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# Remuneration Report 2018

# Remuneration Report 2018

## Message from the Chairman

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

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

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

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

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

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

## A new Executive Leadership Team

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

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

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

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

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

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



**John Stanhope AM**  
Chairman

# Remuneration Report 2018

## 1. Our organisation and key management personnel

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

The information provided in the report has been prepared and is aligned to disclosure requirements outlined in the *Corporations Act 2001*, Section 300A. The statutory tables contained at the end of this report are compliant with the accounting standard *AASB 124 Related Party Disclosures* and aim to maintain a high standard of clarity and transparency for all stakeholders.

The report details financial year 2018 (FY18) remuneration information for the year ended 30 June 2018 as it applies to KMP, including Board Directors, the Group Chief Executive Officer and Managing Director (GCEO&MD) and senior executives. For the purposes of this report, senior executives are defined as the employees reporting to the GCEO&MD who have authority and responsibility for planning, directing and controlling the activities of the Enterprise.

There have been the following movements in KMP during FY18:

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

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

**Table 1: FY18 Key Management Personnel**

Name	Position <sup>1</sup>	KMP term
<b>Board Directors</b>		
John Stanhope AM	Chairman	Full Year
Christine Holgate	GCEO&MD	Part Year
Holly Kramer	Deputy Chair	Full Year
Bruce McIver	Director	Full Year
Tony Nutt	Director	Part Year
The Hon. Michael Ronaldson	Director	Full Year

Name	Position <sup>1</sup>	KMP term
Paul Scurrah	Director	Full Year
Jan West AM	Director	Full Year
Deidre Willmott	Director	Full Year
<b>Former Board Directors</b>		
Ahmed Fahour AO	MD&GCEO	Part Year
Dominique Fisher	Director	Part Year

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

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

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

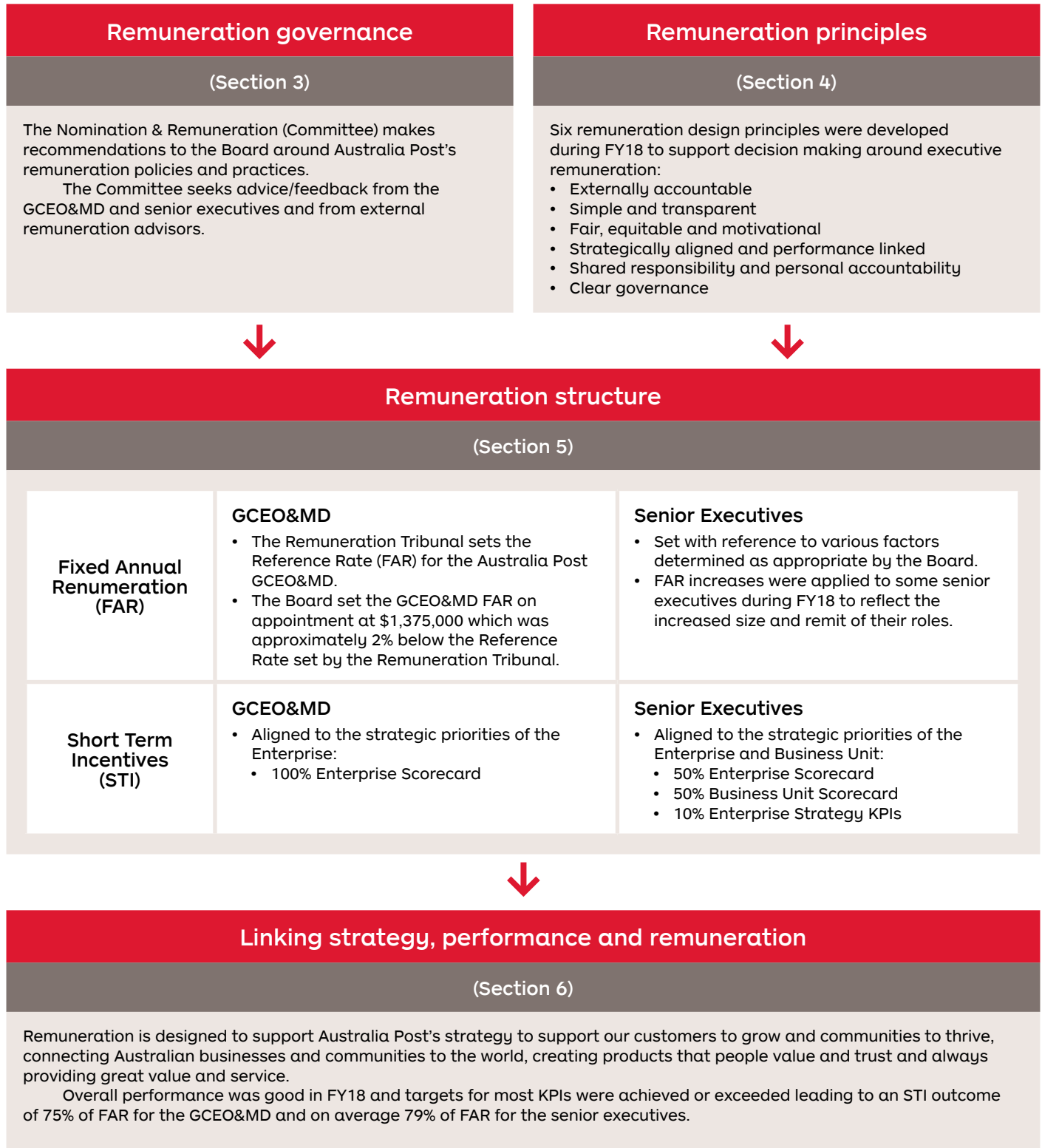
- Christine Corbett left Australia Post with effect 13 July 2018
- Andrew Walduck left Australia Post with effect 13 July 2018
- Andrew Parker acted in the role seconded from PwC with effect from 15 January 2018 to 15 July 2018
- Susan Davies was appointed to the role of EGM People & Culture effective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

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

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## 2. Remuneration on a page

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



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## 3. Remuneration governance

### 3.1. Nomination & Remuneration Committee role

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

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

The Committee's Charter is reviewed on an annual basis and major changes during the last review included the inclusion of the role of the Remuneration Tribunal in setting the remuneration of the GCEO&MD.

The current Committee Charter is available on the Australia Post website: [www.auspost.com.au](http://www.auspost.com.au)

### 3.2. Engagement of external advice

To inform its decision making during FY18, the Committee sought advice on performance and remuneration related matters from the GCEO&MD, senior executives and management.

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

### 3.3. GCEO&MD and senior executive contract terms

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

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

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

**Table 2: Employment contract cessation**

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

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## 4. Remuneration principles

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

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

### Externally accountable

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

### Simple & transparent

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

### Fair, equitable and motivational

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

### Strategically aligned and performance linked

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

### Shared responsibility and personal accountability

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

### Clear governance

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

## 5. FY18 remuneration structure

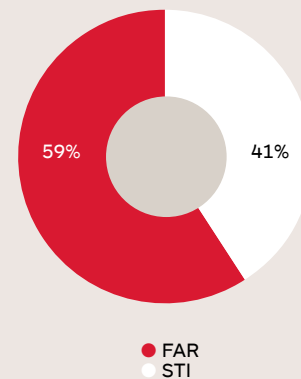
For FY18 the GCEO&MD and senior executive annual remuneration arrangements comprised two components:

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

### 5.1. Remuneration mix

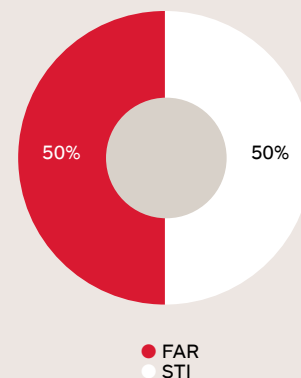
The Board aims to ensure that the mix of FAR and STI is appropriate and that a suitable portion of remuneration remains “at risk” to ensure that the GCEO&MD and senior executives are only rewarded when delivering performance that is aligned to the Australia Post strategy.

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



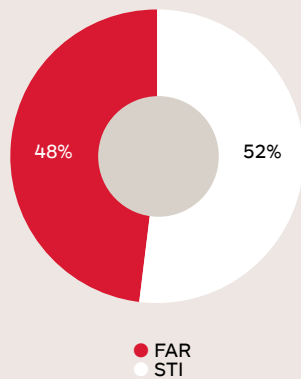
The STI component of target remuneration is 41% for both the GCEO&MD and senior executives as at 30 June 2018.

Figure 2: GCEO&MD maximum remuneration mix



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Figure 3: Senior executive maximum remuneration mix



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

## 5.2. Fixed Annual Remuneration (FAR)

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

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

### GCEO&MD FY18 Remuneration

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

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

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

The Remuneration Tribunal determined that the Reference Rate (FAR) for the Australia Post GCEO&MD on appointment was \$1,400,000. As is usual practice and consistent with the Remuneration Tribunal's Guide to the PEO Structure, the Board of Australia Post has the discretion to determine a variance within the band from 10% below the reference rate to 5% above the reference rate. The Board may not increase remuneration above the Reference Rate in the first 12 months of appointment.

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

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

The Remuneration Tribunal also confirmed performance pay incentive arrangements for the GCEO&MD with a Target STI

potential of 70% of FAR and a STI maximum potential of 100% of FAR. The Board of Australia Post is responsible for determining the performance of the GCEO&MD and determining any incentive payments. For FY18 the GCEO&MD performance will be assessed against the Enterprise Scorecard (see Section 6 for further details).

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

### Senior Executive FY18 Remuneration

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

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

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

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

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

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

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

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

At the end of the financial year the Committee reviews the performance of each senior executive. The Committee then recommends to the Board individual STI awards. Where a stretch target STI award is awarded, half of the stretch amount is paid in the current year and half is deferred for twelve months. All STI awards, including deferred STI awards, are paid in cash.

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## 6. Linking strategy, performance and remuneration

### 6.1. How we assessed the enterprise scorecard in FY18

#### Enterprise Scorecard

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

**Table 3: FY18 Enterprise Scorecard**

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

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

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

1. Normalised PBT removes the effects of significant unusual or one-time influences that were not contemplated at the time of setting the Enterprise Scorecard. For FY18, Headline PBT of \$125.7m has been normalised by \$26.5m relating to deferral of property sales, resulting in PBT (normalised) of \$152.2m.

2. While the AOIFR target was achieved in FY18 the KPI performance was zeroed to reflect fatalities that occurred across our extended workforce. AOIFR uses an inversed score to measure performance i.e., the lower the score the better the performance.

\* Note: typo corrected on 3 September 2018 (92.6% to 92.5%).



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## FY18 Business Unit Scorecards

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

## 6.2. FY18 STI outcomes

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

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

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

**Table 4: FY18 Individual STI awards (unaudited)**

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

1. STI award pro rata to time in role.

2. Two thirds of STI award based on previous role.

## 6.3. Long term incentives

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

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

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

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

1. Christine Corbett and Andrew Walduck will not be employed on the payment date and so forfeit the payment.

2. Payments are subject to being employed by Australia Post on 1 November 2018.

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## 7. Board Director fees

All Australia Post Board Directors are appointed by the Commonwealth Government through the Shareholder Ministers. Board Directors' annual fees are set by the Remuneration Tribunal. Australia Post has no role in determining the level of Board Director fees.

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

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

**Table 6: FY17, FY18 & FY19 Board Director fees**

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

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

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### 8. FY18 statutory remuneration tables (audited)

For the purposes of this disclosure, Australia Post has defined Key Management Personnel as Non-Executive Directors, the GCEO&MD and senior executives who report directly to the GCEO&MD and who have authority and responsibility for planning, directing and controlling the activities of the organisation. These employees are the only employees considered to have the capacity and responsibility for decision making that can have a significant and direct impact on the strategic direction and financial performance of Australia Post. Remuneration received directly or indirectly by KMP under an accrual basis for the years ending 30 June 2017 and 30 June 2018 is as follows. All remuneration is provided in Australian Dollars.

Table 7: Non-Executive Directors (accruals basis)

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

1. Holly Kramer was appointed as Acting Deputy Chair 30 May 2017 and Deputy Chair 27 June 2017.

2. Tony Nutt appointed to the Board 2 March 2018.

3. Paul Scurrah appointed to the Board 27 June 2017.

4. Deidre Willmott appointed to the Board 27 June 2017.

5. Brendan Fleiter retired from the Board 29 May 2017.

6. Michael Byrne resigned from the Board 15 December 2016.

7. Dominique Fisher retired from the Board 26 November 2017.

8. Non-Executive Director fees are set by the Remuneration Tribunal and paid in cash.

9. Minimum superannuation contributions are provided as prescribed under Superannuation Guarantee legislation.

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

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

- Christine Holgate was appointed as the Group Chief Executive Officer & Managing Director on 30 October 2017.
- Christine Corbett was appointed to the role of Acting Managing Director & Group CEO between 29 July 2017 and 29 October 2017.
- Andrew Parker was seconded from PricewaterhouseCoopers on a consulting basis from 15 January 2018. Remuneration reflects consulting fees paid to PricewaterhouseCoopers for the secondment. Andrew Parker is remunerated separately by PricewaterhouseCoopers.
- Gary Starr was appointed as a KMP on 1 March 2018.
- Ahmed Fahour AO resigned from the position of MD&GCEO with Australia Post with effect from 28 July 2017.
- The 2017 superannuation of the former MD&GCEO includes a lump sum payment which was payment of an amount to restore the value in the MD&GCEO's original contract as a result of erosion through unexpected impacts of legislation with respect to superannuation contributions from February 2010.
- Peter Bass ceased as a KMP on 30 June 2017.
- Laz Cotsios ceased as a KMP on 30 June 2017.
- Base salary comprises cash salary excluding annual leave accrued. In the case of Andrew Parker, the payment amount comprises consulting fees paid to PwC for his secondment. Andrew Parker is remunerated separately by PwC.
- Annual leave comprises the total amount of leave accrued for the period as required by RMG 125 (*Commonwealth Entities Financial Statements Guide*).
- Non-monetary benefits for Christine Holgate comprises accommodation costs paid by the Corporation for the first nine months of her tenure in accordance with the determination set by the Remuneration Tribunal. Non-monetary benefits for other KMP comprises the Reportable Fringe Benefits Amount included on the recipient's payment summary (e.g. value of motor vehicles under salary sacrifice agreement and value of related party travel costs and subscriptions).
- Short term annual incentives comprises accrued short term incentives and bonuses payable within twelve months of the end of the period.
- For employees who are members of the defined benefit scheme (the Australia Post Superannuation Scheme) the superannuation benefit has been based on the rate used for Australian Tax Office purposes to establish the Notional Tax Contribution which is currently 10.8%. If the employee is a member of a defined contribution plan, the benefit is calculated at 9.5% in accordance with the applicable legislation.
- Short-term incentive deferral is the amount accrued for the portion of short term incentives that are not payable within 12 months of the end of the period they relate to. The short-term incentive deferred amount for the former MD&GCEO for the 2018 financial year of \$362,475 represents 50% of the deferred component of the incentive payment awarded for performance in the 2016/17 financial year. The total deferred amount will be payable subject to certain performance conditions being met.
- Long service leave comprises the amount of leave accrued for the period.
- Long term incentive accrued in 2017 for payment of the second tranche of the 2015 to 2017 long term incentive plan on 1 November 2018.
- Termination benefits are payments that may be made in relation to the termination of the KMP role.

## Remuneration Report 2018

### 9. Changes to remuneration for FY19

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

#### Setting senior executive FY19 remuneration quantum

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

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

#### The FY19 STI plan

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

Figure 4: FY19 STI Scorecard



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

#### Total remuneration arrangements

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

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

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

1. The GCEO&MD 2019 FAR will increase to \$1,478,000 on the anniversary of her employment 1 November 2018.

2. FAR & STI provided as if in role for full year.

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