clear that they're looking for greater flexibility, particularly around how they receive or collect parcels. To meet their needs, this year we continued to invest in extending the availability of parcel lockers. We now have 24/7 Parcel Lockers at 181 locations across the country, in addition to the 150 stores that have dedicated parcel lockers for Post Office Box customers.

We also continued to invest in our retail superstore network, taking the total number of stores to 48. Superstores provide access to Australia Post's full suite of postal products and services. They feature a number of key zones, such as online shopping, self-service, travel and a 24/7 area providing access to parcel lockers, postage vending machines, an ATM and self-service terminals. Of the 48 superstores across Australia, 11 of these are located in rural and regional areas.

Modernising our infrastructure

As we expand our suite of trusted services for customers, it is important that we invest in our retail infrastructure so that these transactions can be managed efficiently in-store.

This year we equipped our post office network with new Electronic Point of Sale (EPOS) counter terminals, label printers, receipt printers, barcode scanners, cheque readers and cash drawers specifically designed for use in a modern retail environment. In addition, we rolled out over 5,000 handheld devices across our post office network (capable of scanning domestic and international parcels, barcoded letters and Express Post products). Digital camera services with email capability are now available at more than 800 post offices, with extended identity services now offered at 467 post offices.

Investing in our Licensed Post Office network

Representing two-thirds of our post office network, LPOs play a vital role in connecting communities and providing access to important services, especially in rural and remote locations where often other service providers do not have a physical presence.

In recognition of the shared challenges LPOs are facing due to declining letter volumes and retail foot traffic, earlier this year we made a commitment to investigate options to assist licensees. This approach was confirmed through the course of a Senate Inquiry and in consultation with the groups that represent licensees.

In mid-June we announced the rural sustainability package, which includes a range of financial and technology measures. These include increases to minimum payment allowances, contractor accommodation fees and representational allowances, and the removal of the EPOS shortfall fee.

These measures apply to all licensees and are being implemented in addition to the changes already made this year, such as the introduction of additional scan payments for trackable articles, a 16.7 per cent increase in delivery payments related to the increase in the BPR and pre-payment for PO Box renewals. We will continue to look for additional initiatives to support our licensees.

The rural sustainability package also includes the opportunity for around 400 LPOs in rural or remote areas (who aren't connected to our electronic network) to take up Australia Post's flexible Point-of-Sale technology, FlexiPOS. The installation of FlexiPOS will enable these LPOs to offer additional services such as payment by card and conduct banking services on behalf of Australia Post's 70 agency banking partners. Licensees who take up this opportunity will benefit from a broader revenue stream, faster processing of customer transactions and easier end-of-day reconciliations.



New Sprintpak facility

In August 2013, we officially opened our new Sprintpak facility in Rowville, Victoria.

Sprintpak is responsible for the production and distribution of many of our core products, including philatelic (stamps) and Express Post envelopes.

The new facility features leading-edge design that will deliver improved efficiencies, create capacity for product growth and, most importantly, provide a healthy and inclusive work environment for our people.

Our performance

Parcel Services

Providing world-class ecommerce-driven logistics, supply chain and parcel delivery solutions for local, international and online businesses.

Highlights

- Bringing our new StarTrack brand to life, by combining Australia Post's national reach and StarTrack's premium service and business focus
- Delivering 97.8 per cent of parcels on time – above our target of 96 per cent

Challenges

- Capitalising on emerging online retail opportunities in an increasingly competitive environment

Outlook

- Identifying new ways to streamline and optimise our combined network to make parcel delivery more convenient for our customers
- Increasing our parcel network capability to support future volume growth and improve customer satisfaction



With a steadfast focus on offering the modern service that Australians want, we're creating a world-class multi-channel parcels and freight business to harness the growth in online shopping and ecommerce.

As the delivery partner of ecommerce businesses around the country, Australia Post has long supported online pioneers like eBay, Catch of the Day and OzSales. Our traditional retail customers such as Myer, David Jones, Woolworths, Target and many wine sellers are also transforming their business models to suit today's digital world. We are supporting them with fast, reliable and competitively priced options for sending product to their customers.

Over the past five years, we have been upgrading our parcel services and capabilities to support the boom in online shopping. In today's digital world, customers expect high levels of service and convenience at every touch point – from a phone call to our customer service centre, to the driver delivering the parcel. We're focused on ensuring we provide our customers with a seamless, reliable and value-for-money delivery service.

We are now embarking on the next part of this transformation, which means aligning our business to our customers' needs. To achieve this, we have organised our business under two core brands, a blue brand – StarTrack, and a red brand – Australia Post.

Introducing the new StarTrack

Over the past 12 months we've been integrating Australia Post and StarTrack to create a logistics provider that services both business and consumer markets with an unrivalled suite of delivery services.

By combining the trust, reach and convenience that Australia Post is famous for, and the premium service standards, express freight capability and business-to-business strength of StarTrack, we've created the largest logistics force in the country.

The integration of these businesses means we can now service both business and consumer markets with an unrivalled range of parcel, freight, express, courier and international logistics solutions developed with customers' needs in mind.

Through Parcel Post, Express Post and StarTrack, we offer a range of choices in small consignment freight and logistics with same-day, next-flight, next-morning, next-day or our regular three-to-five-day delivery service, all under the StarTrack banner.

Bringing our brand to life

This year we made strong progress in bringing our new StarTrack brand to life. The refreshed brand features the familiar Australia Post "P" in dark blue and the StarTrack wordmark. It is now visible on our vehicle fleet and at our office in Sydney, which is called StarTrack House.

We also rebranded Australia Post's Messenger Post Courier business to StarTrack Courier in May 2014 to coincide with the official opening of StarTrack House (see breakout box).



Unveiling STARTRACK House

On 7 May we officially opened StarTrack House in Sydney, our newly refurbished New South Wales head office for Australia Post and StarTrack. The opening coincided with the 40th anniversary of the incorporation of MultiGroup Distribution Services Pty Ltd (renamed exactly 30 years later to StarTrack Express Pty Ltd). On this day we also announced that StarTrack – with the famous Australia Post brand mark in blue (as above) – would form the new name of our parcels division.

The landmark building, which was sold and leased back by Australia Post last year, underwent substantial redevelopment to provide an attractive and modern workplace which fosters greater collaboration between Australia Post and StarTrack team members. The sale, leaseback and refurbishment allowed us to optimise our prime location in Sydney and invest in infrastructure for our future.

Efficient and sustainable, the building features the latest energy-saving amenities such as energy-efficient light fittings, water-saving equipment, and solar panels (see page 40 for details). It is expected to achieve a five-star National Australian Built Environment Rating System (NABERS) energy rating.

The building also houses our 45th retail superstore, offering greater customer choice and convenience through a 24/7 self-service zone.

Powering online shopping

The digital economy continues to create opportunities for our parcels business. The recent boom in Australian ecommerce has been – and continues to be – our most significant growth opportunity. Australians now spend more than \$15.5 billion a year online (NAB Online Retail Sales Index June 2014).

Studies of the Australian ecommerce market consistently predict strong year-on-year growth in Australian online spending through to 2020. Currently, online retail spend in Australia represents around 6.6 per cent of traditional retail spend (as reported in the NAB Online Retail Sales Index June 2014). This lags behind other developed countries, such as the USA and UK, whose online spend is estimated to be more than 10 per cent (Morgan Stanley Research, January 2014).

While online retail continues to evolve and mature, the pace of growth has slowed from the very high rates experienced in 2011 and 2012 to single-digit growth today. This slowdown in the ecommerce market is the result of prevailing sluggish economic conditions, cost of living pressures, low levels of consumer confidence, and the emergence of new retail distribution models, such as Click and Collect.

Despite this challenging market, we have had a year of solid performance with our domestic parcel volumes growing by around 12.8 per cent and overall parcel revenue growth of 16.4 per cent. While volumes are increasing, we are still achieving high service performance levels with 97.8 per cent of parcels delivered on time (above our target of 96 per cent).

Strengthening our network

Our Future Parcels Network program is a \$595 million capital investment in our systems, processes and infrastructure to boost network capability, support future parcel volume growth and improve customer service and satisfaction. The program will deliver major safety, productivity and cost improvements, and double our capacity so that we are equipped to handle more than 320 million parcels per year nationwide by 2019. Throughout 2013–14 we upgraded our major parcel facilities in Sydney and Melbourne (see page 30) and completed extensive design, development and testing of the equipment and systems that support them.

We also relocated our Sydney transport operations from our Sydney Gateway site in Granville to Chullora – adjacent to our Sydney Parcel Facility. The new transport site, which was chosen based on its proximity to major arterial roads, will create operational efficiencies by reducing travel between the two facilities.

StarTrack streamlines deliveries, saves lives

In May 2014, Australia's largest-ever kidney transplant swap – involving 12 operations across four Melbourne hospitals – was front-page news. Behind the scenes, the StarTrack Next Flight team worked closely with the hospitals to track the delivery of each organ minute by minute as five StarTrack Courier drivers worked to life-saving timeframes.

Our people delivered, and everyone involved can say they played a part in helping to save lives. While most of our deliveries don't make the news in this way, we take care with every package because we know how important it is to both the sender and the recipient.

Creating an efficient interoperable network

In addition to new network developments, we are using the collective assets of existing Australia Post and StarTrack services to create efficiencies and deliver better customer experiences.

In April 2014 StarTrack and Australia Post Business Hubs ran a pilot in the Australian Capital Territory (ACT) to simplify customer parcel and freight collections.

During the pilot, if a customer wasn't available to receive their item, StarTrack Express Deliveries were sent to local Business Hubs, which offer extended parcel collection hours. Before the pilot, the ACT experienced around 210 residential redeliveries each week due to unsuccessful first-time deliveries to customers.

Redeliveries in the ACT have since decreased to less than 20 a week and the process was implemented nationally with positive results: more than 27 per cent reduction in redelivery calls to the contact centre, more than 80 per cent reduction in residential redeliveries and estimated yearly savings of \$1.3 million.

Positive customer feedback praised the convenience of collecting from Business Hubs, team members' professionalism and the extended opening hours for parcel pick-ups.



Building our future parcels network

Construction activity was a major focus during 2013–14 as we increased the operational space at our major Sydney and Melbourne-based parcel facilities to install new automated equipment.

By March 2014 we had doubled the footprint of our Sydney and Melbourne parcel facilities – our Sydney site expanded by 65 per cent to 38,000sqm, while our floor space in Melbourne doubled to over 31,000sqm.

These expansions have provided room for seven new parcel sorting machines, as well as a new multi-product sorter at Sydney Gateway, enabling us to sort and handle parcels more safely and efficiently with less manual intervention. The first phase of equipment will be operational in time for the Christmas 2014 peak period.

Image: Employees tour the new Melbourne Parcel Facility extension.

Improving our tracking capability

We improved our tracking capability in 2013–14 by completing the deployment of 26,000 new scanners across our network. This allows us to increase the number of item scans as packages travel through our network, providing greater visibility for both senders and recipients, and increasing their confidence in our service.

To ensure that our network can continue to support growing demand, in March we upgraded our eParcel labels and introduced the “smart barcode”. The two-dimensional data matrix barcode, which was developed to a global standard and provisioned for increased data storage, enables a faster scanner response and is more likely to provide a scan if the barcode is damaged or obscured. The introduction of the new barcode was strengthened by address-validation processes, providing data to automate parcel sorting down to the driver delivering the item to a customer's door. An accurate, validated address means more first-time deliveries and fewer returns for customers.

Expanding our Business Hub network

We are continuing to invest in our unique network of Business Hubs to get closer to local, small and medium business customers. These provide an integrated, customer-focused, one-stop shop that makes it easier for Australian businesses to connect with their customers. We offer products, services and support that are tailored to business customers so they can get things done faster. This includes extended hours, convenient delivery solutions and extended access for parcel collection. At 30 June 2014 we had 56 Business Hubs operating across Australia.

Helping small businesses grow

We're also supporting local businesses to sell online by improving our product and service offering to provide greater convenience, flexibility and value for money.

This year we strengthened our partnership with eBay, Australia's biggest online marketplace, to provide a quick and simple sale and postage process for Australian online sellers. The new service enables eBay sellers to generate and print postage labels, and purchase postage products through the eBay website.

We made improvements to Click and Send in May 2014 by introducing a number of new services including flat-rate satchels and boxes that offer customers 24-hour access to domestic and international delivery solutions, pay-as-you-go convenience and price certainty. Eligible businesses that send 250 parcels or more a year through Click and Send or our Parcel Send app are encouraged to apply for the new Business 250 Membership, which offers savings on selected parcel products. More than 1,500 businesses applied for membership within the first three months.

Creating customer benefits through new partnerships

To help small and medium Australian businesses access new markets in Asia, we signed an agreement with Alibaba, a China-based ecommerce business and operator of Tmall Global, the world's largest online business-to-business trading platform. The joint agreement opens the door for Australian businesses to 500 million registered Chinese customers.

In June the Online Retail Industry Awards (ORIs) announced its new major partnership with StarTrack. In its fifth year, the StarTrack ORIs provides small and large businesses with an opportunity to position themselves as a leader in several ecommerce categories, including Best New Online Retailer and Most Innovative Online Retailer. This sponsorship is part of our commitment to connecting online buyers and celebrating excellence across all online retail channels in Australia.

Supporting ecommerce growth

Australia Post is stimulating ecommerce growth by offering our customers the choice, convenience and control of being able to direct their deliveries to locations other than their homes. We now have 24/7 Parcel Lockers at 181 locations as well as more than 725 post offices, Business Hubs and delivery centres that offer our Parcel Collect service.

Following a successful trial in April 2014 we introduced the Collections Widget, an innovative web application that enables merchants to show a list of Parcel Locker or Parcel Collect locations as part of their online checkout process. This enables the buyer to select their preferred delivery option at the time of purchase.



Farmhouse Direct and The New Joneses

In February 2014 Farmhouse Direct featured on Channel 7's lifestyle breakfast program *Sunrise* as the official food partner for The New Joneses, a feature event of the Sustainable Living Festival held in Melbourne.

Over three days, *Sunrise* presenter Edwina Bartholomew lived like The New Joneses in an eight-star energy-rated house, where she shared tips on how to be more energy efficient and lived a no-waste lifestyle with a national TV audience.

Farmhouse Direct is a great example of how an Australia Post ecommerce innovation is creating fresh business opportunities and opening up new markets for Australia's rural and regional food producers.

Image: Channel 7's *Sunrise* lifestyle presenter Edwina Bartholomew, Viv Astl and Monique Barlow from Farmhouse Direct and Farmhouse Direct producers Kathy Barlow of Wanalta Hill, and Mark Ryan of Eureka Coffee, on the set of The New Joneses. (Source: Les O'Rourke)



Powerful problem solving for The Promotions Factory

The Promotions Factory (TPF) has grown from humble beginnings in Melbourne in 1988, to a global network with offices in China, Vietnam, Hong Kong and New Zealand. As TPF further innovates and expands its ecommerce proposition, we've helped it to grow, transact and deliver.

As well as handling domestic B2B and B2C orders for more than 40 online stores, through StarTrack International we've helped TPF overcome international delivery obstacles to transport over one million small parcels direct from Hong Kong to Australian consumers. These include personalised membership packs and merchandise for more than 40 major clubs across sporting codes such as the AFL and NRL, with full track and trace capability.

Robert Hilton, TPF Joint CEO and Founder said, "With StarTrack and Australia Post's support, we've transformed a complex logistics process into an effective distribution solution that continues to evolve with our needs."

Image: Robert Hilton shares TPF's success story at the company's Melbourne headquarters.

Our performance

Supporting our people

Fostering an inclusive, engaged and capable workforce that operates safely to effectively support our customers.

Highlights

- Establishing the Post People 1st initiative, giving our employees priority when it comes to job opportunities, and skills and career development
- Launching our Workforce Conversations portal to engage our employees in two-way conversations about the future of our business
- Underpinning our commitment to Aboriginal and Torres Strait Islanders through our new Reconciliation Action Plan

Challenges

- Continuing to evolve our safety culture from one of compliance to personal accountability
- Maintaining a productive and harmonious industrial relations environment amid major business change

Outlook

- Extending communications channel access to all employees, including those working in non-corporate roles and on extended leave
- Continuing to engage our people in the need for ongoing changes to our business

Australia Post's diverse and capable workforce achieved a great deal during the year, supporting our transition into a modern postal and parcel business that meets the contemporary needs of the Australian community.

As our business model shifts to delivering enhanced services for our customers and operating a leaner corporate centre, our focus was on communicating openly and maximising the future employment prospects of our people.

This year's safety focus was on increasing personal accountability for safety, encouraging a culture where everyone takes responsibility for identifying potential safety exposures, then takes action to reduce the risk to themselves and others.

Strengthening our safety culture

We are constantly striving towards zero injuries and zero tolerance of unsafe acts in our workplaces. With most of our workforce based at postal facilities or out on the roads, we continued to focus our safety initiatives on addressing incidents associated with manual handling, load-shifting operations and use of motorcycles.

Key initiatives introduced this year include:

- refreshing our enterprise Health and Safety Strategy, defining five priorities that will underpin our plan to further improve our safety culture and performance

- continuing to strengthen the state-based Safety Coalitions that we introduced last year. Comprising Health and Safety Representatives and Safety Champions at all levels of the business, each Coalition now has accountability for tackling a major national safety risk – allowing the people who are closest to our workplace safety hazards to have a say in the solutions
- introducing Safety Moments and Safety Huddles to facilitate workplace conversations about safety. As the first item of meetings attended by senior managers nationally, Safety Moments provide an opportunity to relay a personal and relevant safety story. Daily Team Safety Huddles provide dedicated time for our operational teams to hold interactive discussions about safety and exposure during every shift
- holding our third annual Enterprise Safety Time campaign in October to coincide with Safe Work Australia month. More than 11,660 employees took part in 877 workshop discussions, with managers actively role modelling appropriate safety behaviours. A DVD was produced highlighting potential exposures in our operational and retail areas to stimulate employee discussion
- signing a new Occupational Health and Safety Agreement in December. The new agreement provides greater compliance, clarity and consistency in the way safety processes are undertaken and Health and Safety Representatives are elected.

Managing safety across our fleet

With 12,400 vehicles across the Australia Post Group (APG) fleet, we recognise the importance of driver health in preventing accidents, injuries and fatigue on the road. We support all our drivers and employees by:

- establishing clear policies related to shift duration, rest breaks and rest facilities
- ensuring that motorbikes and vehicles meet or exceed industry and safety standards
- providing training, education and resources related to driver health and safety on the roads.

Our shift regulations for long-haul drivers are in line with our work/rest requirements and our participation in specific accreditation schemes. We are accredited in Advanced Fatigue Management (AFM) and Basic Fatigue Management (BFM); however, we only roster our drivers to a maximum of 12 hours, in line with the standard hours requirement. To ensure the safety of our drivers and compliance with these regulations, trucks are fitted with telematics devices that record continuous driving hours.

Although there were marked improvements in our safety performance this year, tragically we lost one StarTrack employee in a heavy vehicle accident in July 2013. The loss of this valued team member was a reminder for all our employees of the constant vigilance required to protect the health and wellbeing of our people.

Improving our safety performance

This year saw a continued decline in the number of workplace injuries, demonstrating the sustained benefits of our Safety Now strategy.

Our All Occupational Injury Frequency Rate decreased to 22.8 from 25.6, a 10.9 per cent reduction. Our incident frequency rate also saw a 15.8 per cent reduction with 1.6 incidents per 100 full-time employees (down from 1.9 last year). Our Lost Time Injury Frequency Rate (LTIFR) reduced to 8.0 (down from 8.2 last year), a 2.4 per cent reduction.

Safety performance (Australia Post only)	2011-12	2012-13	2013-14
Lost Time Injury Frequency Rate: Where next shift could not be worked due to injury/occupational disease (i.e. lost time, per million hours worked)	11.5	8.2	8.0
Incident frequency rate: Incidents per 100 FTEs	2.5	1.9	1.6
Injury rate: Incidents involving an injury per 200,000 hours worked	2.8	3.9	3.4
Occupational disease rate: Incidents involving occupational disease per 200,000 hours worked	2.0	1.2	1.2
Fatalities (number)¹	0	2	0
Fatality rate (per million km)	0	0.0095	0

1 Does not include the single fatality at StarTrack mentioned on page 32

Engaging our people

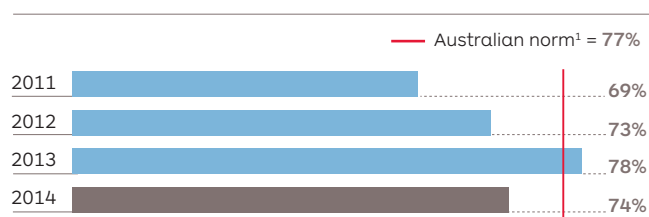
As our business evolves, it's important that we understand our people and provide avenues for them to discuss topics that they care about. We launched our Workforce Conversation portal in April 2014, an online channel for our people to receive important organisational updates, discuss their ideas and ask questions.

In May 2014 we invited our people to complete our annual say2action employee engagement survey. We achieved an 80 per cent response rate, representing the views of nearly 30,000 employees – a record number.



This year we conducted a more detailed survey, and as a result, received two scores.

Our overall employee engagement score was 74 per cent. This score helps us to look back and make a direct comparison to previous years' engagement scores. While this is a 4 percentage point drop from last year's record result, it is a highly positive score during a time of significant business transformation and reform. Since the commencement of Future Ready, overall engagement has increased by 5 percentage points (see graph below).



1 Source: Towers Watson Australian organisational norm

Our Net Engagement score was 56 per cent. This is Australia Post's new measure, which uses different methodology to provide more in-depth information on how our people feel about working at Australia Post. It examines our employees' engagement in greater detail and allows us to focus on the things that matter most during our transition. This is just one percentage point lower than the average employee engagement figure for Australian and New Zealand organisations, according to 2014 Aon Hewitt survey data.

Developing capability for tomorrow

In September 2013 we launched Post People 1st – an initiative that aims to maximise opportunities for our people by increasing the visibility of job vacancies, access to education and training, and career support and information.

Since the program's commencement, 2,705 Australia Post employees have moved jobs.

We continued to invest in initiatives that built employability, accessibility and capability through greater computer access for many of our operational employees. In total, 2,830 employees accessed a range of courses including career management, building resilience to change, English

Leading the shift in our safety culture

This year we began implementing our Safety Leadership program across our operations network, following a successful pilot at four facilities. This contributed to a 50 per cent reduction in injuries across these sites over the five months following implementation.

Safety Leadership is designed to give leaders the skills to involve and influence their employees to create safe conditions and proactively reduce exposure to workplace hazards.

The current rollout focuses on 22 sites that represent the breadth of functions performed across our network.

language and literacy skills, computer skills, sales and service training, and supervisor development.

Fostering future leaders

We continued to implement our Future Leaders strategy in 2013–14. As part of our Peak Alumni program, more than 100 senior leaders participated in Coaching Skills for Leaders. This three-hour workshop equipped participants with the GROW (Goal, Reality, Options, Wrap-up) coaching framework to enable high-impact conversations about performance, development and talent.

This year our Leadership Essentials program, which assists managers to understand the link between day-to-day leadership and business success, reached around 130 leaders over the course of the year.

We also strengthened the leadership capability of more than 300 of our frontline managers through our Supervisor Development program.

Embracing diversity and inclusion

This year Australia Post continued to develop and deliver a range of diversity programs and initiatives focused on building and leveraging a workforce that truly reflects the customers and communities we serve. We track our performance against four focus areas: Aboriginal and Torres Strait Islanders, gender, people with a disability, and culturally and linguistically diverse (CALD) people. For more information, access our 2014 Australia Post Diversity and Inclusion Annual Report at auspost.com.au/publications

Aboriginal and Torres Strait Islanders

Our Aboriginal and Torres Strait Islander employees represent 1.5 per cent of our workforce. Our goal is to increase this to 2.5 per cent of our total workforce by July 2017, reflecting the representation of Aboriginal and Torres Strait Islanders in the national population.

Our Reconciliation journey

During National Reconciliation Week in May 2014, we launched our third Reconciliation Action Plan (RAP). The plan commits to a series of actions in relation to building relationships, enhancing respect and improving opportunities for Aboriginal and Torres Strait Islanders.

This year also marked 25 years of having a formal commitment to providing employment opportunities and support to Aboriginal and Torres Strait Islander people and communities.

Australia Post's Reconciliation Action Plan can be accessed online at auspost.com.au

Gender equity

Our female leaders now make up 36.2 per cent of management roles (up from 35.9 per cent in 2013) and 34.1 per cent of executive positions (up from 33.3 per cent in 2013). In 2013–14 we continued to build our female talent pipeline through a range of programs:

- **mymentor:** a self-paced personal and career development program offered to our award-level female employees. The 2014 intake was our largest ever, attracting 476 participants. This year also marked the largest intake of mentors with 76 of our leaders (both men and women) taking on a mentoring role. Since the program's launch, over 1,200 of our female workforce have completed the mymentor program.
- **Xplore:** a leadership and career development program for our female managers. From July to December 2013, 37 women participated in the program. By the end of the financial year the retention rate of this future senior leadership talent pool was 97.3 per cent. Furthermore, 21.6 per cent of participants had been promoted to more senior positions.
- **TenProgram:** this program matched 10 of our high-potential women with 10 of our Management Committee. Eight of the 10 participants in this year's TenProgram progressed into more senior or expanded roles by 30 June 2014.

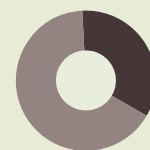
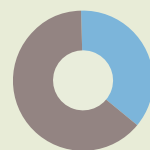
Our diverse workforce

137 nationalities **65** languages

■ Managers = Percentage of all managers at Australia Post (2,563)
■ Executives = Percentage of all executives at Australia Post (452)

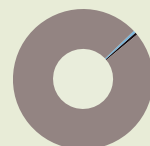
Women in workforce

38.9%



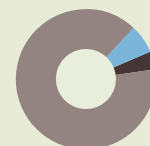
Indigenous Australians

1.5% (includes 18 traineeships)



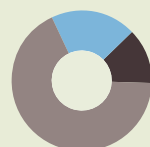
People with disability

6.9%

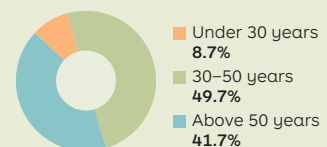


Culturally and linguistically diverse (CALD)

23.0%



Age



Diversity data does not include StarTrack employees.

- **Horizon:** a 12-month leadership development program for women moving into senior management and general manager positions. We launched the Horizon program in October 2013 with 17 participants.

Supporting people with a disability

In progressing our Accessibility Action Plan in 2013–14 we:

- launched the Real Stories Project – our national disability awareness campaign
- expanded our annual internship program to always include at least one university student with a disability
- worked with Lifestyle Solutions – one of our new national community partners – to expand their work-ready program for people with a disability (see page 38)
- achieved Web Content Accessibility Guidelines 2.0 Level AA criteria for our mobile website, well ahead of the Australian Government's December 2014 deadline.

Workplace flexibility and support

We offer our people a range of options to help them balance their work and personal commitments, including changes to hours, days and location of work, job share arrangements, and beneficial leave provisions such as purchased leave (48/52), ceremonial leave and leave without pay.

Our people's attendance rate this year was 94.2 per cent (down from 94.3 per cent last year) and 95.7 per cent of employees returned to employment with us from parental leave. Of those who returned to work in 2012–13 following parental leave, 79.6 per cent remain employed with us 12 months after their return.

Industrial relations

As at 30 June, 30,665 of our award employees were covered by the Australia Post Enterprise Agreement 2013, which outlines their pay and working conditions.

With the Fair Work Commission's enterprise award modernisation process under way, we applied to the Commission to update Australia Post's four enterprise awards, which represent the minimum safety net of employment conditions for employees. We are working with the unions through this process which we expect will be completed by October 2014. Australia Post supports the right of all employees to exercise freedom of association.

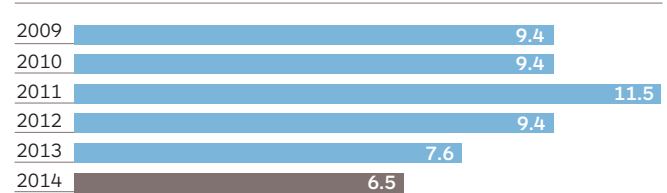
Ethical behaviour

Australia Post has clear policies and expectations for acceptable standards of workplace behaviour. These behavioural standards are outlined in the booklet *Our ethics: the way we do things at Australia Post*. New employees receive a copy of the booklet and training at induction and we regularly reinforce our policies, which aim to prevent anti-social behaviour.

This year, most of workplace complaints relating to harassment and discrimination were managed locally, with 50 complaints escalated to our Workplace Relations and Policy team for investigation. Of these, 16 were

substantiated, five were withdrawn and eight are still being investigated. We take appropriate remedial action to address breaches by employees, including training, counselling and disciplinary measures.

Turnover rates (%)



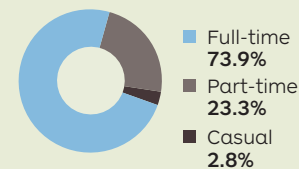
Data based on average headcount for permanent full-time and part-time employees only.

Employment profile Australia Post and StarTrack

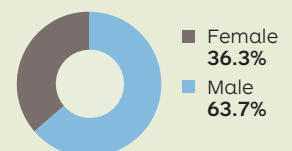
Total workforce 36,944

(at 30 June 2014)

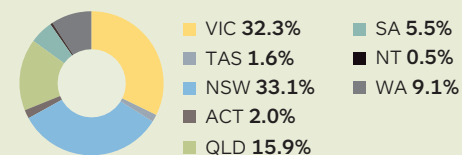
By type



By gender



By region



In 2013 we successfully negotiated the first back-to-back Enterprise Agreement in our history, which came into effect on 29 July. Australia Post won an Australian Human Resources Institute Award in December for our industrial relations strategy for the agreement.

Our performance

Making a positive social contribution

Building better communities for everyone.

Highlights

- Announcing seven National Community Partners that share our goal of building healthier, more vibrant and more inclusive communities
- Establishing a public charitable fund – Our Neighbourhood Trust
- Launching the Australia Post National Conversation platform to engage the Australian community in our future

Challenges

- Engaging the Australian community in the need to reform our postal services while supporting those most vulnerable throughout change

Outlook

- Continuing to expand the National Conversation platform and engaging communities at national and local levels through various initiatives
- Building on our community programs and the work with our community partners as a major stakeholder group
- Instilling a “shared value” mindset and evolving our Corporate Responsibility framework

Throughout 2013–14 we again demonstrated our commitment to the communities we serve through the various activities of the Our Neighbourhood program. Our Neighbourhood continues to guide Australia Post’s community approach and investments as an important part of our overarching commitment and support to the community, particularly those most vulnerable.

We developed and launched Our Neighbourhood last year to bring to life our commitment to the community beyond our services and our role as a large employer of people. Our Neighbourhood is an integrated community investment program that delivers shared value for Australia Post and the communities we serve. This means achieving tangible and measurable business benefits to create economic value for all Australians.

As the Australian community’s reliance on our traditional core services changes, we know we must also evolve to play a relevant role in their lives. To elevate community discussion about Australia Post’s future and the need to reform the way we work, we are actively encouraging all Australians to tell us how they see our business.



Our community efforts in 2013–14 also focused on further aligning our activities to our enterprise strategy, which saw us commit to new programs and ways of engaging the community. As our organisation addresses the challenge of managing our declining letters business, it’s crucial that we work with the Australian community to build awareness around the need for change and modernisation of Australia Post. In June 2014 we delivered a digital platform to enable the wider Australian community to be part of a “national conversation” about our evolution. We will continue to build our engagement activities using a range of new and traditional consultation channels.

Evolving shared value

Australia Post has been operating in communities across our nation for over 200 years, and we understand the importance of providing commercial services and initiatives that deliver real value for our business and the local community. We describe this approach as the creation of “shared value” between Australia Post and the community. While our approach to determining and measuring shared value is new, the activities and mindset that underpin it are intrinsically woven into how we operate and who we serve; we are an organisation that provides both a community service and a commercial dividend.

To help us maximise our impact within the community, in May 2014 we launched a partnership with the Asia-Pacific Social Impact Leadership Centre (APSILC) at Melbourne Business School. This research partnership provides a framework to determine and measure the impact we make as an organisation across the community, customers, workforce and business operations, with a focus on our national community partners.

Our association with APSILC reflects a growing global trend where major organisations are seeking to deliver value to their community – not just through a sense of corporate social responsibility, but through a desire to achieve “shared value” where both parties benefit.

New community engagement forums

We value the views and the perspectives of the community in which we operate. Part of our commitment to the community is to engage and consult with them about our evolving business. In May 2014, we commenced a new community engagement program designed to open up conversation with all Australians.

The first phase of the new engagement program was a pilot of nine face-to-face Local Community Discussion groups in various locations: Scottsdale (Tas), Pakenham (Vic), Shepparton (Vic), Alexandra (Vic), Cessnock (NSW), Paddington (NSW), Toowoomba (Qld), Darwin (NT) and Fitzroy Crossing (WA).

The next phase of this strategic engagement program involved developing a digital conversation platform that is available nationally. In June 2014 we launched the Australia Post National Conversation platform. The objective of this platform is two-fold – enabling Australia Post to share information about our business with as many Australians as possible, while encouraging the community to share their perceptions about our future.

We plan to pilot a range of other national and locally based initiatives to reach more individuals and local communities as we expand our community engagement program over the next 12–18 months.

Connecting communities through Our Neighbourhood

Australia Post has always played a role in connecting communities. Through fundraising and giving programs we are able to facilitate the collection of funds from the Australian community and give to those in need. We particularly seek to support vulnerable groups such as the elderly, culturally and linguistically diverse, rural and remote communities, the socially disadvantaged and people with a disability.

Our Neighbourhood Trust

Our Neighbourhood Trust is a public charitable fund that makes it possible for all Australians to play a role in building better neighbourhoods.

Established by Australia Post in June 2013, the Trust enables our vast network to make tax deductible donations through our employee Workplace Giving program, while our customers and the community can donate through Australia Post post offices or online at ourneighbourhood.com.au

Donations made to Our Neighbourhood Trust are distributed to communities across Australia through the Our Neighbourhood Community Grants program to support local community projects.

2013 Our Neighbourhood Community Grants

The Community Grants program encouraged charities and community organisations to apply for funding of



Plan 2day 4 2morrow

The David Wirrpanda Foundation aims to improve the quality of life for Aboriginal and Torres Strait Islander people by empowering and building capacity among individuals, their families and their communities.

The \$10,000 Our Neighbourhood Community Grant awarded to the David Wirrpanda Foundation helped fund an Indigenous employment project in the town of Kwinana, which has one of the highest unemployment rates in the country. The program provided 80 participants with employment, numeracy, literacy and life skills.

Image: Mentors and participants from Kwinana (WA) enjoy health and fitness activities as part of the Plan 2day 4 2morrow Indigenous employment program.

one-off cash payments of up to \$25,000 for projects that benefited the wider community. This year 107 community organisations received grant funding.

2013 Our Neighbourhood Workforce Nominated Community Grants

This program encouraged the entire Australia Post workforce to nominate a community organisation – which they have a direct connection to – for a grant of up to \$10,000. Nominations were open to our 36,944 people as well as external contractors, licensees, franchisee agents, contractors and sub-contractors. Our Neighbourhood Community Grants and Workforce Nominated Community Grants were accepted between 13 May and 28 June 2013 and announced in September 2013.

For a full list of the 2013 grant recipients visit ourneighbourhood.com.au

2014 Our Neighbourhood Workforce Nominated Community Grants

We opened applications for the second round of Our Neighbourhood Community Grants and Workforce Nominated Community Grants in March and April 2014.

Our performance
Making a positive social contribution

We received 1,597 nominations and the winners will be announced in October 2014.

Our Neighbourhood National Community Partners

In February 2014 we announced seven organisations as the national partners in Our Neighbourhood community program. We will work closely with these organisations over the next three to five years to deliver a series of programs that will build community capacity and impact at a national and local level through education, employment, technology and sport programs.

Our National Community Partners represent a diverse group of dynamic organisations which all share the common goal of helping to build more vibrant and more inclusive communities. Together they reflect the different ways that we as an organisation touch the lives of Australians every day, helping to build healthier communities.

Our inaugural partners are: Australian Football League (AFL), Infoxchange, Lifestyle Solutions, Netball Australia, The Pjama Foundation, ReLink Australia and Social Traders. To find out more about how Australia Post and our partners are delivering positive community outcomes, visit ourneighbourhood.com.au

Workplace giving

We also offer a voluntary workplace giving program that enables our people to support the charitable organisations that matter to them. Employees can give back to the community by making regular voluntary donations directly from their pre-tax pay to charities or organisations that are entitled to receive tax deductible donations. Employees can choose to donate to one of 11 matched community partners, where Australia Post matches the employee's contribution up to \$200 per employee per year; or employees can donate to a non-matched charity partner of their choice. In 2013–14 our Workplace Giving program raised \$513,903 for charitable causes with employee donations totalling \$316,444 and Australia Post's matched contribution of \$194,459.



Delivering real support for people living with a disability

As one of our inaugural Our Neighbourhood National Community Partners, Lifestyle Solutions joined Australia Post to support people living with a disability to deliver community mail programs in up to 18 communities across Australia.

The program focuses on mail sorting and delivery in regional and remote areas, offering people living with disability the opportunity to provide a valued community service that encourages community participation, relationships and belonging.

Our partnership with Lifestyle Solutions is an extension of the highly successful Bindi Mail initiative, in which local community members with a disability took on the task of delivering mail to around 3,000 residents living across 21 established camps surrounding Alice Springs.

Bindi Mail team members benefit from meaningful work experience that builds their capabilities and provides them with the opportunity to connect with their local communities.

It also helps us to meet our community service obligations around the delivery of mail, enabling us to reach members of our community we may otherwise not be able to reach.

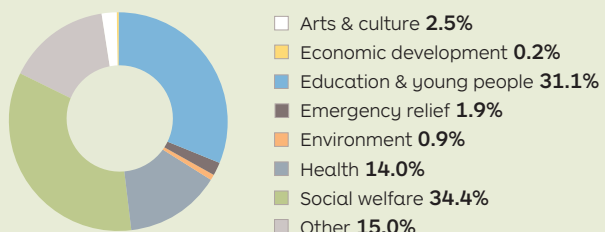
Measuring our impact

Australia Post is a member of the London Benchmarking Group (LBG) and sits on the Steering Committee. We use the LBG internationally recognised approach to measure our community investment. The data we report is verified by LBG each year.

This year we invested \$6.5 million in the community (including \$383,000 invested by StarTrack, not included in previous years. Nearly 90 per cent of StarTrack community investments were in health-related programs). This total community investment equates to 5.6 per cent of our net profit (up from 1.8 per cent in 2012–13). The chart outlines how we focus our community investment expenditure,

which includes cash, time and in-kind contributions across seven key categories.

Allocation of community investment
 (includes cash, time and in-kind contributions)



Our performance

Driving environmental change

Delivering better environmental outcomes to become a leader in environmental sustainability.

Highlights

- Reducing Scope 1 and 2 carbon emissions by a further 6.9 per cent
- Running a pilot to introduce Australia's first commercial electric van

Challenges

- Continually improving the way that we implement environmental initiatives across the enterprise
- Raising awareness of environmental considerations across our outsourced supply chain

Outlook

- Broadening engagement in environmental issues with our workforce and customers
- Growing product stewardship programs and building momentum towards a collaborative economy

Australia Post is dedicated to finding new ways to improve. This means minimising costs, better managing our resources and identifying avenues to create value for our customers, our workforce and for the environment.

This year we continued our focus on driving clean energy and energy efficiency programs across our 1,200 facilities, as well as becoming more fuel efficient by exploring alternative fuels for our fleet of 12,000 vehicles. We also worked with our customers to develop better environmental outcomes.

Our approach to environmental management supports our commitments under the United Nations Global Compact and aligns with the International Standard for Environmental Management, ISO14001. Our Environmental Management System enables us to identify and prioritise important environmental issues. It guides continual improvements in our environmental performance, which is monitored by the Australia Post Board Audit and Risk Committee. In 2013–14 we had no significant environmental incidents, spills, fines or prosecutions.

For more detailed environment data go to auspost.com.au/annualreport2014

Reducing our carbon emissions

In 2010 we established an ambitious target to reduce carbon emission levels by 25 per cent by 2020 (based on tonnes of carbon¹ emission levels generated in 2000). Four years on, we continue to implement carbon reduction initiatives such as our National Energy Management Plan, energy audits, energy and fuel efficiency projects and our dedicated research and development (R&D) activities across our business.

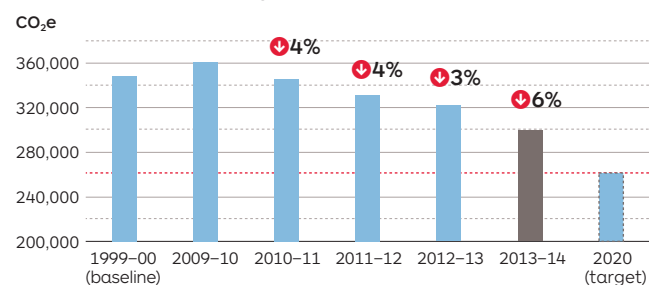
¹ Tonnes of carbon dioxide equivalent (CO₂e) – expressed as “tonnes of carbon”.

In 2013–14 we reduced our Scope 1 and 2 carbon emissions by a further 6.9 per cent. We have now achieved a total 14 per cent improvement on our Scope 1 and 2 carbon emissions baseline, which keeps us on track to achieve our 2020 target.

This year we revised the original Scope 1 and 2 baseline to include StarTrack by including the StarTrack total of 50,601 tonnes of Scope 1 and 2 carbon emissions from our 2013 National Greenhouse and Energy Report (NGER).

The revised profile of our emissions appears below:

Carbon reduction target



Over the past three years (2010–11 to 2013–14) we have achieved annual average savings of 15,330 tonnes of carbon.

This year we produced 299,557 tonnes of Scope 1 and 2 emissions (down 22,301 tonnes of carbon from last year), which, for the first time, included StarTrack's carbon emissions.

We achieved savings this year through a combination of meeting internal energy efficiency targets, property upgrades, changes to emission factors, and the benefits of transferring a major data centre to third-party management.

Greater fuel efficiency

We are constantly exploring ways to adopt alternative fuels across our transport fleet as part of our broader environmental strategy. Overall fuel consumption was down 3.9 per cent (more than 1.6 million litres) this year and we achieved a further 4,411-tonne reduction in carbon emissions due to new initiatives such as:

- using biofuel at selected facilities, (saving almost 1,000 tonnes of carbon each year)
- commissioning 1,871 new Honda NBC110s motorbikes that are 60 per cent more fuel-efficient
- transitioning from six-cylinder to four-cylinder sedans, with more than 100 hybrid vehicles
- using an extendable conveyor to “loose load” parcels directly into transport containers on selected line haul routes, improving container storage capacity
- partnering with Renault Australia to assess the use of Australia's first fully electric-powered commercial van – the Renault Kangoo Maxi Z.E. (see image on page 40). We expect to halve energy costs and achieve a 100 per cent reduction in carbon emissions when compared to our existing vehicles.

Scope 1, 2 and 3 greenhouse gas emissions (tonnes CO₂e) – by source

	Emission source	1999-00 (baseline)	2010-11	2011-12	2012-13	2013-14	
Scope 1 Direct emissions	Natural gas	5,444	5,972	5,308	5,819	4,461	
	LPG	3,019	5,266	5,820	5,796	5,962	
	Heating oil	68	0	0	0	0	
	Diesel (including electricity generation)	86,630	94,716	96,488	97,320	95,809	
	Petrol	15,866	12,706	11,862	11,432	9,724	
	Total		111,027	118,656	119,478	120,368	115,956
Scope 2 Indirect emissions	Electricity	237,409	226,892	212,044	201,490	183,601	
	Total		237,409	226,892	212,044	201,490	183,601
Total Scope 1 and Scope 2 Direct and indirect emissions			348,436	345,548	331,522	321,858	299,557
Scope 3	Energy Production and Transfer	40,576	37,001	36,761	36,120	39,479	
	Subcontracted transport and business travel	0	454,618	429,423	407,564	575,458	
	LPOs electricity consumption (estimated)	0	16,704	16,790	13,743	26,089	
	Waste disposal	29,031	14,106	9,497	0	10,539	
Total Scope 3			69,607	522,429	512,550	503,933	651,563
Total Scope 1, 2, and 3 emissions			418,043	867,977	844,072	825,790	951,120

Note: All 2013-14 data includes StarTrack. Scope 1 and 2 emissions from baseline to 2012-13 include StarTrack 2013 NGER data.

Subcontracted transport and business travel provided for the 2013 calendar year. Majority of Scope 3 subcontracted transport carbon emissions are based on km travelled. Kilometres travelled are based on the type of vehicle and converted to carbon emissions using the National Greenhouse Accounts Factors – July 2013.



Image: The Renault Kangoo Maxi Z.E.

Greater energy efficiency

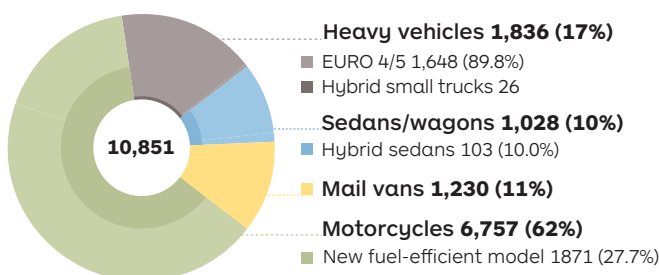
Energy use within our buildings and facilities accounts for approximately two-thirds of our carbon emissions, making it one of our largest environmental impacts.

This year energy efficiency improvements across our network of post offices, mail facilities and administrative offices achieved 3,704 MWh of energy savings and saved 3,397 tonnes of carbon. These initiatives included:

- 31 energy audits, resulting in the introduction of 17 initiatives. They also achieved approximately \$240,000 and 1,321 MWh (1,129 tonnes of carbon) in savings

- dedicated projects at various Australia Post sites, including the installation of new SmartCool climate control systems across 97 post offices. This led to 288 MWh (251 tonnes of carbon) and \$67,000 in energy savings
- a project at our Ballarat Business Centre which saw new lighting, insulation and rapid doors installed. This improved the site's energy efficiency by more than 30 per cent. Some initiatives were combined at this site to achieve a significant overall energy saving
- a program to replace heating, ventilation and air conditioning (HVAC) units and/or introduce speed roller doors at almost 100 facilities.

Fleet composition



Includes only those vehicles that have used fuel in the reporting period.

StarTrack House

In 2013–14 we achieved significant energy savings as part of a major refurbishment at StarTrack House (see page 29). The new initiatives included:

- new energy-efficient T5 light fittings that will reduce energy consumption and extend the life of lighting tubes, without compromising lighting levels
- more than 1,000 solar PV panels producing approximately 370 MWh of electricity per annum; enough to reduce carbon emissions by around 318 tonnes of carbon.

Managing waste

Waste reduction program

We have a number of waste management strategies in place to assess and reduce waste. In 2013–14 we managed our waste streams and have paper, cardboard, comingled and plastic recycling in place at sites. We are continually identifying ways to reduce the amount of waste that we generate and to divert waste from landfill to be recycled. With the addition of StarTrack we have recalibrated our waste and recycling data and have set a new baseline to measure reductions.

Product recycling partnerships

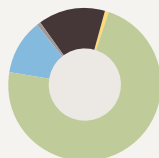
This year we joined forces with TerraCycle to recycle cigarette butts, and explore recycling of coffee pods, toothbrushes and cleaning products. Our solution involved specially branded Australia Post satchels that can be securely sealed and posted to TerraCycle for processing into industrial products such as plastic lumber, shipping pallets and railway sleepers.

We also continued our successful partnerships with Planet Ark and Mobile Muster to collect and recycle used printer cartridges and mobile phones through our post offices. Through these partnerships, 463,838 cartridges were collected, along with approximately 283,000 mobile phones, batteries and chargers.

Waste disposal – Australia Post (inc. StarTrack)

Operational waste stream	Tonnes
Cardboard	2,120.1
Co-mingled	116.1
General mixed waste	10,849.3
Paper	1,721.6
Timber	112.9
Total	14,920.0

- Cardboard **14.2%**
- Co-mingled **0.8%**
- General mixed waste **72.7%**
- Paper **11.5%**
- Timber **0.8%**



Waste data represents more than 90 per cent of Australia Post-operated properties by floorspace. The completeness of this data set will be improved year-on-year.

Product sustainability and stewardship

Packaging design and composition

As a member and signatory of the Australian Packaging Covenant (APC) since 2005, we are actively engaged in improving the environmental performance of the products and services we offer. We are currently working through our 2011–15 Action Plan, which is focused on the design, composition and recycling of our packaging.

To view our Action Plan and APC Report go to auspost.com.au/environment

Research and development

For the second year in a row, we set aside a \$500,000 research and development fund to investigate and test new energy efficiency solutions for our network.

A number of projects are currently being trialled or are under development, including:

- installation of LED lighting products at three retail outlets in Melbourne
- new task lighting to assist specialised business processes
- a new HVAC solution at Bentleigh letter delivery centre
- installation of a 400-panel solar system at our Heathwood Delivery Centre
- improved canopy lighting through the installation of LED products, including light sensors, at three of our facilities.

National Energy Management Plan

In 2009 we established the National Energy Management Program (NEMP), which has comprised energy efficiency works in over 132 sites, resulting in 17,642 MWh, 19,194 tCO₂-e savings and annual energy cost savings of \$2.8 million during the project's lifespan. This represented a 17 per cent cost reduction across Australia Post's total building portfolio, made more significant by our vast property portfolio and operations, which required a unique approach to energy efficiency.

The Energy Efficiency Council and Energy Users Association of Australia awarded Australia Post the Leading Energy User Award 2013 for the NEMP, which also led to other key energy efficiency projects across the business to drive our carbon reduction target.