

Australia Post 2017 Remuneration Report

Message from the Chairman

On behalf of the Board, I am pleased to introduce Australia Post's 2017 Remuneration Report.

In the community debate about executive remuneration that occurred in early 2017, there were many comments comparing Australia Post's executive remuneration with that of politicians and public servants. The view of the Board is that the appropriate benchmark for our executives is the remuneration paid by our commercial competitors in the global eCommerce, logistics and services industries. We have taken this view because the *Australian Postal Corporation Act (1989)* requires us to perform our functions "in a manner consistent with sound commercial practice". And, in order to remain competitive and sustainable, we need to attract and retain talented leaders with a highly commercial focus.

The Board has made a commitment to fully disclose details of our executives' remuneration and in our 2017 Remuneration Report we have aligned our executive remuneration reporting to meet the same standards of transparency and disclosure that you would expect from a listed company of similar size and complexity.

Since the recent community discussion regarding Australia Post's executive remuneration, there have been several changes to our remuneration practices and policies that are worth noting as important context for this Remuneration Report. First, our Shareholder, the Federal Government, asked the Commonwealth Remuneration Tribunal to determine the appropriate level of pay for our next Managing Director & Group CEO (MD & GCEO). (Further details of the remuneration package that will be paid to our incoming MD & GCEO, Ms Christine Holgate, are included on page 10 of this report). Secondly, the Board has decided it will no longer offer senior executives a Long Term Incentive (LTI) as part of their remuneration.

The decision not to continue with an LTI scheme is an acknowledgement of the community's concern and expectations about future total executive remuneration.

Our former MD & GCEO, Mr Ahmed Fahour AO, announced his resignation in February, and officially stepped-down from the role after the conclusion of the financial year (with his final day being 28 July 2017). While it is recognised that community expectations have changed since Mr Fahour's appointment in 2010, it is not practical or possible to retrospectively change our contractual obligations to him.

In line with our commitment to increase transparency in our disclosures, the following table details Mr Fahour's total payments in respect of financial year (FY) 2017:

Total payments	Eligible accrued award	Payment	Payment timing
Base salary and fees	\$2.04m	\$2.04m	Pro rata during FY 2017
Short term incentives	\$2.90m	\$2.17m \$0.73m*	July 2017 September 2018 subject to sustained performance of Australia Post
Super-annuation entitlement	\$1.75m	\$1.75m	Pro rata during FY 2017 with the exception of \$0.4m paid as a lump sum in July 2017
Non-monetary benefits	\$0.10m	\$0.10m	Pro rata during FY 2017
Total	\$6.79m	\$6.79m	

* The deferred STI payment will be accounted for over the period earned with 50% being accrued in FY 2017 and the remainder being accrued in FY 2018. The FY 2017 component is included within the FY 2017 long term employee benefits table on page 13.

Mr Fahour is also eligible to receive a long term incentive (LTI) bonus payment based on Australia Post's 2014 LTI scheme which applied for the three financial years 2015 to 2017. The Board determined that the LTI targets for two of the three years – between FY 2015 and FY 2017 – were achieved and, as such, Mr Fahour is eligible to receive 66.67% of the maximum potential LTI bonus under the scheme:

2014 LTI	Eligible accrued award	Payment timing
FY 2015	\$2.0m	September 2017
FY 2016	\$2.0m	September 2017
FY 2017	\$0.0m	n/a
Total	\$4.0m	September 2017

These payments reflect the sustained success of the transformation that Mr Fahour has led at Australia Post over many years and are consistent with his contractual obligations. For further details of the performance measures that the Board used to determine remuneration payments, please refer to the scorecards on page 6 of this Remuneration Report. No termination payment was made to Mr Fahour as he resigned from his position.

This Remuneration Report offers full and accurate disclosure in relation to our remuneration principles, policies and practices for FY 2017.



John Stanhope AM
Chairman of the Board
Chairman of Nomination & Remuneration Committee

1. Our organisation and key management personnel

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

The information provided in the Australia Post 2017 Remuneration Report has been prepared and is aligned to disclosure requirements outlined in the *Corporations Act*, Section 300A and the statutory tables 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 (FY) 2017 remuneration information for the year ended 30 June 2017 as it applies to KMP, including Board Directors, the Managing Director & Group Chief Executive Officer (MD & GCEO) and senior executives. For the purposes of this report, senior executives are defined as the employees reporting to the MD & GCEO who have authority and responsibility for planning, directing and controlling the activities of the enterprise.

There have been the following movements in KMP during FY 2017:

- Holly Kramer was appointed Acting Deputy Chair effective 30 May 2017 and Deputy Chair 27 June 2017;
- Paul Scurrah joined as a member of the Board effective 27 June 2017;
- Deidre Willmott joined as a member of the Board effective 27 June 2017;
- Brendan Fleiter retired from the Board as Deputy Chair on 29 May 2017; and
- Michael Byrne resigned from the Board on 15 December 2016.

FY 2017 KMP covered in this year's Remuneration Report are listed in Table 1.

Table 1: FY 2017 Key Management Personnel

Board Directors

John Stanhope AM	Chairman	Full Year
Holly Kramer	Deputy Chair	Full Year (see above)
Dominique Fisher	Director	Full Year
Bruce McIver	Director	Full Year
The Hon Michael Ronaldson	Director	Full Year
Paul Scurrah	Director	Part Year
Jan West AM	Director	Full Year
Deidre Willmott	Director	Part Year

Former Board Directors

Brendan Fleiter	Deputy Chair (until 29 May 2017)	Part Year
Michael Byrne	Director (until 15 December 2016)	Part Year

Managing Director & Group Chief Executive Officer and Senior Executives

Ahmed Fahour AO	Managing Director & Group Chief Executive Officer	Full Year
Peter Bass	Group Executive eCommerce Delivery	Full Year
Robert Black	Group Chief Operations Officer & EGM eCommerce Delivery	Full Year
Chris Blake	EGM Group Services	Full Year
Christine Corbett	Group Chief Customer Officer	Full Year
Laz Cotsios	Group Executive Post Office Transformation	Full Year
Janelle Hopkins	Group Chief Financial Officer & EGM Finance & Commercial Services	Full Year
Andrew Walduck	Group Chief Digital Officer & EGM Trusted eCommerce Services	Full Year

The following changes to KMP have been announced and are effective in FY 2018:

- Ahmed Fahour AO resigned his position of Managing Director & Group Chief Executive Officer (MD & GCEO) on 21 February 2017 with effect from 28 July 2017;
- Christine Corbett has taken on the role of Acting MD & GCEO from 29 July 2017 until 29 October 2017;
- Christine Holgate was appointed to the role of MD & GCEO effective 30 October 2017; and
- From 1 July 2017, Peter Bass will report to Robert Black and Laz Cotsios to Christine Corbett in her role as the Group Chief Customer Officer.

2. 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 Commonwealth Remuneration Tribunal (the Tribunal). The Tribunal is an independent statutory authority established under the *Remuneration Tribunal Act 1973* (the Act). Australia Post has no role in determining the level of Board director fees.

The 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 Tribunal). Board director fees cover all activities including Board membership and participation of most sub-Committees unless otherwise stated.

The following table sets out the Board directors' fees (excluding superannuation) as set by the Tribunal and covering the financial years 2016 and 2017.

Table 2: FY 2016 and FY 2017 Board director fees

Role ¹	With effect from		
	1 July 2014 ²	1 January 2016 ³	8 December 2016 ⁴
Chair	\$178,940	\$182,520	\$182,520
Deputy Chair	\$99,860	\$101,860	\$101,860
Board Directors	\$89,500	\$91,290	\$91,290
Audit Committee Chair	\$20,700	\$21,120	\$21,120
Audit Committee Member	\$10,360	\$10,560	\$10,560
People, Safety and Culture Sub-committee Chair ⁵	n/a	n/a	\$18,000
People, Safety and Culture Sub-committee Members ⁵	n/a	n/a	\$9,000
Board of Postcorp ⁶	\$4,663	\$4,757	n/a

1 All roles are assigned to Tier 1 Travel arrangements.

2 Remuneration Tribunal, Determination 2014/08: Remuneration and Allowances for Holders of Part-Time Public Office.

3 Remuneration Tribunal, Determination 2015/20: Remuneration and Allowances for Holders of Part-Time Public Office.

4 Remuneration Tribunal, Determination 2016/18: Remuneration and Allowances for Holders of Part-Time Public Office.

5 Australia Post Board Chair and Deputy Chair are not entitled to receive these additional fees.

6 Postcorp has been an inactive company since 30 June 2006.

2.1. FY 2018 annual Board director fees

The Remuneration Tribunal has announced an increase to Board director fees from 1 July 2017 as follows:

Table 3: FY 2018 Board director fees

Role	1 July 2017 ¹
Chair	\$186,180
Deputy Chair	\$103,900
Board Directors	\$93,120
Audit Committee Chair	\$21,550
Audit Committee Member	\$10,780
People, Safety and Culture Sub-committee Chair	\$18,360
People, Safety and Culture Sub-committee Members	\$9,180

1 Remuneration Tribunal, Determination 2017/10: Remuneration and Allowances for Holders of Part-Time Public Office.

3. Remuneration governance

3.1. Nomination & Remuneration Committee role

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

The Committee reviews and makes recommendations to the Board on the performance outcomes and remuneration arrangements for the MD & GCEO 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 regularly on an annual basis and has been updated following the Government's decision to classify the Australia Post MD & GCEO as a Principal Executive Officer (PEO) see Section 4.9 for further details.

The current Committee Charter is available on the Australia Post website: www.auspost.com.au

3.2. Engagement of external advice

To inform its decision making during FY 2017, the Committee sought advice on performance and remuneration related matters from the MD & GCEO and senior executives.

External remuneration advice was received by the Committee from Mercer and PwC. The advice included market practice and executive remuneration benchmarking information which was used to inform the 2017 financial year annual review of senior executive remuneration. None of the advice received included a remuneration recommendation as defined by the *Corporations Act 2001*.

3.3. Executive contract terms

The terms of employment for the MD & GCEO and senior executives are formalised in employment contracts, which generally have no fixed term. The MD & GCEO and senior executive employment contracts typically outline the components of remuneration paid to the individual but do not prescribe how much the total remuneration quantum will be adjusted year to year. The contracts provide for participation in short-term incentive (STI) schemes in accordance with the relevant STI scheme rules.

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

Table 4: Employment contract cessation

Scenario	Definition
Termination on notice by the executive	The MD & GCEO or a senior executive may terminate the employment contract by providing 12 weeks' notice in writing.
Termination on notice of the MD & GCEO by Australia Post	Where the Board terminates the MD & GCEO employment the MD & GCEO is entitled to 12 months' notice in writing or provision of payment in lieu of the full or part of the notice period.
Termination on notice of a senior executive by Australia Post	Australia Post may terminate a senior executive's employment contract by providing 90 days' 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 MD & GCEO 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 12 months of fixed annual remuneration.
Termination without notice	In certain scenarios as set out in the employment contract of the MD & GCEO and a senior executive (e.g. breach of contract, improper conduct or conviction for a criminal offence) 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 MD & GCEO 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.

4. Linking strategy, performance and remuneration

4.1. Overarching 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.

The design of the remuneration and performance management approach seeks to ensure:

- Australia Post meets community obligations and operates commercially (as defined in the *Australian Postal Corporation Act (1989)*);
- The application of demanding individual and corporate financial and non-financial performance measures;
- Market competitive levels of remuneration to attract, motivate and retain high calibre talent;
- An appropriate portion of "at risk" remuneration contingent on executive and company performance; and
- Remuneration arrangements that are equitable to encourage a diverse senior executive team.

4.2. FY 2017 remuneration structure

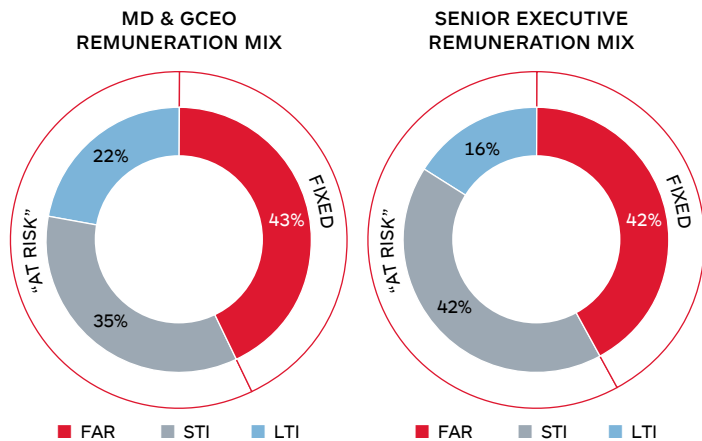
For FY 2017 the MD & GCEO and senior executive annual remuneration arrangements comprise three components:

1. Fixed annual remuneration (FAR);
2. Short term incentives (STI) opportunities; and
3. 2014 long term incentives (LTI) opportunities.

4.3. Remuneration mix

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

Figure 1: MD & GCEO and senior executive (average) remuneration mix



The variable, at risk component of total remuneration potential is 57% for the MD & GCEO and 58% for senior executives.

4.4. Fixed Annual Remuneration (FAR)

FAR aims to reward the MD & GCEO and senior executives for executing the core requirements of their role. FAR is positioned competitively around the median of the market to attract, motivate and retain senior executives and reflect the individual’s responsibilities, skills, performance, qualification and experience. FAR generally includes base salary, all benefits and entitlements received in cash, superannuation and any salary sacrificed items.

FAR is reviewed annually with adjustments generally effective from 1 December each year. Reviews are informed by a range of internal and external factors including market comparative remuneration benchmarking to roles in companies of similar size and complexity and changes in role and responsibility.

4.5. Short term incentives

STI are intended to reward individuals for their contribution to transforming the company, separate to the core requirements of their role. The STI program is an “at risk” annual incentive opportunity where an STI payment may be awarded subject to the achievement of relevant individual, team, strategic and enterprise key performance indicators (KPIs).

The MD & GCEO and senior executives’ STI opportunities are communicated as STI Target Potential (the potential award available if target performance is achieved) or STI Maximum Potential (the maximum potential award available).

The factors that determine a STI outcome include:

1. The STI target opportunity for the MD & GCEO is communicated as a percentage of the incentive benchmark (base salary, benefits, superannuation and other entitlements). The MD & GCEO has the opportunity to receive a target STI award of up to 100% of the incentive benchmark and an exceptional performance stretch of a further 50% (75% of the MD & GCEO overall STI award is based on the performance of the MD & GCEO scorecard and 25% on a Personal Component KPI which assesses the MD & GCEO’s leadership).
2. The STI target opportunity for senior executives is communicated as a percentage of FAR. Senior executives have the opportunity to receive a STI Target Potential award of up to 70% of their FAR and, in circumstances where performance has significantly exceeded target, up to a further 30% of FAR (STI Maximum Potential).
3. An individual’s annual performance rating, which is determined based on the achievement of Key Performance Indicators (KPIs) set in a scorecard at the start of the year. To determine individual performance ratings, the MD & GCEO and each senior executive has an individual scorecard of targets and measures agreed at the start of the financial year that are relevant to their role and their contribution to Australia Post strategic priorities.
4. The Enterprise Multiplier, which reflects the overall performance of the enterprise against the Enterprise Scorecard and adjusts (increases or decreases) a senior executive’s individual STI payments.

At the end of the financial year the Nomination & Remuneration Committee reviews the performance of the MD & GCEO and each senior executive against their individual scorecard as well as the performance of the Enterprise Scorecard. 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 12 months. All STI awards, including deferred STI awards, are paid in cash.

4.6. Applying the remuneration strategy in FY 2017

MD & GCEO

The MD & GCEO scorecard contains a range of KPIs that are aligned to the strategic priorities of the enterprise. The FY 2017 MD & GCEO scorecard KPIs are detailed in the table below:

Table 5: FY 2017 MD & GCEO scorecard

Measure	KPI	Link to strategy	Performance	Outcome
Financial	Profit Before Tax (PBT)	Delivering a profit enables Australia Post to return a dividend to our Shareholder and invest in our future	In FY 2017 we set a PBT target of \$90m, building on the FY 2016 PBT of \$41m. Our FY 2017 PBT outcome of \$126.1m has exceeded the budgeted PBT figure. This is a significant achievement in a year that has seen accelerated letters decline, increased competition, and considerable change.	Exceeded
Strategy and Innovation	Maintain our parcels market share	Maintaining market share in a fiercely competitive parcel delivery market is key to our growth ambition in order to fund future investments	As a result of a strong sales growth, continued innovations in eCommerce, and focused service leadership initiatives in our eCommerce Deliveries business, we have exceeded our target for domestic market share of parcels.	Achieved
	Implement Australia Post's international joint venture	Enabling our customers to connect with the rest of the world by extending our supply chains and providing trusted international eCommerce solutions	In September 2016 our successful joint venture with Aramex Limited created Aramex Global Solutions (AGS). AGS has made good progress in building the scalable platforms required to provide best in breed cross border integrated eCommerce solutions.	Partially achieved
Customer	Reducing our carded parcels rate to at or below 11%	Maintaining happy customers is crucial to our growth ambition, and carded parcels has been identified as the number one concern by our customers	During FY 2017 we have reduced our carding rate of parcels significantly from 15.2% at the end of FY 2016 to 10.7%, and exceeding our FY 2017 target of 11%.	Achieved
	Maintaining Consumer and Small Business NPS within target range	Customer advocacy and loyalty is critical in order to win in a competitive eCommerce market	Due to a focused campaign spanning across all areas of our business, our Consumer and Small Business NPS has seen an overall +1.4 improvement to bring us within our target range for FY 2017	Partially achieved
People	Develop an innovative culture by trialing up to three impactful creative customer centric innovations	The long-term sustainability of Australia Post requires us to enable innovation and build a diverse pipeline of new products, services and business models in order to identify new sources of value for our customers and shareholder	Our Australia Post Accelerator program has had a successful first year, partnering with our core business to trial and implement impactful and creative customer innovations and solutions. With multiple new initiatives that have included innovations that enable on demand delivery capability, accelerate eCommerce for small business, enable smart-home platforms to connect with home lockers and deliveries and enable on-demand fulfilment from our distribution centres.	Exceeded
	Safety (AOIFR)	The health, safety and wellbeing of our people is our most important cultural priority	Despite five consecutive years of positive progress in the area of safety performance including our strongest ever performance in 2016, our AOIFR results were slightly higher in FY 2017 and therefore did not meet our expectation of continued improvement.	Below expectation

Senior executives

Senior executives' individual scorecards contain KPIs covering financials, strategy and innovation, customer and people that are relevant to the senior executive's business area and the individual's role and responsibilities.

The Enterprise Scorecard contains enterprise level KPIs. For FY 2017 the Enterprise Scorecard was assessed against the KPIs outlined below, resulting in a Board approved Enterprise Multiplier for the 2017 financial year of 1.05.

Table 6: FY 2107 enterprise scorecard

Measure	KPI	Link to strategy	Performance	Outcome
Financial	Profit Before Tax (PBT)	Delivering a profit enables Australia Post to return a dividend to our Shareholder and invest in our future	In FY 2017 we set a PBT target of \$90m, building on the FY 2016 PBT of \$41m. Our FY 2017 PBT outcome of \$126.1m has exceeded the budgeted PBT figure. This is a significant achievement in a year that has seen accelerated letters decline, increased competition, and considerable change.	Exceeded
Strategy and Innovation	Securing two major Trusted eCommerce Services contracts	Our expanding digital products are crucial to the reinvention of our business as a major eCommerce services provider	During FY 2017, we have made significant progress in securing three major Trusted eCommerce Services agreements – one with a large government agency, one with a state government law enforcement agency and one with a major Australian financial services institution.	Achieved
	Maintain our parcels market share	Maintaining market share in a fiercely competitive parcel delivery market is key to our growth ambition in order to fund future investments	As a result of a strong sales growth, continued innovations in eCommerce, and focused service leadership initiatives in our eCommerce Deliveries business, we have exceeded our target for domestic market share of parcels.	Achieved
	Trialing or implementing three impactful, creative customer innovations	The long-term sustainability of Australia Post requires us to build a diverse pipeline of new products, services and business models in order to identify new sources of value for our customers and shareholder	Our Australia Post Accelerator program has had a successful first year, partnering with our core business to trial and implement impactful and creative customer innovations and solutions. With multiple new initiatives that have included innovations that enable on demand delivery capability, accelerate eCommerce for small business, enable smart-home platforms to connect with home lockers and deliveries and enable on-demand fulfilment from our distribution centres.	Exceeded
Customer	Reducing our carded parcels rate to at or below 11%	Maintaining happy customers is crucial to our growth ambition, and carded parcels has been identified as the number one concern by our customers	During FY 2017 we have reduced our carding rate of parcels significantly from 15.2% at the end of FY 2016 to 10.7%, and exceeding our FY 2017 target of 11%.	Achieved
	Maintaining Consumer and Small Business NPS within target range	Customer advocacy and loyalty is critical in order to win in a competitive eCommerce market	Due to a focused campaign spanning across all areas of our business, our Consumer and Small Business NPS has seen an overall +1.4 improvement to bring us within our target range for FY 2017.	Partially achieved
People	Employee Engagement	We strongly believe that happy people results in happy customers and ultimately a happy shareholder	During a year of significant change our employees have remained positive and engaged resulting in a 4% increase in our employee engagement score over the last 12 months. In addition to this we achieved a 74% "Yes Vote" for our Australia Post Enterprise Bargaining Agreement.	Exceeded
	Safety (AOIFR)	The health, safety and wellbeing of our people is our most important cultural priority	Despite five consecutive years of positive progress in the area of safety performance including our strongest ever performance in 2016, our AOIFR results were slightly higher in FY 2017 and therefore did not meet our expectations of continued improvement.	Below expectation

4.7. FY 2017 STI outcomes

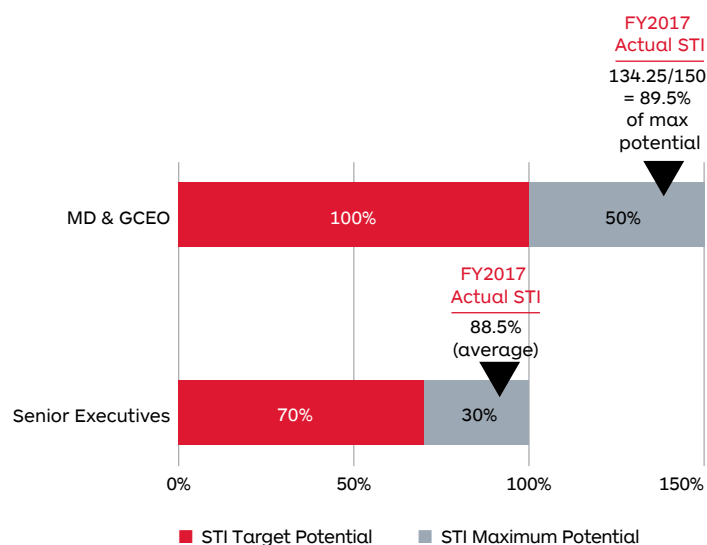
Based on the balance of significant achievements in FY 2017, the Board determined that the MD & GCEO should receive 86% of the MD & GCEO enterprise KPI scorecard component and 100% of the Personal Component resulting in a short term incentive award of 89.5% of maximum potential STI.

Senior executives were awarded an average of 84.2% of the maximum potential STI which was increased by the Enterprise Scorecard multiplier of 1.05 to an average of 88.5%.

A portion of the MD & GCEO STI award will be deferred until September 2018 and will remain “at risk”, contingent on the sustained performance of the business.

For the senior executives, half of the stretch STI award is paid in the current year and half is deferred for 12 months. An average STI award of 79.25% of maximum STI potential will be paid to senior executives in September 2017 and an average of 9.25% will be deferred until September 2018.

Figure 2: FY 2017 STI outcomes



4.8. Long term incentives

MD & GCEO’s LTI plan

4.8.1. Background

The MD & GCEO’s remuneration arrangements within his employment contract included an LTI component. The MD & GCEO three year LTI plan for FY 2015 to FY 2017 provided a maximum potential payment of up to \$6 million for the three year period.

Eligibility to receive the LTI award was dependent on:

- Continued employment and participation in the LTI plan;
- Making sufficient progress against the Three-Year Success Factors; and
- Achieving defined Annual LTI Milestones.

4.8.2. Three-year success factors

In July 2014, the Board approved the MD & GCEO LTI plan and established KPI measures for the three years FY 2015 to FY 2017. The Nomination & Remuneration Committee made an assessment of the MD & GCEO’s performance against these KPIs and the Annual LTI Milestones at its July 2017 Nomination & Remuneration Committee meeting and made recommendations to the Board as follows:

Success factor 1

Gain Shareholder support for strategic initiatives through necessary changes to the Community Service Obligations (CSO) or the Service Performance Standards, and increasing participation in government-related business. Underpinned by that support, fundamentally reconfigure the processing and delivery networks to reduce cost in the declining letters business and significantly improve competitiveness in the end-to-end handling of parcels.

Assessment

Following five years of accelerating decline in addressed letter volumes, Australia Post established the Reform of Our Letters Service (Reform) strategic program in 2013. The successful execution of this program led to the introduction of major price, product and delivery timetable reforms.

Through ongoing and extensive collaborative consultation with key stakeholders, Australia Post gained support to change the Prescribed Performance Standards (PPS) to change the delivery speed of a standard letter and to increase the price of the Basic Postage Rate to \$1. This was the most significant postal reform in nearly twenty years.

The design of an overall Reform package that was supported by multiple stakeholders (our Shareholder, our communities, partners, our customers and our people) was crucial to the success of the program with commitments that included maintaining discounted concession and seasons’ greetings stamp prices; helping small business through the introduction of PromoPost; and providing vital reassurance to our workforce through a commitment of no forced redundancies for any employee impacted by Reform and actively seeking work in other parts of the business.

During this period our customer satisfaction increased; and we maintained jobs for our people minimising the employee impact of Reform through retraining and redeployment initiatives under the Post People 1st program.

The efficiencies realised through the Reform program were the main drivers for a return to enterprise profit in 2015/16 and profit growth in 2016/17.

Success factor 2

Establish a vital on-line presence by providing a comprehensive range of services, payment facilities and access options.

Assessment

In response to the ongoing consumer shift to digital forms of communicating and transacting, in 2012 Australia Post created a scalable Digital Mailbox as a 'platform' for connecting consumers with business and government.

Over the past five years, the original Digital Mailbox concept has evolved to become the MyPost account, which gives both consumers and small businesses online access to our services and individual control of their interactions with Post and our services. As at the end of June 2017, more than 5 million consumers had registered for a MyPost account.

Since launch we have added new features to the MyPost platform and progressively integrated all of the services that are available on the platform through a single sign on capability.

MyPost has enabled our customers to control the final delivery of their parcels and access a range of customer experiences such as improved tracking, day before notifications and the ability to direct Australia Post to 'safe drop' or redirect their parcel.

Success factor 3

Establish an ongoing competitive position in the international eCommerce parcel supply chain.

Assessment

The increasingly competitive and complex global cross-border eCommerce market has continued to grow in size and momentum over the last few years. This has created enormous opportunities for logistics companies that have reliable, end-to-end, global networks or partnerships.

For many years we have had a strategy to support businesses engaged in international eCommerce by establishing a strong competitive position in the international logistics market, particularly, in Asia.

An important part of this international strategy was realised with the purchase of a strategic stake in the global logistics company Aramex in 2016 and the creation of a joint-venture business (Aramex Global Solutions) based in Singapore – which positions us to capture future growth in the Asian region.

In addition to our Aramex partnership, we have also achieved significant volume growth in inbound international parcels over the past year, signed a number of bilateral commercial agreements; and achieved rapid growth in our Sai Cheng Joint Venture with China Post.

Success factor 4

Ensure the ongoing viability of the retail network through business growth and, as necessary, government support.

Assessment

Our Post Offices are the face of Australia Post and at the heart of many communities throughout Australia as well as being an important part of our overall network of customer connections, especially in rural areas.

However, the popularity of online transactions (e.g., bill payments and agency-based banking services) has resulted in declining customer visitation and led to a situation where payments to Licenced Post Offices plateaued (between 2010 and 2012), placing many of these outlets under financial pressure.

It was vital that we took action to ensure the sustainability of the Post Office for the benefit of our customers, the community and our licensee partners.

Between 2013 and 2017 we have increased LPO payments by 36%. The increased payments were the result of close consultation with the licensees' representative groups and a broad-scale review of the licensee payments system; and targeted increases in a range of Licensed Post Office (LPO) payments (including minimum annual payments). But, the most significant increase in LPO payments was achieved via the increase in the Basic Postage Rate, as part of Reform.

The increase in LPO payments during this period has been augmented by the installation of FLEXIPOS technology and Extended Identity Services, equipment that enables a range of banking, payments, government and identity services, in a number of outlets.

Supporting the changes outlined above we have also strengthened our LPO consultation with new forums enabling us to engage more effectively. At the same time we have broadened our collaboration approach to recognise our consultative partners.

4.8.3. MD & GCEO LTI plan payment

Within the context of the challenging environment (broad stakeholder requirements and obligations, digital disruption, the political environment, international and domestic competitive factors and significant risks involved with large scale transformation) over the last three years, the Board determined:

- Progress against the Three-Year Success Factors met the Board's expectations;
- All Annual LTI Milestones in 2014/15 and 2015/16 had been met; and
- Significant progress had been made in the majority but not all of the 2016/17 Annual LTI Milestones due to Milestone 3 in 2016/17 only being partially achieved because of the failure to secure a major contract with Government or a large Corporate before 30 June 2017.

Based on the assessment of performance and by virtue of his continued employment and participation in the LTI plan, the Board determined the MD & GCEO was eligible to receive 66.67% of the maximum potential LTI payment resulting in an LTI award of \$4m.

The LTI awarded by the Board will be payable on 30 September 2017. It will be subject to PAYE tax and will not be included when determining the Managing Director & Group CEO's superannuation salary.

Senior executive LTI plan

4.8.4. Background

The market from which Australia Post attracts and retains senior executives is generally large publically listed institutions of similar size and complexity. It is common for publicly listed companies to offer senior executives an "at risk" equity based long term incentive as part of variable remuneration.

Australia Post is not able to utilise equity based incentive schemes to reward individuals. The Board created a senior executive three year LTI in 2014 (covering financial years 2015 to 2017) in recognition of the strategic challenges facing the organisation and the desire to retain the high performance senior executive team.

4.8.5. LTI plan design

The LTI maximum potential bonus available to senior executives is 50% to 150% of their fixed annual remuneration (at the time of award) depending on complexity and size of role. Payment is dependent on the following factors:

- The participant has consistently achieved an individual performance rating of "meeting expectations" or above;
- The participant is employed by Australia Post on the payment dates and has not given notice of resignation;
- The Board has approved the payment of a bonus to the participant; and
- Australia Post meets the following five Enterprise KPIs, as determined by the Board.

The five Enterprise KPIs were determined in 2014 as:

1. Phase II integration of Parcels services;
2. StarTrack establishes a competitive position in the international eCommerce parcel supply chain in Asia and one other continent;
3. MyPost platform is implemented providing a comprehensive range of services, payment facilities and access options, for registered customers;
4. The viability of the Post Office network is secured through to 2020; and
5. Full implementation of the Letters Reform program including substantial reduction in losses in the letters services.

4.8.6. Senior executives LTI plan payment

As for the MD & GCEO LTI award, the Board assessed performance against the five LTI measures in July 2017. Performance against each of the five Enterprise KPIs was assessed independently of each other. Each KPI carried a 20% weighting in determining the final bonus.

Of the 5 KPIs the Board determined that 3 had been fully achieved and that 2 had been partially achieved over the three year performance period. The Board determined that 80% of the maximum potential LTI bonus should be paid to participants.

The LTI bonus payment will be paid in two tranches. Two-thirds will be paid in November 2017 and the remaining one-third in November 2018.

4.9. FY 2018 remuneration structures

4.9.1. Newly appointed MD & GCEO

Earlier this year the Government determined that the Australia Post MD & GCEO's remuneration should be set by the Remuneration Tribunal.

The Remuneration Tribunal is an independent statutory authority established under the *Remuneration Tribunal Act 1973* (the Act). The Tribunal consists of three part-time members appointed by the Governor-General.

The Tribunal's role is to determine, report on or provide advice about remuneration, including allowances and entitlements for office holders within its jurisdiction.

Our new MD & GCEO (with effect from 30 October 2017), Christine Holgate has been classified by the Remuneration Tribunal as a Principal Executive Officer (PEO) Band E which falls within its remit.

The Remuneration Tribunal has determined that the Total Remuneration Reference Rate for our new MD & GCEO is \$1.375m. As is usual practice and consistent with the Remuneration Tribunal's Guide to the Principal Executive Officer 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 determine remuneration above the reference rate in the first 12 months of appointment.

The Remuneration Tribunal has also confirmed performance pay incentive arrangements for our new MD & GCEO 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 MD & GCEO and determining any incentive outcomes. No LTI plan will be provided for the MD & GCEO in FY 2018.

Based on the determination of the Remuneration Tribunal, the Board has set Ms Holgate's total remuneration potential at \$2.75m comprising fixed annual remuneration of \$1.375m and STI maximum potential of \$1.375m.

Consistent with the Remuneration Tribunal's *Guidelines on Geographic Relocation of Full Time Office Holders*, the Remuneration Tribunal has approved an allowance be provided to our new MD & GCEO's to cover short-term accommodation costs for up to six months.

4.9.2. Senior executives

An appropriate adjustment will be applied to the FAR of senior executives whose portfolios have changed from 1 July 2017. Consistent with the new MD & GCEO remuneration, no LTI plan will be provided for senior executives in FY 2018.

5. FY 2017 statutory remuneration tables (audited)

For the purposes of this disclosure, Australia Post has defined Key Management Personnel as Board Directors, the Managing Director & Group Chief Executive Officer and Senior Executives who report directly to the MD & GCEO and who have authority and responsibility for planning, directing and controlling the activities of the enterprise. These employees are the only employees considered to have the capacity and responsibility for decision making that can have a significant and direct impact on the strategic direction and financial performance of the Australia Post. Remuneration received directly or indirectly by KMP is provided under an accrual basis for the years ending 30 June 2016 and 30 June 2017. All remuneration is provided in Australian Dollars.

Table 7: Board Directors (accruals basis)

Name	Year	Director fees ¹³ \$	Non-monetary benefits ¹⁴ \$	Super-annuation ¹⁵ \$	Total \$
Current Directors					
John Stanhope AM (Chair)	2017	182,520	–	17,339	199,859
	2016	182,520	–	17,339	199,859
Holly Kramer ¹ (Deputy Chair)	2017	102,498	–	9,737	112,235
	2016	67,381	–	6,401	73,782
Dominique Fisher	2017	100,290	–	9,528	109,818
	2016	92,720	–	8,808	101,528
Bruce McIver ²	2017	101,850	–	9,676	111,526
	2016	54,418	–	5,170	59,588
The Hon. Michael Ronaldson ³	2017	100,290	–	9,528	109,818
	2016	14,351	–	1,363	15,714
Paul Scurrah ⁴	2017	750	–	71	821
	2016	–	–	–	–
Jan West AM ⁵	2017	110,761	–	10,522	121,283
	2016	8,158	–	775	8,993
Deidre Willmott ⁶	2017	750	–	71	821
	2016	–	–	–	–
Former Directors					
Brendan Fleiter ⁷	2017	96,228	–	10,393	106,621
	2016	118,525	–	12,801	131,326
Susan Bitter ⁸	2017	–	–	–	–
	2016	8,650	–	822	9,472
Michael Byrne ⁹	2017	46,879	–	4,453	51,332
	2016	67,381	–	6,401	73,782
Peter Carne ¹⁰	2017	–	–	–	–
	2016	50,179	5,166	5,419	60,764
Michael D'Ascenzo AO ¹¹	2017	–	–	–	–
	2016	87,747	–	8,336	96,083
Talal Yassine OAM ¹²	2017	–	–	–	–
	2016	7,754	–	737	8,491
Total Board Directors	2017	842,816	–	81,318	924,134
	2016	759,784	5,166	74,372	839,322

1 Holly Kramer appointed to the Board October 2015, Acting Deputy Chair May 2017 and Deputy Chair June 2017.

2 Bruce McIver appointed to the Board December 2015.

3 The Hon. Michael Ronaldson appointed to the Board May 2016.

4 Paul Scurrah appointed to the Board June 2017.

5 Jan West AM appointed to the Board May 2016.

6 Deidre Willmott appointed to the Board June 2017.

7 Brendan Fleiter retired from the Board May 2017.

8 Susan Bitter retired from the Board August 2015.

9 Michael Byrne appointed to the Board October 2015 and resigned from the Board December 2016.

10 Peter Carne retired from the Board December 2015.

11 Michael D'Ascenzo AO retired from the Board May 2016.

12 Talal Yassine OAM retired from the Board August 2015.

13 Board Director fees are set by the Remuneration Tribunal and paid in cash. 14 Non-monetary benefits comprises the Reportable Fringe Benefits amount included on the recipient's payment summary.

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

Table 8: MD & GCEO and senior executives base salary, short term employee benefits and post-employment benefits (accruals basis)

Name	Year	Short-term employee benefits			Post-employment benefits		Total \$
		Base salary ⁶ \$	Short-term annual incentive ⁷ \$	Non-monetary benefits ⁸ \$	Super-annuation ⁹ \$	Termination benefits ¹⁰ \$	
FY 2017 Senior Executives							
Ahmed Fahour AO	2017	2,040,019	2,174,850	102,562	1,747,914 ¹	–	6,065,345
	2016	1,971,152	2,342,993	73,985	1,239,829 ¹	–	5,627,959
Peter Bass ²	2017	520,083	368,430	–	54,298	–	942,811
	2016	–	–	–	–	–	–
Robert Black	2017	894,260	691,688	–	19,616	–	1,605,564
	2016	883,426	595,000	–	19,308	–	1,497,734
Chris Blake	2017	784,296	610,313	–	19,616	–	1,414,225
	2016	781,514	521,500	–	19,308	–	1,322,322
Christine Corbett	2017	777,308	671,345	–	83,353	–	1,532,006
	2016	767,305	677,500	–	82,350	–	1,527,155
Laz Cotsios ³	2017	585,097	488,250	–	19,616	–	1,092,963
	2016	410,238	276,356	–	19,308	–	705,902
Janelle Hopkins	2017	763,849	610,313	–	19,616	–	1,393,778
	2016	534,929	385,000	–	19,308	–	939,237
Andrew Walduck ⁴	2017	708,802	610,313	47,017	19,616	–	1,385,748
	2016	513,120	351,726	35,490	19,308	–	919,644
Former Senior Executives							
Ewen Stafford ⁵	2017	–	–	–	–	–	–
	2016	429,794	415,000	–	43,102	368,052	1,255,948
Total Senior Executives	2017	7,073,714	6,225,502	149,579	1,983,645	–	15,432,440
	2016	6,291,478	5,565,075	109,475	1,461,821	368,052	13,795,901

1 Superannuation of the 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.

2 Peter Bass commenced as a KMP on appointment to the role of EGM Letters & Mail on 1 July 2016.

3 Laz Cotsios was appointed as a KMP October 2015.

4 Andrew Walduck was appointed as a KMP October 2015.

5 Ewen Stafford retired with effect 1 January 2016 and received an ex-gratia termination payment approved by the Board of \$368,052.

6 Base salary comprises cash salary and accrued annual leave.

7 Short-term annual incentive comprises accrued short term incentives and bonuses payable within 12 months of the end of the period.

8 Non-monetary benefits 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).

9 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 member of a defined contribution plan, the benefit is calculated at 9.5% in accordance with the applicable legislation.

10 Termination benefits are payments that may be made in relation to the termination of the KMP role.

Table 9: MD & GCEO and senior executives long term employee benefits (accruals basis)

Name	Year	Long-term employee benefits			Total \$
		Short-term incentive deferral ⁵ \$	Long service leave ⁶ \$	Long-term incentive ⁷ \$	
FY 2017 Senior Executives					
Ahmed Fahour AO	2017	733,449	38,133	–	771,582
	2016	390,499	64,399	2,000,000	2,454,898
Peter Bass ¹	2017	38,338	72,202	167,200	277,740
	2016	–	–	–	–
Robert Black	2017	160,969	17,340	330,000	508,309
	2016	–	20,799	330,000	350,799
Chris Blake	2017	85,406	11,968	298,000	395,374
	2016	–	21,110	298,000	319,110
Christine Corbett	2017	94,359	2,914	320,000	417,273
	2016	–	36,904	320,000	356,904
Laz Cotsios ²	2017	23,625	13,593	146,667	183,885
	2016	–	8,539	146,667	155,206
Janelle Hopkins	2017	29,531	31,006	146,667	207,204
	2016	2,938	19,098	104,667	126,703
Andrew Walduck ³	2017	29,531	17,829	250,000	297,360
	2016	–	17,673	179,452	197,125
Former Senior Executives					
Ewen Stafford ⁴	2017	–	–	–	–
	2016	–	16,685	90,000	106,685
Total Senior Executives	2017	1,195,208	204,985	1,658,534	3,058,727
	2016	393,437	205,207	3,468,786	4,067,430

1 Peter Bass commenced as a KMP on appointment to the role of EGM Letters & Mail on 1 July 2016.

2 Laz Cotsios was appointed as a KMP October 2015.

3 Andrew Walduck was appointed as a KMP October 2015.

4 Ewen Stafford retired with effect from 1 Jan 2016.

5 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.

6 Long service leave comprises the amount of leave accrued for the period.

7 Long-term incentive: In addition to the short term benefits in the previous table, based on progress against the long term incentive (LTI) performance hurdles, 80% (2016: 80%) of the maximum annual value of long-term potential reward was accrued for the senior executives and nil accrued for the MD & GCEO. Actual LTI accruals and payment amounts are subject to Board approval. With regard to the MD & GCEO's LTI scheme, \$4.0m of a potential \$6.0m was awarded in July 2017.