

Corporate governance statement

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

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

Principle: Lay solid foundations for management and oversight

(based on ASX Principle 1)

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

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

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

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

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

Delegation to the Managing Director & Group CEO

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

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

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

Executive Committee

The Executive Committee comprises the Managing Director & Group CEO and senior executives. The Executive Committee is accountable to the Managing Director & Group CEO. The purpose of the Executive Committee is to assist the Managing Director & Group CEO to deliver the strategic, operational and compliance priorities for the corporation.

In addition, *the Executive Committee also comprises of a number of forums which assist in managing these priorities.*

Board and Executive Committee appointments

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

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

The Managing Director & Group CEO is appointed by the Board whereas the Executive Committee is appointed by the Managing Director & Group CEO.

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

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

and, for other senior executives, to:

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

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

Corporate Secretary

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

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

Diversity

Australia Post is committed to an inclusive workplace that values diversity, and our Diversity and Inclusion Strategy promotes improved diversity outcomes to foster an inclusive workplace culture and equal employment opportunities (EEO) for all. Managing diversity in Australia Post is a corporate objective and responsibility is vested in the Board, our Executive Committee, managers and employees.

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

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

While we define diversity in the broadest-possible sense, we formally measure and track our progress against five key areas: gender, Aboriginal & Torres Strait Islanders, people from culturally and linguistically diverse backgrounds, people with disability and Lesbian, Gay, Bi-sexual, Trans and Intersex (LGBTI).

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

Our 2014/2015 performance was:

	2014	2015
Aboriginal & Torres Strait Islander representation	1.5%	1.9%
Culturally & Linguistically Diverse	23.0%	25.5%
People with Disability	6.9%	6.3%
Lesbian, Gay, Bisexual, Transgender and Intersex people	N/A	0.9%
Female representation	38.9%	38.7%
Female Executive Committee members	33.3%	37.5%
Female Bands 1-4	34.1%	33.3%
Women in Management	36.2%	35.5%
Female Postal Manager	47.6%	50.9%
Female Facility Manager	25.3%	30.8%
Female Delivery Manager	19.9%	15.9%

Board and Individual Directors Evaluation

The Board regularly reviews its own performance and the performance of individual directors. An externally facilitated Board performance appraisal is undertaken every two years, focusing on Board, Board Committees and individual director effectiveness. The most recent review was conducted in May 2014. It was facilitated by an independent Board performance consultant and included interviews with, and the completion of a Board evaluation survey, by all of the directors and all of the Executive Committee members.

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

Board Committee Evaluation

The Audit & Risk Committee and Human Resources Committee charters state that in order to ensure that the committees are fulfilling its duties, its performance will be assessed annually against the requirements of the Charter and reported to the Board.

In 2014/2015 the Audit & Risk Committee and Human Resources Committee achieved their requirements as per the charters.

Executive Committee evaluation

Executive team performance evaluations have been conducted for the year ended 30 June 2015. Refer to page 58 for further details.

Principle: Structure the Board to add value

(based on ASX Principle 2)

The APC Act provides that the Board of Australia Post comprises up to nine directors, including the chairperson, the deputy chairperson, the managing director and not more than six other directors. As at 30 June 2015, the Board comprised of seven non-executive directors and one executive director. The executive director is Australia Post's Managing Director & Group CEO, Ahmed Fahour. The Hon. Trish White and Mr Paul O'Sullivan resigned as directors on 15 August 2014 and 5 December 2014 respectively.

The directors of Australia Post, at any time during the financial year, are listed with a brief description of their qualifications and experiences on pages 6 to 7 of the 2015 Integrated Annual Report.

The Board met eight times during the financial year. Directors' attendances are set out on page 58 of the 2015 Integrated Annual Report.

The Board has established three Committees:

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

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

Board and committee meeting timetables are agreed annually in advance. The Corporate Secretary sets the timetables in consultation with the Board and committee members.

Human Resources Committee

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

- recruitment, selection and remuneration;
- occupational health and safety;
- culture, ethics and enterprise engagement;
- learning and development;
- terms and conditions of employment, including workplace and industrial relations; and
- organisational structure.

The committee as at 30 June 2015 comprised four members: Brendan Fleiter (Chair), Ahmed Fahour, Michael D'Ascenzo AO and Dominique Fisher.

The committee meets four times a year. Meeting attendance details for 2014/15 are provided in the table on page 58.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee provides shareholder ministers with recommendations on Board composition and membership, and performance and succession management for the Managing Director & Group CEO.

Specifically, the role of the committee is to:

- provide to shareholder ministers a recommendation on Board composition and membership;
- develop an annual Board plan;
- undertake a Board effectiveness review, approximately every two years, which will form the basis of a submission to shareholder ministers;
- inform shareholder ministers prior to a vacancy on the Board or in the role of the Managing Director & Group CEO;
- ensure that Australia Post's performance, remuneration, and succession practices for the Managing Director & Group CEO are coherent, fair and reasonable and consistent with applicable provisions regarding remuneration and disclosure as set out in the GBE guidelines and relevant legislation and statutory requirements;
- review and make recommendations to the Board regarding remuneration levels for the Managing Director & Group CEO;
- review and make recommendations to the Board regarding corporate goals, objectives and short and long-term incentive programs relevant to the Managing Director & Group CEO;
- assess the performance of the Managing Director & Group CEO in light of the objectives determined;
- ensure that the recommendations in relation to the Managing Director & Group CEO's KPIs encourage behaviour consistent with the cultural pillars and support Australia Post's long-term financial soundness, growth and success within an appropriate risk management framework;
- establish and maintain succession arrangements for the Managing Director & Group CEO;

- consider the Managing Director & Group CEO's recommendations around recruitment, performance, remuneration and succession arrangements for executive general managers and the management committee; and
- review policies to ensure alignment with duties set out in the PGPA Act.

The Managing Director & Group CEO is entitled to attend meetings of the committee, but will be excused when his remuneration or performance is discussed.

The committee currently comprises five non-executive and independent directors – John Stanhope (Chair), Susan Bitter, Peter Carne, Brendan Fleiter and Talal Yassine OAM.

The committee met five times during the year. Details of directors' attendances are set out on page 58 of this annual report.

Audit & Risk Committee

The Audit & Risk Committee's primary focus is to assist the Board to discharge its responsibilities under the APC Act and PGPA Act.

In particular the committee will assist the Board in its oversight role and review of financial reporting, performance reporting, system of risk oversight and management, system of internal control and auditor independence and performance.

The committee consists entirely of non-executive directors, with the majority being independent directors. However, the chair of the Board is not to be a member of the committee in accordance with the PGPA Act. It will have a minimum of three members, all of which are financially literate and at least one of whom should possess accounting or related financial qualifications and experience.

The committee as at 30 June 2015 comprised three members – Peter Carne (Chair), Susan Bitter and Brendan Fleiter.

Further details on the qualifications and experience of all committee members are disclosed on pages 6 to 7.

In the conduct of its activities the committee focuses in particular on the areas of financial reporting, enterprise risk management and internal controls. Among other things it will:

- review the financial reports prior to their consideration by the Board;
- consider any issues relating to the corporation's performance;
- satisfy itself that management is ensuring an appropriate organisational culture committed to ethical and lawful behaviour and risk management;
- monitor whether management has in place comprehensive and relevant policies and procedures designed to maintain an effective internal control framework;
- assess the plans of the external auditors; and
- review the annual internal audit plan.

The Managing Director & Group CEO, Group Chief Operating Officer, Chief Risk Officer, Group Chief Financial Officer, Group Financial Controller, Internal Auditor, External Auditor and other management representatives may attend meetings as advisors or observers, but will not be members of the committee. Any director (including the Chair of the Board) who is not a member of the committee will have the right to attend meetings of the committee as an observer.

Prior to each meeting, the committee will convene privately (without management in attendance) in separate sessions with the External Auditor, Internal Auditor, Group Chief Financial Officer and Chief Risk Officer.

The committee met four times during the year. Details of directors' attendances appear on page 58.

Board skills

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

The skill sets that were identified among Board members include:

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

Independent directors

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

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

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

In addition, the chairman is appointed by the Governor-General on the nomination of the portfolio Minister. The Board is satisfied that Australia Post's chairman, John Stanhope is, and was throughout the entirety of the financial year, independent. The position of Managing Director & Group CEO was held by Ahmed Fahour.

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

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

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

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

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

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

Details regarding the length of service of each director are disclosed on pages 6 to 7.

Directors Induction Program

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

- the ministerial powers granted to the portfolio minister;
- the rights, duties and responsibilities of directors;
- the role of Board committees;
- the roles and responsibilities of the Executive Team; and
- Australia Post's financial, strategic, and operational risk management position.

New directors undertake an induction program which comprises:

- an information pack that includes a copy of Australia Post's Governance Framework; Commonwealth Government Business Enterprise Governance and Oversight Guidelines; *Australia Postal Corporation Act 1989*; *Public, Governance, Performance and Accountability Act 2013*; the most recent Corporate Plan; the most recent annual report; our organisational chart; insurance and indemnity details pertaining to Australia Post's Directors and Officers Insurance policy; and
- a program of meetings with Australia Post's chairman, Managing Director & Group CEO, members of the Executive Committee and the Corporate Secretary.

Principle: Act ethically and responsibly

(based on ASX Principle 3)

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

Importantly, we behave in accordance with our culture pillars: Safety, Accountability, Customer Focus and Speed of Action.

Everything we do can have social, environmental and economic impacts. In fact, our long-term commercial success – our own sustainability – depends on what we do and how we do it.

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

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

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

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

Over the next year, we are committed to living by our set of shared values. These shared values reflect an evolution of our culture pillars for our new strategy, and are relevant for our entire workforce. We are at our best when we are Being Safe Everywhere, Respecting Everyone, Helping Each Other, Improving Everyday and Delighting our Customers.

Under Australia Post's whistleblower policy, which reflects the requirements of the Public Interest Disclosure Act, an independently operated contact service is in place to facilitate the confidential disclosure of serious breaches of ethical standards.

Competition and consumer law

Australia Post is committed to conducting its business fairly, ensuring all information about our products and services is clear and not misleading and legislative requirements under the *Competition and Consumer Act 2010* (Cth) are met.

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

In 2014/2015 no fines were issued against Australia Post and there were no reported incidents of material non-compliance with the relevant legislation.

Protecting privacy

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

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

Our commitment has been reflected in a number of privacy-related initiatives that are underpinned by the implementation of class-leading technology security solutions and standards together with ensuring that we only engage with suppliers who share our dedication to effectively manage our personal information commitments.

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

Group security

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

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

This strategy is supported by a national fraud-control policy and the corporation's Our Ethics policy.

Principle: Safeguard integrity in corporate reporting

(based on ASX Principle 4)

Audit & Risk Committee

The Audit & Risk Committee assists the Board through its oversight and review of financial reporting, performance reporting, system of risk oversight and management, system of internal control and auditor independence and performance.

See page 52 for more information on the Audit & Risk Committee.

Internal audit

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

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

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

External audit

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

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

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

Management internal control sign-off

Prior to the adoption of the half-year or full-year financial reports, the Board received and considered a written statement from the Managing Director & Group CEO and Group Chief Financial Officer to the effect that:

- with regards to the integrity of the financial report:
 - the financial report and notes thereto comply with International Financial Reporting Standards in all material respects;
 - the financial report and notes thereto give a true and fair view, in all material aspects, of the financial position and performance of the group;
 - the financial report and notes thereto are in accordance with the PGPA Act and Finance Minister's Orders; and
 - there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- With regard to risk management and internal compliance and control systems:
 - the financial report and notes thereto are founded on a sound system of risk management, internal compliance and control which is operating effectively and efficiently in all material aspects, consistent with the Australian

Standard on Risk Management (AS/NZS ISO 31000:2009), Principle 7 'Recognise and Manage Risk' of ASX Corporate Governance Principles and policies adopted by the Board.

Principle: Make timely and balanced disclosure

(based on ASX Principle 5)

Australia Post's required disclosure obligations are prescribed from the provisions of the APC Act, the PGPA Act, and the *Commonwealth Government Business Enterprise Governance and Oversight Guidelines (2015)*.

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

Principle: Respect the rights of shareholders

(based on ASX Principle 6)

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

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

Shareholder Relations Program

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

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

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

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

Understanding our stakeholders

Getting to know our stakeholders by understanding their needs and how our business impacts them is critical to our success. Research activities are an effective way to obtain this information. For example, each year we conduct staff attitude

surveys and focus groups to understand our employees' views about our business. Comprehensive Voice of our Customer surveys across our consumer, small and medium-to-large business customer segments also help to inform us about customer satisfaction levels with valuable feedback and insight into how they view their relationship with our business.

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

An integrated approach to stakeholder engagement

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

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

Principle: Recognise and manage risk

(based on ASX Principle 7)

Audit & Risk Committee

The Audit & Risk Committee assists the Board through its oversight and review of financial reporting, performance reporting, system of risk oversight and management, system of internal control and auditor independence and performance.

See page 52 for more information on the Audit & Risk Committee.

Recognising and managing risk

The Board has established a comprehensive Group Risk Management Policy (the "Policy").

The Policy provides guidance on risk-management practices and adds clarity to the management and director roles and responsibilities, both for developing and administering the Policy, and for implementing risk-management processes. This Policy and any associated processes are consistent with the principles of the International Standards for Risk Management (ISO 31000:2009) & Compliance Management Systems (ISO 19600:2014), and the ASX Corporate Governance Principles and Recommendations (Principle 7: Recognise and Manage Risk).

The Policy describes a three-lines of defence principles-based approach to risk management at Australia Post to ensure consistency with frameworks and processes as stated in the annual report. Specific details concerning the core risk-management components are set out in the Australia Post Group Risk Management Framework (the "Framework"). The Framework has also been developed to support compliance with the applicable risk management framework obligations as specified in the PGPA and applicable supporting elements of the Federal Department of Finance's Commonwealth Risk Management Policy.

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

Risk appetite is a key element of the Board's approach to the management of risk and a Board Risk Appetite Statement has been developed that provides overarching principles of the level of risk that Australia Post is willing to accept in the pursuit of its objectives.

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

Risk identification, measurement and mitigation strategies are included in all business-related proposals considered by the Board. There are also a number of additional programs in place to manage risk in specific areas such as fraud, physical security, employment practices, environment, injury prevention and management, regulatory compliance, information security and privacy, financial (including market risk), third-party providers, governance, projects, IT, emergency procedures and business-continuity planning.

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

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

Internal control framework

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

Before adopting the annual financial reports, the Board receives written confirmation from the Managing Director & Group CEO and Group Chief Financial Officer that the integrity of the statements is founded on sound systems of risk management, compliance and internal control, and that all material risks have been managed effectively.

Corporate responsibility

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

At the heart of our approach to corporate responsibility is the notion of "creating shared value" for both Australia Post and the communities we serve. Our social purpose is a long-term commitment to create value for and with Australian communities. Every day we help citizens, communities, businesses and government connect with each other across the country, regardless of their size and where they are

located, fulfilling our purpose to help our people, customers, and communities build a better future – everyone, everywhere, everyday.

Through our actions we aim to drive tangible business benefits for Australia Post and at the same time build social, environmental and economic value for Australia.

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

- be a purpose and values lead organisation that is open and accountable to the Australian community and our shareholder;
- give meaningful consideration to societal and environmental impacts of our organisation and how we can create “shared value”;
- build strong and enduring relationships with our people, customers, community and shareholder; and
- drive inclusion, prosperity and self-reliance of Australian communities.

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

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

Responsible sourcing

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

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

Treasury

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

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

Taxation

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

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

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

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

Principle: Remunerate fairly and responsibly

(based on ASX Principle 8)

Nomination & Remuneration Committee

The Nomination & Remuneration Committee provides shareholder ministers with recommendations on Board composition and membership, and performance and succession management for the Managing Director & Group CEO.

See page 52 for more information on the Nomination & Remuneration Committee.

Director remuneration

Remuneration for Australia Post's non-executive directors is determined by the Commonwealth Remuneration Tribunal. For 2014/2015 this was:

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

Total amounts received or receivable in 2014/2015 by each non-executive director is provided in Note C2 to the financial reports (see page 86).

Executive remuneration

The Board is responsible for setting the remuneration arrangements for the Managing Director & Group CEO.

Remuneration arrangements for other senior executives are reviewed and determined by the Managing Director & Group CEO within parameters set by the Human Resources Committee and the Nomination & Remuneration Committee.

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

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

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

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

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

Remuneration details for the Managing Director & Group CEO and other key executives are provided in Note C2 to the financial reports (see page 86).

Directors' attendance at meetings – 2014/2015

	Board		Audit & Risk Committee		Human Resources Committee		Nomination & Remuneration Committee	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
John Stanhope	8	8	–	–	–	–	4	4
Ahmed Fahour	8	8	–	–	4	4	–	–
Brendan Fleiter	8	8	4	4	4	4	4	4
Susan Bitter	8	6	4	4	–	–	4	4
Peter Carne	8	8	4	4	–	–	4	4
Michael D'Ascenzo AO	8	8	–	–	4	4	–	–
Dominique Fisher	5	4	–	–	2	2	–	–
Paul O'Sullivan	–	–	–	–	–	–	–	–
The Hon. Trish White	1	1	–	–	–	–	–	–
Talal Yassine OAM	8	8	–	–	–	–	4	4

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

(b) Number of meetings attended

Note: Two Board meetings were held at Australia Post operating sites.