## New Zealand Post

New Zealand Post handled 771.5 million letters and parcels in 2012/13 – delivering to more than 1.9 million homes, businesses, rural delivery addresses and private boxes around the country. In addition it provides a range of digital services, and operates a network of postal outlets that provide postal and courier solutions and process over 25 million financial transactions each year.

For corporate clients, New Zealand Post assists with the management of communications through both physical and digital channels, in document printing and mail-processing services and direct-marketing delivery.

## Kiwibank

Kiwibank is a 100 percent New Zealand-owned bank that provides a range of financial services across personal markets, business markets and wealth and insurance. It has a 10 percent main bank share in personal markets.

## CourierPost

Express Couriers Ltd, through its brands CourierPost, Pace and Contract Logistics, is a leading express courier, logistics and distribution business. Delivering over 44 million courier parcels throughout New Zealand and operating a fleet of trucks, aircraft, bikes, vans and 680 uniformed couriers, Express Couriers Ltd is the service provider of choice for many New Zealand businesses and consumers.

## Converga

Converga is a leader in advanced information logistics, software as a service and business process outsourcing, delivering strategic cost-saving solutions to clients.
Seven hundred seventy-one and a half million letters and parcels delivered.

New Zealand's
1st
Integrated Annual Report

- 680 uniformed couriers
- 3,200 KiwiBank customers found homes in 2012
- 6 1/2 metres
during the Hobbit stamps and coins promotion: tallest dwarf on NZ Post House
- Over 820,000 KiwiBank customers
- 7,000 books distributed through Travelling Books programme
- 2800 community organisations supported through Community Post
- 96,000 KMS EVERY DAY
- The distance travelled by rural delivery drivers
- 5% reduction in energy use
- 88,274 customers switched to Kiwibank delivery to 1.9 million New Zealand addresses
- 7.5% drop in mail volumes, year-on-year

Building our relationships
Growing our networks
Expanding our expertise
Valuing our people
Sustaining our environment
Protecting our finances
CONTENTS

3 Foreword
8 About Integrated Reporting
8 The Six Capitals
9 Materiality and Stakeholder Engagement
9 Engaging on the Deed of Understanding
10 Building a Sustainable Physical Network
11 Delivering Good Customer Experiences
12 Developing and Growing Kiwibank
13 Ensuring Our Internal Structure is Efficient
14 Ensuring Our People Have the Right Skills
15 Creating A Range Of Digital Services
16 Our Capitals
17 Our People
20 Our Relationships
22 Our Environment
24 Our Networks
26 Our Finances
28 Our Expertise
30 Our Outcomes 2012/13
30 Scorecard Targets
31 Five-Year Trend Summary
33 Our Governance
33 Our Board
34 Statement of Corporate Governance
37 Kiwibank Board
38 Our Executive Team
39 Directory
40 Our Year in Stamps & Coins

Annual Report
This document – in two volumes:
Volume 1: Annual Review and Volume 2: Supporting Information – constitutes the New Zealand Post Group’s Annual Report for the year ended 30 June 2013. The New Zealand Post Group comprises New Zealand Post Limited and its subsidiaries. The Group reports annually and half-yearly and its previous annual report, for the year ended 30 June 2012, was tabled in the House of Representatives on 19 October 2012. New Zealand Post Limited is incorporated under the Companies Act 1993 and has its headquarters in Wellington, New Zealand. It is a state-owned enterprise, with 100 percent of its ordinary shares owned by the Ministers of Finance and State-Owned Enterprises on behalf of the Crown. The Group operates predominantly in New Zealand and Australia, and serves a range of government, commercial and personal customers in the postal, banking, payments, courier, logistics and customer communications management markets. This report covers all of the New Zealand Post Group’s operations.

Audited accounts and statutory information is located in Volume 2 of this report, available from www.nzpost.co.nz.
Overview

The New Zealand Post Group had a successful year, with the majority of businesses across our portfolio improving on their 2011/12 performance at a financial level.

This is reflected in an increase in the Group result at an operating level from $80 million to $111 million (up 41 percent).

Kiwibank’s growth continued, with increased loans and advances and customer deposits. Express Couriers Limited (ECL), in its first year of returning to full New Zealand Post ownership, achieved top-line growth in a highly competitive environment. Revenue from the letters business declined more rapidly than forecast – this was offset though by improved cost savings as expenses were actively managed down.

Further progress on the rationalisation of the Group balance sheet was made with the divestment of assets and the release of capital tied up in non-core activities. In particular, the sale of New Zealand Post House in Wellington together with the divestment of our 35 percent stake in Datacom contributed to the release of over $200m in capital. These funds are being utilised for re-investment in the business and for paying down debt.

During the year the Group’s credit rating was downgraded from AA– to A+ by Standard and Poor’s due to the overall decrease in credit ratings being applied to financial institutions, concerns around the structural decline in the letters business and the growing proportion of the Group’s earnings being generated by Kiwibank. The A+ rating was subsequently placed on negative outlook with a factor being the rating agency’s concerns regarding the Auckland housing market.

We successfully implemented changes to our organisational structure, to drive faster execution of strategy, enhance delivery of service to customers, and improve bottom line performance. Two new business units were created – Mail and Communications, which links senders and receivers, and Channels and Digital Platforms, which provides interfaces for our customers across the Group to use our services.

Financial Services Growth

Kiwibank now has more than 10 percent of the bank market share, with customer numbers hitting a new high of 820,000. The Bank produced a strong performance to increase after-tax profit by nearly 23 percent to $97m. Growth in loans, helped in part by a favourable interest rate environment that saw customers staying on floating rates for longer than expected, improved the Bank’s net interest income margin. Customer deposits also increased. There has also been a significant reduction in bad debt provisioning as market conditions improved.

Changes in the Reserve Bank’s regulatory requirements and general market growth mean Kiwibank will require further capital. Kiwibank can meet some of this demand itself, while New Zealand Post plans to commit $100 million over the next two years.
Store Network Development

Kiwibank and New Zealand Post continued to make good progress on enhancing banking and postal services in the Group’s store network. Following successful testing in Kapiti, several outlets on Auckland’s North Shore are being revamped. Part of the change process is the continued introduction of self-service kiosks for bill payment and postal services in high transaction areas and in limited other areas where the economics justify the investment.

Lessons learned from both Kapiti and the North Shore will be progressively applied across the remainder of the network where appropriate, in particular reflecting the economics of customer demand and commercial arrangements. The solutions will inevitably vary to reflect the characteristics of different population densities.

Traditional Letters

Business challenged

In line with global trends, the decline in letter mail volumes has accelerated. The volume of mail processed fell by 7.5 percent (compared to a 6 percent drop in the previous year) resulting in 63 million fewer items in our network.

The accelerated decline occurred as new trends emerged, fundamentally challenging our traditional letters business. There was an increase seen in businesses requiring customers to actively ‘opt in’ if they wished to receive physical communications, rather than the previous approach of customers having to choose to opt out. Other developments, including improvements in the convenience and availability of electronic solutions and security by digital encryption, further undermined the position of traditional letter mail.

Deed of Understanding Proposal

New Zealand Post provided the Government with proposed changes to the Deed of Understanding in January 2013. In particular, the changes sought would provide the business with flexibility regarding delivery and the provision of postal and bill payment services through outlets, which are required in order for New Zealand Post to respond to changes in the way people communicate. The proposals were the subject of a period of public consultation. A decision from the Government on our proposals is expected shortly.

Network Changes

Work continued on the implementation of our ‘Network of the Future’ strategy in response to market changes. We announced the streamlining of our mail processing operations. In the next 12–18 months the number of mail processing centres will reduce from six to three, and processing at more than 50 satellite sites will be relocated to these three centres. These changes will improve efficiency, while still enabling us to meet key service standards.

Parcels Provide Growth Potential

While there is an irreversible decline in letter volumes, parcel volumes remained solid with ongoing potential for growth. In the first year of returning to 100 percent New Zealand Post ownership, ECL achieved top line growth in a very competitive market. We are also leveraging the strength of owning two nationwide delivery networks: postal and courier. The process of integrating these networks where it makes sense has commenced.

The physical product carried in our network will eventually shift to being dominated by parcels and small packages. Our strategy recognises that the future of the logistics business is going to be underpinned by the physical delivery of items, rather than letters. While we believe there will be the need for a letter mail service for at least some decades to come – and we are committed to providing that service – the shape of the delivery network is changing irrevocably. The 100 percent ownership of ECL places New Zealand Post in a good position to address those changes.

The successful launch of YouShop combined our expertise in large-scale logistics with providing customers with a digital channel to ship their shopping from off-shore vendors. The service initially focused on vendors in the United States, and it will be expanded as market conditions allow.
From Physical to Digital Services

Digital services are moving from being an adjunct to our core business activities, to being a core part of our business service strategy. It is increasingly clear that a large number of our customers are looking to digital and mobile channels as a way of communicating.

We have developed a platform that will provide a solution that supports our customers in their digital ambitions, and cements an ongoing relationship between New Zealand Post and both its sending and receiving customers. The need for continued development meant we did not achieve the goal of bringing this to market this year, but we are well placed to do so in 2013/14.

Another key digital initiative was the launch in July 2013 of RealMe. The online identity verification system RealMe was developed in partnership with the Department of Internal Affairs and has significant potential across both the public and private sectors. Identity management is a major growth area in today’s digital economy. In a space where trust and privacy are paramount, RealMe is a powerful advance for New Zealand Post in its digital service offerings.

Converga is growing and evolving its digital offerings such as its e-invoicing ‘D-Hub’ service. We continued to develop other digital services, including Localist, which over the last year re-oriented its business model and achieved significant revenue growth.

More Success in Sustainability

We have built on our significant sustainability achievements at the end of the first five years of our sustainability strategy. In 2012/13 we reconfirmed our commitment by setting new targets for the next three years across all areas of our sustainability programme.

As well as a continued focus on environmental efficiencies in fuel energy and waste there was a renewed focus on workplace sustainability with a programme focused on ethics, diversity and people capability.
Recognising Our Heritage

As an organisation of more than 170 years’ standing, New Zealand Post is committed to recognising the heritage and national dimensions of our country. This is typically captured by our commemorative stamp and coin issues.

Along with the New Zealand Defence Force, New Zealand Post was proud to host a commemoration ceremony in October 2012 to honour the Pacific Coastwatchers who served during WWII, several of whom were New Zealand Post & Telegraph (P&T) employees. A ceremony held at the New Zealand National War Memorial in Wellington recognised the sacrifice of 22 Coastwatchers (including seven P&T employees) who were executed by the Japanese forces.

In a continuation of the Group’s role in marking our heritage, New Zealand Post will be playing its part in the World War I centenary activities commencing in 2014.

A New Approach to Our Annual Report

This Annual Report reflects a new approach by New Zealand Post in reporting on the Group’s strategy, governance, performance and prospects. We have adopted ‘Integrated Reporting’, joining over 90 businesses worldwide, and becoming the first in New Zealand to do so.

Integrated Reporting reviews the business across six key value areas. This provides a deeper and more comprehensive assessment of our activities, beyond traditional financial and narrative reporting.

Returns to Our Shareholder

Dividends for the year totalled $5m – the same as in 2011/12.

The dividend accords with the Dividend Policy set out in the Company’s Statement of Corporate Intent. New Zealand Post aims to distribute funds surplus to its ongoing and forecast operating and investment requirements, subject to meeting the solvency requirements of the Companies Act 1993. The actual level of distribution is subject to annual review by the Directors of New Zealand Post Limited.

A minimum dividend return of $5 million will be targeted each year. Additional dividend payments may be made from surplus funds at the end of each year depending on the circumstances of the business.

Outlook

The next few years provide significant opportunities and challenges for the Group as we focus on maintaining strong earnings and growing value. The fundamental changes necessary will impact on the nature and number of roles for our people employed in the Group. We are committed to working closely with those affected to help them through that change process.

There are clear opportunities for the Group in the financial services and parcels/logistics businesses as well as the provision of services through digital channels. The need for innovation, being able to differentiate our service offerings from our competitors and ensuring our service offerings reflect the needs of our customers is paramount. This will require investment.

We face significant challenges in our traditional letters business and the maintenance of our store network. Change is therefore inevitable as we design and execute a new service model that allows for a financially sustainable future.

Hon Sir Michael Cullen, KNZM
Chairman
New Zealand Post Group

Brian Roche
Chief Executive Officer
New Zealand Post Group
This Annual Report expands on the traditional approach to documents of its type. The New Zealand Post Group has joined more than 90 businesses worldwide in a pilot programme for ‘Integrated Reporting’, a new approach that seeks to evaluate the effects an organisation’s activities have across a broad range of value areas.

As a result this report includes traditional financial reporting, but it also recognises the value that exists in other areas – such as the environment, our staff and our expertise – and seeks to inform our stakeholders about how we have created value in each of these areas in the reporting period, and how we plan to keep doing so over the medium and long term.

The New Zealand Post Group is the first (and currently only) business in this country to participate in the worldwide pilot programme, led by the International Integrated Reporting Council. Other participants include Microsoft (US), Volvo, Coca Cola (US), Unilever (UK), Deutsche Bank and Marks & Spencer.

We view our movement toward Integrated Reporting as an ongoing process. While the audit and evaluation measures for some Capital areas (such as financial value and environmental value) are well established, in other areas they are a work in progress. The new approach in this report represents a commitment to the principles of Integrated Reporting, and our initial steps toward fully integrated reports in the future.

The Six Capitals
Integrated Reporting recognises six key value areas – known as the Six Capitals. We have interpreted these capitals, and what they mean for the New Zealand Post Group, as follows:

**Our People** [Human Capital]
The composition of our people, their skills, engagement and how we are developing them

**Our Environment** [Natural Capital]
How we have used natural resources to carry out our business

**Our Relationships** [Social & Relationship Capital]
The relationships we have, and how we have added value to those stakeholders

**Our Networks** [Manufactured Capital]
The physical assets we hold that combine to create our nationwide network

**Our Finances** [Financial Capital]
The pool of funds available to us, and where it comes from

**Our Expertise** [Intellectual Capital]
Our knowledge, skills and special abilities, and how we have developed these
In the pages that follow we examine each of these Capitals in turn. For ease of navigation we have created a key (above) which illustrates the linkage between our strategies and the capitals that they most directly impact upon.

**Materiality and Stakeholder Engagement**

In line with the principles of Integrated Reporting, this report focuses on the issues that are most material to our business, and those issues that are affected most by the execution of our strategy.

Our stakeholders are those who are affected by our business, or who can have an effect on our business. This includes central government, regulators, local government, shareholders, staff, customers, the postal sector, the business community, suppliers, unions and communities.

Engagement with these stakeholders is our primary means of identifying and understanding the issues that affect them.

We engage with these groups on a regular basis in a variety of ways, including meetings, participation in relevant forums, briefings on specific issues, customer surveys and our Annual Public Meeting, which is open to all.

**Engaging on the Deed of Understanding**

In the past year we have had extended engagement with stakeholders over the Deed of Understanding – our agreement with the Government on the delivery of postal services, which was last updated in 1998.

People living in rural areas are a primary stakeholder in this process, in particular those in locations where alternative communications options such as the internet are limited. Many are members of Federated Farmers of New Zealand or Rural Women New Zealand. These groups are key stakeholders in regards to our call for the Deed’s restrictions on the frequency of postal delivery of non-urgent mail to be eased to allow New Zealand Post flexibility for the future as postal volumes continue to decline. We continue to work closely with both organisations to ensure their members are well informed and have the ability to provide feedback.

This issue also involved engagement with a number of government agencies – including the Ministry of Business, Innovation and Employment (to scope and draft a discussion document on the Deed), the Crown Ownership Monitoring Unit within Treasury (to test the rationale underpinning the proposed changes) and Ministers’ offices (to ensure they were well informed).

The issue was also discussed in depth with a variety of other groups, including numerous Grey Power groups across the country. It was further tested through the use of surveys and focus groups, which provided New Zealand Post with a greater degree of confidence that we are addressing the issues that matter to the community.

Between January and March 2013 the Ministry of Business, Innovation and Employment, on behalf of the New Zealand Government, ran a consultation process that allowed New Zealanders to formally respond to the proposals raised by New Zealand Post. The issue will be considered by Cabinet.
Between 2002 and 2012 the number of mail items handled annually by New Zealand Post reduced significantly – from 1.1 billion to 834.5 million. This worldwide trend, driven by the growth of electronic communications, continues apace – with volumes falling a further 7.5 percent in 2012/13 to 771.5 million items.

The postal network remains a vital component of the New Zealand economy and community – and in the face of declining postal revenues, its future viability can only be achieved through significant structural changes.

In June 2013 New Zealand Post announced a streamlining of its mail processing operations. Within the next two years the number of mail processing centres will reduce from six to three, and processing at more than 50 satellite sites will be relocated to those three mail centres. These changes will significantly improve efficiency and reduce overheads, while allowing key service standards to be preserved.

Another improvement in the efficiency of mail processing is the introduction of Sequence Sorting, an option where large senders can receive a discount if they (or their mail house) print and lodge large runs of mail in the same order as posties will deliver it – thereby reducing the amount of sorting required at mail centres and delivery branches.

Working Together

The Group is also seeking to leverage the strength of owning two nationwide delivery networks: postal and courier. Teams from the postal and courier businesses already share premises in more than 20 locations, with more than 30 other co-locations under consideration.

In April 2013 CourierPost began sorting and processing one category of package sent via New Zealand Post, ‘ParcelPost Tracked’ items, thereby removing duplication in our networks and taking cost out of the business.

Another co-operative approach that has been tested in the past year is having the same person delivering both postal and courier items. This is already the case with Rural Delivery, where the owner-drivers deliver everything from mail and courier items to milk and newspapers. A pilot in which the same person delivered postal and courier items in residential Tauranga began in July 2012. The pilot has provided valuable information that will guide the future development of our network especially around the need for flexibility in how we service diverse markets and communities.
The Group’s customers come in all shapes and sizes – from individuals to large government agencies or private sector companies – and it makes sound business sense to place their experience and expectations at the very centre of how we do business.

For example, we have simplified the range of packaging options sold in our stores, with a new streamlined domestic parcels range which will begin rolling out across New Zealand from July 2013. New Zealand Post places a lot of emphasis on ensuring we meet the needs of our customers, and making processes like selecting the right packaging more straightforward and less time-consuming is an important aspect of that.

We have also continued to improve the retail experience for customers in our store network. This process was launched in 2011, with a remit to deliver a fundamentally new people model, a radically simplified product and service approach, and a totally new design ethos that removed physical barriers between our staff and our customers.

The principles of this project have been incorporated into our stores on Auckland’s North Shore in a rollout that will continue through to October 2013 across a total of 31 locations. These stores have staff with a greater level of specialisation to better meet the needs of Kiwibank customers, and also feature customer-centric design, including open counters with no wires or barriers between staff and customers, as well as clear separation of service and sales areas.

Technology is also being used to improve customer experiences – both through digital services (see Strategy 6 on page 15) and with hardware such as self-service kiosks for parcel sending and bill payment. In late 2012 we launched a trial of ‘ParcelPod’ – centrally located lockers in places like train stations and malls – where recipients can direct their parcels to be delivered. The customer receives a code via text or email to claim their parcel.

While ParcelPod lockers are currently only in trial locations, customer feedback has been positive, describing them as convenient and time-saving.

Kiwibank’s innovative Online Relationship Managers service allows customers to receive personalised banking assistance online. This service has now expanded to over 200,000 customers, and receives 17,000 messages each month.

We’ve also worked to improve the experience of our business customers – including bulk senders. The vast majority of domestic mail takes the form of bulk addressed mail lodged in our postal system by mail houses and large senders. In 2013 we introduced a new mail lodgement system, which makes ordering postal services (like bulk mail lodgements) easy for the customer. The new lodgement management software is simpler, faster, more stable and much more intuitive to use than its predecessor – creating a much improved customer experience while laying the foundation for changes to our current products and services, and the introduction of new ones.

To develop and deliver, in an economic and sustainable way, a good customer experience, by providing effective products and services.

(New Zealand Post Group Limited Statement of Corporate Intent 2012-2015)
Kiwibank continues to target growth in the personal retail banking market and SME (small and medium enterprise) business banking sector. Significant emphasis is being placed on the quality of its lending in these sectors.

The total customer base increased from 808,000 to 820,000 for the 12 months to June 2013. Total new customers acquired for the 12 months to June 2013 was 88,274, which was ahead of plan, boosted by strong acquisition periods after the National Bank and ANZ were merged. Training is in place to support the staff in our store network to deliver excellent service, identify customer needs and help our customers understand how Kiwibank can help them.

Compliance continues to be a priority, with a focus in the past year on embedding Anti-Money Laundering and Qualifying Financial Entity/Financial Advisors Act compliance procedures, policies and controls to detect, manage and mitigate risk.

Kiwibank has seen a steady recovery from the impact of both the Global Financial Crisis and the Christchurch earthquakes. There has been significant reduction in the Bank’s provisioning for bad debts. Total provisions for impairment losses stood at $72m as at 30 June 2013, compared to $91 million at 30 June 2012.

Net Interest Income (NII) increased during the year, despite customers switching from floating to fixed mortgages. The margin compared to average assets has increased from 1.7 percent to 1.9 percent year on year.

Customer deposits accounted for 67 percent of all bank funding – with customer numbers now representing a more than 10 percent share of the main bank market.

During the calendar year Kiwibank’s credit rating was downgraded from AA– to A+ by international credit rating agency Standard & Poor’s. The accompanying outlook was initially stable, but this was downgraded to negative late in the financial year to reflect the rating for New Zealand Post Limited.

In recent years, the Reserve Bank of New Zealand has made various changes to its banking regulations, partly in response to the Global Financial Crisis. The impact of these changes is that all New Zealand banks will need to hold more capital. Kiwibank’s capital requirements are forecast to rise dependent on the growth in customer lending and the speed of regulatory changes, over the next three years. This will be funded by retained earnings and by injections of capital from New Zealand Post.
The New Zealand Post Group has made a number of structural changes in the past year to better position the organisation for the future.

A strategic approach was adopted to simplify the business and concentrate on New Zealand-based postal, financial and digital services.

The major changes in terms of ownership during this period were:

- Software development company ECN Group (ECN) was sold to business solutions company B2BE
- Roadstar – the palletised transport arm of Express Couriers Limited (ECL) – was sold to Transport Investments Limited
- New Zealand Post sold its 35 percent stake in information and technology company Datacom to the Guardians of New Zealand Superannuation (NZ Super Fund)
- The proceeds of these sales were primarily used to reduce debt and help pay for strategic investments in other parts of the business.

In terms of operations, the main changes during this period were:

- Three brands – Datam, Datamail and Kinetic 121 – were rebranded as New Zealand Post. A major investment was then made in new printing technology for this part of the business – investing in new colour printers that will improve services to existing and new customers through faster colour printing on plain white paper
- Reachmedia, our unaddressed circular and mailer joint venture, has formed a closer operating relationship with our courier business, ECL, with the latter’s transport division now collecting and moving promotional materials from the printer to the distribution centre, and between distribution centres to distributors across the country
- As discussed under Strategy 1 (page 10) mail processing operations will also be streamlined over the next two years, from six mail centres to three.

To ensure the internal structure, processes and frameworks in operation at the New Zealand Post Group are positioned to offer the most efficient and profitable outcome for the Group.

(New Zealand Post Group Limited Statement of Corporate Intent 2012-2015)

There were also changes in corporate structure – with around 100 administrative and management positions disestablished in June 2013, primarily in Wellington. This flattens management structures, and is largely related to a change in the structure of New Zealand Post’s postal business – where two business units were restructured to execute their strategy faster, deliver for customers, and improve bottom-line performance.

We also formed a Digital Platforms team during this year – demonstrating our commitment to digital as a business enabler and a core part of our business strategy. This team is working to grow new digital revenue streams, to provide a seamless customer experience that spans our channels, and to unify our digital platforms and processes to provide ubiquitous, nationwide services.
To ensure that our people have the skills and capabilities they require to succeed, and to create a culture in the organisation that enables and encourages our people to strive for great customer outcomes.

(NEW ZEALAND POST GROUP LIMITED
STATEMENT OF CORPORATE INTENT 2012-2015)

In PostShop stores this is supported by a sales and service excellence programme called ‘eXcelerate’ – which enables our people to gain a better understanding of customers’ needs, and to deliver consistently great customer experiences with every interaction.

Customer experience in our stores is measured through monthly visits to every store by a mystery shopper. This recorded an average of 86 percent favourability in the 2012/13 year – safely ahead of our target of 75 percent.

The project to transform our corporate stores (see Strategy 2, page 11) includes more staff roles with banking skills – as well as enabling all staff to get out from behind counters and interact with customers. This creates a richer customer experience, and a more positive working experience, as staff spend their days making things easier for customers.

Significant progress has also been achieved in creating a more flexible working environment for posties – with 82 percent of our larger delivery branches (those with five or more delivery rounds) now operating on a model that gives posties more flexibility to match their workload to fit their personal preferences.

**Leadership and Capability**

Throughout 2012/13 we have continued to build on our leadership skill development pathway programmes aimed at lifting the capability of leaders across the Group. These programmes are:

- **Activate!** (for our team leaders) – 13 programmes have commenced this year involving around 200 team leaders. 11 Activate! programmes are planned for 2013/14
- **Motivate** (for mid-level leaders) – Six programmes have commenced involving around 100 leaders. Six programmes are planned for 2013/14
- **Navigate** (for senior leaders) – programme design and development has been completed and delivery will commence for 17 senior leaders in September 2013.

In addition to these three core programmes, we have also provided Leading Change workshops to leaders accountable for change activity and a number of targeted programmes meeting local or business leadership team needs.
The launch of RealMe – an online identity verification system, developed in partnership with the Department of Internal Affairs – capped off a year in which New Zealand Post truly began enacting its new digital strategy.

As customer behaviours change, we have recognised the potential to use the Group’s core competencies (including large-scale logistics and data management expertise) to deliver services in the way many consumers now prefer to receive them – online. As a result, digital services are transitioning from being an adjunct to our core business activities, to being a core part of our business strategy.

RealMe is a Government-backed service that removes the need to show up in person each time to prove your identity. RealMe users register online, then visit a PostShop to have a photo taken and their documents verified. Within five working days, they’re verified online for the next five years and can quickly and easily apply for services over the internet as organisations using RealMe come on board.

In the year ahead the first wave of RealMe services are expected to become available online – including banking services, and numerous government departments.

YouShop, which launched in late 2012, responds to the exponential growth in online shopping by New Zealanders. YouShop is a digitally enabled international inbound shipping service for consumers, which enables online shoppers to purchase products from the websites of overseas companies that do not ship to New Zealand. Shoppers direct their purchase to an international address, from which our agents then ship it to New Zealand.

In its first nine months YouShop has been an instant success in terms of revenue, parcel volume generation, and positive feedback from customers. Launched initially for US-based websites, in the coming financial year new markets will be opened up to expand the choice and selection for users of the YouShop service.

Localist – our interactive online guide to services and retailers – enables the public to discover, buy and share the local things they love. It also empowers businesses, by giving them the tools and the expert support they need to get online, get mobile and get social.

In the past year Localist successfully moved to a fully digital platform, and its new focus on delivering enhanced digital services saw it delivering mobile apps and adding new functionality. During 2012/13 it continued to build on its strong Auckland presence, while also launching in Wellington – with a national rollout of its services planned for 2013/14.

Converga’s growth during the year included the launch of a new platform, the Digital Hub, which enables organisations to digitise large parts of their business processes including invoice management and archiving. This streamlines what can otherwise be complex processes, simplifying the customer’s path to becoming digital.
Pages 17-29 discuss the six value areas (or ‘Capitals’, see About Integrated Reporting, page 8) as they apply to New Zealand Post – and what we have done to increase value in each area during 2012/13.
The New Zealand Post Group continues to experience fundamental change, with each business within the portfolio experiencing quite different market forces.

Letter mail is in structural decline, while the Bank continues to grow, our courier business operates in a highly competitive market and our information services are challenged for scale in the digital space. This environment provides a number of challenges to our workforce and we are focused on ensuring that we create the right culture in order to adapt quickly to these changes, and that our people have the right skills and capabilities (see also Strategy 5, page 14).

Our Culture and Capability Strategy FY2014-16 is driven by these business challenges as well as global and local demographic trends impacting New Zealand’s workforce.

Our ‘People Aspiration’ is that we will create a culture where our people feel:

- Inspired and enabled to perform to their best every day
- Empowered to take responsibility for their careers
- They have leaders worth following
- Safe, knowing they work in an environment free from harm
- Their differences are embraced and respected
- Their contribution is valued and recognised
- New Zealand Post Group is a magnet for talent
- Proud to work for a respected, commercially successful organisation.

Over the next 3–5 years we will see a significant shift in our workforce to one that:

- Is relationship-based, focused on the ‘whole of customer’ and less transactional
- Meets our customers where they are (channel, location and receiver preferences)
- Is leaner and optimises our talent markets to deliver sustainable productivity
- Is stronger in the capabilities that will differentiate us through our brand and customer experience.

Therefore the key focus areas of our strategy include:

1. High-performance Organisation – create an environment where our people want to consistently perform to a high standard
2. Leadership and Talent Management – develop leaders who act decisively, are role models, inspire their teams and build a deep pipeline of talent
3. Capability – develop critical capabilities required to deliver our strategy
4. Optimising our Resource Model – ensure our resourcing model provides greater flexibility to enable us to scale to market demands
5. Diversity – leverage the diversity of our workforce through an inclusive culture
6. Health and Safety – provide an environment that is safe and free from harm.

If we do this well, we believe our people can create a competitive advantage through:

- Continuing levels of high engagement, performance and productivity
- Strengthening our employee value proposition and helping differentiate us as an employer of choice in New Zealand
- Achieving greater levels of sustainable profitable growth in our financial performance
- Being advocates of our valued brand throughout the communities of New Zealand.
As the business evolves, so does the nature of our workforce. This table shows how the make-up of our workforce stood at the beginning and end of the 2012/13 financial year.

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<thead>
<tr>
<th>Workforce size</th>
<th>AT JUNE 30</th>
<th>AT JUNE 30</th>
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</thead>
<tbody>
<tr>
<td>Total employees (permanent, fixed term and casual)</td>
<td>10,650</td>
<td>10,635</td>
</tr>
<tr>
<td>FTE (full-time employee) equivalent</td>
<td>8,638</td>
<td>8,761</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Workforce Location</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand</td>
<td>91.9%</td>
<td>91.3%</td>
</tr>
<tr>
<td>Australia</td>
<td>8.0%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Other</td>
<td>0.1%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment status</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent</td>
<td>87%</td>
<td>86.7%</td>
</tr>
<tr>
<td>Fixed term</td>
<td>3.2%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Casual</td>
<td>9.8%</td>
<td>10.6%</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Gender</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>43%</td>
<td>42%</td>
</tr>
<tr>
<td>Female</td>
<td>57%</td>
<td>58%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>30-50</td>
<td>51%</td>
<td>50%</td>
</tr>
<tr>
<td>Over 50</td>
<td>31%</td>
<td>32%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ European</td>
<td>62.71%</td>
<td>61.98%</td>
</tr>
<tr>
<td>Māori</td>
<td>12.48%</td>
<td>11.35%</td>
</tr>
<tr>
<td>Pacific Islands</td>
<td>12.28%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Asian</td>
<td>7.41%</td>
<td>9.22%</td>
</tr>
<tr>
<td>Other</td>
<td>5.12%</td>
<td>6.52%</td>
</tr>
</tbody>
</table>

Over the last year there has been a significant focus on ensuring our leaders are visible across the business. They work with who make this a great place to work.

Over the last year there has been a significant focus on ensuring our leaders are visible across the business, bringing our Values to life and implementing a number of recognition programmes. A particular highlight was our HEROES (Honoring Excellence and Recognising Outstanding EmployeeS) programme, where staff could nominate colleagues they felt had been exceptional in living our Values. During the year, 210 employees or teams were nominated for HEROES awards.

Safety and wellbeing in the workplace

The New Zealand Post Group maintained ‘tertiary’ status under its independently audited ACC Partnership programme. Approximately 48 Safety and Wellbeing Action Groups (SWAGs) of employee representatives operate throughout the Group.

Highlights in 2012/13:

Engagement

Each year the New Zealand Post Group undertakes a survey of all employees to assess their level of engagement with the business. The survey is provided by Kenexa. For the latest survey conducted in May 2013, 84 percent of employees participated. This was a slight increase on last year’s participation (which was 83 percent) but compares favourably with the average response rate of 78.2 percent in the JRA Best Workplaces survey.

The 2013 engagement score for the New Zealand Post Group was 73.8 percent. This compares favourably to the Kenexa Total Database Benchmark of 72.3 percent and an increase of 1 percent on last year’s result.

This is a pleasing result given the amount of change that has been experienced across the business during this year. This year’s survey again showed that New Zealand Post Group people value most highly the people they work with who make this a great place to work.
Although our performance was not as strong as last year, this has been attributed more to our leaders dealing with significant changes across the business than to our environment being more unsafe than 12 months ago. Our Posties continue to be exposed to hazards outside our control such as dog bites, people backing out of driveways, uneven footpaths and surfaces, and collisions with vehicles. We are very focused on raising the awareness of hazards and actively managing incidents as they occur.

During the year, the Group maintained its strong focus on safety and wellbeing across all businesses. However, we experienced a significant deterioration in our Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR) over the course of the year. At a Group level the LTIFR (Lost Time Injuries per 1,000,000 hours worked) increased 28 percent from 5.64 to 7.21. At a Group level, our Total Recordable Injury Frequency Rate (the number of injuries recorded per 1,000,000 hours worked) increased 16 percent from 50.44 to 58.68. There were no work-related fatalities during the year.

For the 2013/14 year, we are very focused on getting our safety performance back on track and are seeking to achieve a 28 percent reduction on the LTIFR and 16 percent reduction of the TRIFR performance for the 2012/13 financial year.

<table>
<thead>
<tr>
<th>Lost Time Injury Frequency Rate</th>
<th>2012-13 RESULT</th>
<th>2012-13 TARGET</th>
<th>CHANGE FROM 2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td>12.57</td>
<td>8.18</td>
<td>-54%</td>
</tr>
<tr>
<td>Store Network</td>
<td>8.27</td>
<td>6.27</td>
<td>32%</td>
</tr>
<tr>
<td>ECL</td>
<td>2.81</td>
<td>2.61</td>
<td>-8%</td>
</tr>
<tr>
<td>Kiwibank</td>
<td>1.39</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td><strong>New Zealand Post Group Total Group (NZ)</strong></td>
<td><strong>7.21</strong></td>
<td><strong>5.08</strong></td>
<td><strong>-28%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Recordable Injury Frequency Rate</th>
<th>2012-13 RESULT</th>
<th>2012-13 TARGET</th>
<th>CHANGE FROM 2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td>97.77</td>
<td>69.57</td>
<td>-26%</td>
</tr>
<tr>
<td>Store Network</td>
<td>29.65</td>
<td>33.59</td>
<td>-21%</td>
</tr>
<tr>
<td>ECL</td>
<td>65.74</td>
<td>50.18</td>
<td>-18%</td>
</tr>
<tr>
<td>Kiwibank</td>
<td>3.23</td>
<td>4.42</td>
<td>34%</td>
</tr>
<tr>
<td><strong>New Zealand Post Group Total Group (NZ)</strong></td>
<td><strong>58.68</strong></td>
<td><strong>45.41</strong></td>
<td><strong>-16%</strong></td>
</tr>
</tbody>
</table>
Our Relationships

Partnering with Business

When our business partners and customers succeed, we succeed. In the past year a number of initiatives have seen us partner with business in new and exciting ways.

The adoption of a Group-wide publishing strategy in October 2012 will see the cumulative number of publications (including flyers, mailers, magazines and newspapers) carried through our courier and postal networks top one billion each year – through service agreements with distribution agencies.

This year we also teamed with Australia Post to form a strategic relationship focused on joint business opportunities. This arrangement included winning back the contract to deliver Australia Post packages within New Zealand, a role we last filled in 2009.

In 2012 we won the worldwide exclusive rights to produce coins commemorating The Hobbit trilogy of films – a deal that gained worldwide media attention from the likes of MTV, the BBC, TIME Magazine and The Wall Street Journal. These commemorative legal tender coins complemented our collectable stamp issue. We also teamed up with Weta Workshop to bring Hobbit-related collectables – including swords and figurines – to the market in mainland China via online retailer Ule.

We have continued to grow our support services for businesses – which we provide under our New Zealand Post brand (see Business Expertise, page 28) and through our wholly owned subsidiary Converga business, which provides specialist business services such as mailroom systems, document management services, and financial management systems.

Working with Communities

The Group places a high priority on being a responsible business, and this is reflected in our interactions with communities.

Our Electoral Enrolment Centre team, which plays a key role in democratic representation, launched the 2013 Māori Electoral Option – sending almost 430,000 packs to enrolled voters who identified themselves as being of Māori descent, to see which electoral roll they wish to be on.

Community Investment

New Zealand Post Group invests in communities as a socially responsible corporate member of the community. This investment – $3.67 million in the past year – also builds stakeholder relationships, develops shared value for business and community, and supports and strengthens our brand values.

In the past year we started a programme to support community social enterprise development. This included partnering with the Hikurangi Foundation to better target our community investment, and taking part in the pilot of a UK-based ‘Community Footprint’ tool to better understand our role in the communities in which we operate.

Over the course of this year, 5.1 percent of our staff used their volunteering day to support community initiatives.

ActivePost

Valerie Adams joined us as our official ambassador for all of our community programmes, including ActivePost, which encourages Kiwis to try healthy activities and sports, with a strong emphasis on school programmes. ActivePost is the national sponsor of Small Sticks hockey, Waka Ama and the ‘Get Set Go’ programme, which teaches fundamental movement skills to school children.
ActivePost’s partnership with Water Safety New Zealand reached new corners of the country with our gift of a portable swimming pool, which will be moved around rural centres over the next five years as part of a programme to boost the water safety skills of youth. Three more pools will become part of the programme this coming year.

**Literacy and Excellence**

New Zealand Post continues to sponsor the country’s premier literary awards, and also supports the activities of Duffy Books in Homes, and of Literacy Aotearoa, which teaches literacy and numeracy skills to adults. In October 2012 we began supporting the Howard League’s literacy education programme for remand prisoners, in a bid to reduce the factors that contribute to re-offending.

Kiwibank’s sponsorship of the New Zealander of the Year Awards continues, and in the past year Kiwibank also supported the Plain English Awards. Kiwibank and New Zealand Post also jointly partnered with Te Matatini to support the 2013 national Kapa Haka competition, a biennial event that is one of the most significant on the Iwi calendar.

**Community Organisations**

The Community Post programme assisted nearly 2,800 community organisations in the past year – gifting them 1.5 million postage-included envelopes and $100,000 worth of marketing and development services.

In 2011/12 the New Zealand Post Group decided to focus its support for charity on the Heart Foundation, where it was felt our support could make a more significant difference for communities. In the past year we also assisted in funding the operational costs of the Red Cross’ new Rescue Fleet, which was recognised with New Zealand Post branding on their 5 rescue trucks and 22 support vehicles for disaster relief in the Asia-Pacific region.
The New Zealand Post Group’s environmental programme is focused on the reduction of carbon emissions created through transportation, energy use, waste generation and disposal. We aim to be as efficient as we can, and to understand and mitigate the future impacts of a carbon-constrained economy on our business.

A major focus of our environment programme in 2012/13 was establishing our direction for the next five years, building on the success of our programme since 2007. This process has confirmed that our focus areas of fuel, waste and energy remain extremely important. We have also identified emerging issues, which we will turn attention to in the coming year, such as better leveraging technology to reduce environmental impacts across our network.

This year we have achieved a 0.7 percent reduction in carbon emissions across our areas of impact, against our goal of a 2 percent reduction. While our emissions reduction initiatives were successful through the year, growth in parts of our business resulted in more services and consequently more emissions. We have improved our overall carbon efficiency by 23 percent from 94 grams of carbon per dollar revenue to 74 grams of carbon per dollar revenue, which indicates that we have carried out more work for the same or fewer resources, by reducing our resource inputs and using them more efficiently. In the future we will focus more on improving the carbon efficiency of our delivery network.

We reset our baseline carbon emission level to 125,905TCO₂e (tonnes of carbon dioxide equivalents emitted) as at 20 June 2012, and are seeking a six percent reduction on that figure by 2016. Our full carbon inventory is shown in volume 2 of this report.

Inputs

Products
Recyclability of products is a key issue for us. In 2012/13 we continued an industry-first scheme called ‘backtrack your Trackpack’—recycling 10,887kg of courier trackpacks that our customers had returned to us.

Our bag and parcel range is fully recyclable, allowing our customers to dispose of these products responsibly. Currently, our box range is made from 69-79 percent recycled content. In the future we plan to explore opportunities to further increase the recycled content of our sending range, and reduce the weight of our bag range to decrease resource use without compromising durability.

Recent investment in new technology for our Printed Mail business offers us efficiency gains of up to 10 percent in our paper use through more effective use of this resource. We expect to see this saving from the middle of the next financial year as our new print platform comes online.

Fuel use

Fuel used in transportation represents 75 percent of our carbon footprint, and continues to be a significant focus for the Group. The range of actions undertaken to date have achieved incremental improvements to our fuel use, and our aim is to continue searching for step-change strategies that will deliver the biggest results. Overall, emissions from fuel use remained stable through the year, with an overall reduction observed through the sale of our Roadstar subsidiary late in the year.

This year’s key activities have been:

- The completion of a fuel-efficient driver training programme for heavy commercial drivers
- The roll-out of High-Productivity-Motor-Vehicles (HPMVs) in our line haul operations that has enabled more freight to be carried over fewer vehicles and services
- Operating five vehicles on a B100 bio-fuel blend as a proof-of-concept and to dispel the myths that bio-fuel product can harm engines and/or reduce performance.
A senior manager from our transport team has been appointed to the Reference Panel for the Energy Cultures II Research Programme that is being undertaken by the University of Otago. This is an opportunity for the research team to have input from a key operator within the transport sector, and for New Zealand Post to remain at the forefront of new research.

Energy use
Energy consumption in our buildings makes up approximately 25 percent of New Zealand Post’s direct carbon emissions. Energy is required to power every aspect of our site operations; from lighting, to running mail processing machinery and recharging the battery packs used for forklifts.

In 2012/13 total building energy consumption has reduced to 41,208kWh. This is a five percent reduction from the 2011/12 base year, and exceeded our target of a three percent reduction in the year. The energy efficiency of our buildings has improved to 110kWh per square metre of footprint, the lowest it has ever been.

Our energy efficiency strategy in 2012/13 focused on implementing and trialling new LED lighting and HVAC control innovation at new sites, while we continue to improve the energy efficiency of existing sites through investment. This builds on the ongoing energy audit and investment programme we have in place.

The data from our smart meters is a vital tool in helping to pinpoint energy waste. Every month we scan the smart meter data, looking for energy use where it shouldn’t be. This approach has found a number of sites where heating and cooling equipment was coming on at times when sites were unoccupied. The regular measurement and reporting of our energy consumption has also assisted with organisational decision-making as our business changes.

Outs
Waste
The New Zealand Post Group’s objective is to minimise waste throughout our operations, and all of our sites adhere to the waste hierarchy – reduce, reuse and recycle.

In 2012/13 we reduced waste being sent to landfill to 795 tonnes, diverting approximately 74 percent of our waste from landfills. This is a 19 percent reduction in waste to landfill, well exceeding our goal of reducing waste to landfill by nine percent from the 2011/12 baseline year by 2015. Waste to landfill per square metre has improved to 2.1kg per square metre. This very good reduction is attributable to tighter controls, improved categorisation, providing access to reporting to our employees and the sale of our Roadstar subsidiary. We will continue to reduce our waste further, and improve upon our 74 percent recycling rate.

Every year we continue to look for new recycling opportunities within our waste streams. This year we introduced the recycling of plastic strapping in regions where no recycling facilities are available. We now use our transport network to consolidate plastic strapping to sites that are located closer to recycling facilities, enabling us to recycle strapping that would otherwise have gone to landfill.

This year we also explored an opportunity to repurpose and upcycle retired uniforms, through partnerships across our supply chain and with other organisations. This extends our responsibility beyond the use of resources through to the end-of-life for those items, to develop ‘closed loop’ systems.
**The New Zealand Post Group’s success is built on the efficient and profitable operation of a number of complex networks. Each network presents its own opportunities and challenges, and the Group has actively responded to these during the 2012/13 year.**

**Properties**

Our staff work from a diverse range of premises throughout New Zealand – ranging in scale from the massive Auckland Mail Centre where millions of pieces of mail are processed every week, to delivery branches in provincial towns, some not much larger than a garage. The safety of those staff and of visitors to our sites is paramount, and the Group has adopted a policy that requires a robust standard of seismic compliance for all of the premises we occupy. We are now midway through a programme where those premises are being seismically assessed, and if they fail to meet our standards we look to strengthen the building or relocate. This programme will continue into the next financial year.

In the past year we have also shifted our focus to the issue of property ownership, which is not in itself part of our core business. To support our drive to be commercial, competitive and sustainable, our Properties team has begun evaluating the Group’s properties throughout New Zealand, looking for opportunities to work more as ‘One Team’ and use space more efficiently and cost effectively. In the past year this resulted in the relocation of some of our teams, and the agreement to sell our two largest office buildings: New Zealand Post House in Wellington, and CourierPost House in Auckland.

**Postal and Courier Networks**

Postal volumes continue to decline – by 7.5 percent in 2012/13 – driven by the worldwide shift towards electronic communications. While this equates to 63 million fewer items than in 2011/12, it still saw us handle 771.5 million mail items in the past year, a vast logistical exercise. In the past year we delivered 92.3 percent of mail within our delivery service standards of two to three days, and overnight across major towns and cities. This is down from 93.9 percent in the previous year, and falls short of our internally set performance target of 96.5 percent.

In the past 12 months the number of delivery points (letterboxes, PO Boxes and other places we deliver mail to) grew slightly, by 0.1 percent, to 1.914 million.

On the courier end of the business, Express Couriers Limited (ECL) commenced a restructure of its Air Fleet, starting in September 2012 with the retirement of an F27 aircraft, and sub-contracting airfreight capacity from another operator. ECL also introduced a range of new “high-productivity” trailer designs including a new loose-loaded trailer unit. This strategy has reduced the unit cost of moving parcels and the number of vehicles required.

**Reachmedia**

Reachmedia, our joint venture unaddressed circular and mailer delivery network, became more closely allied with our courier company (ECL) during 2012/13 – with ECL in October 2012 taking on the role of transporting all product from printing houses to Reachmedia’s processing sites, creating savings for the business.

The Reachmedia network is made up of three types of contractors: distributors (who consolidate and place mailers into letterboxes twice a week); drivers (who deliver product to the distributors from our processing sites in Auckland, Palmerston North, Wellington and Christchurch); and supervisors (who oversee the distributors, and investigate delivery queries from our clients).
In 2012/13 Reachmedia introduced a new model in the Wellington metropolitan area, which combined the supervisor and driver roles, creating efficiencies and ensuring full responsibility for each delivery area sits with a single contractor. This approach may be expanded to Christchurch in the coming year.

**PostShop Kiwibank Outlets**

Our stores are used by consumers in communities throughout New Zealand. Around 1,400 of our staff work in, or in support of, this retail network.

<table>
<thead>
<tr>
<th>Number of Stores</th>
<th>Corporate</th>
<th>Franchise</th>
<th>Post Centre</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>139</td>
<td>138</td>
<td>609</td>
</tr>
</tbody>
</table>

In the past year customers carried out 19 million transactions with us via our corporate stores – with a further 13 million customers being served by our franchises and 8 million through our PostCentres. Between January and November we serve an average of 155,000 customers per working day, jumping to 205,000 in December.

The teams in our PostShop Kiwibank stores processed 17 million bill payments over the past year. They were also responsible for 85 percent of Kiwibank new customer acquisition, and helped 3,200 Kiwis into a home in the past year. With one in ten Kiwis now calling Kiwibank their main bank, our outlets also helped thousands of Kiwis save for their retirement, and save $600 million in term deposits.

Outside of the traditional stores, significant progress is also being made in making services and products available in other ways – including digitally and through self-service kiosks.

**Postal Network Access**

In 2010 New Zealand Post was involved with the postal industry in establishing the Postal Network Access Committee (PNAC), which determines the terms and conditions for other postal operators to access New Zealand Post’s postal network services for the delivery of letters. PNAC also considers and resolves any disputes between New Zealand Post and its access operators.

Most of its members are independent, bringing a blend of commercial, economic, regulatory and network skills to PNAC. It is chaired by Dr Arthur Grimes (chair of the Reserve Bank) and its other independent members are professional director Trevor Janes, consultant David Hunt, and former High Court Judge Hon Barry Paterson. New Zealand Post’s representative is Mark Yeoman, our Chief Financial Officer.

In the past year the committee completed the annual review of our pricing for prepaid operators and determined the pricing for operators who lodge mail directly into the network. New Zealand Post also established an access regime for its bulk mail services alongside that for its full-rate mail services.
**OUR FINANCES**

This section describes the financial capital we had at our disposal at the beginning of the year – with which we fund the activities of the Group – and how much we generated, used and sourced during the year through our normal operations and investments. Financial capital refers to our total equity and borrowings.

We started the year with financial capital totalling $15,428 million.

This was made up of:

- **Shareholders Equity**: This includes the shares held by the Crown of $192m plus the non-controlling interests of preference shareholders of $146m. **$338m**
- **Retained Earnings and Reserves**: This includes the Group’s retained profits from previous years as well as money held in reserve e.g. for revaluing assets and foreign exchange movements. **$621m**
- **Funding**: The bulk of the $14,468m of Group funding is supplied by Kiwibank customer deposits of $11,564m used for the lending activities of the bank, and long-term borrowings that help support the ongoing regulatory and financing needs of the Group.

**Through the Year**

As a state-owned enterprise we’re required by law to operate on a commercial basis, which means making a profit and earning our shareholders a return on their investment. This year, all up, the Group generated after-tax profits of **$121m**. We then approved a **$5m** dividend payment to the Government.

This profit was generated across our streams of business:

- **Mail & Communications business (Core post)**
  - Our mail and communications businesses comprise the mail processing and delivery activities of New Zealand Post as well as our retail store network. Coping with declining mail volumes, restructuring and constrained resources (an ongoing theme for the foreseeable future), our traditional core-business managed a break-even performance over the year.
- **Express Couriers Limited (ECL)**
  - The express courier brands of CourierPost, Pace and Contract Logistics made a healthy **$17m** contribution, marking its first full year of 100 percent Group ownership.
- **Financial Services**
  - The largest contributor to self-generated financial resources was Kiwibank and the financial services businesses of Kiwi Wealth (GMI, KiwiSaver and Kiwi Insurance), which together produced **$97m** of total profits this year.
- **Investment businesses**
  - Our investments in Localist, Reachmedia, Converga, CouriersPlease and the Recycle Centre made up the remaining **$8m** of the self-generated finances for 2013.

**Why we retained profits**

We need to re-invest in the strategic growth areas of our business – such as improvements to our retail presence for both Kiwibank and New Zealand Post (initially on the North Shore of Auckland); supporting the continuing development of Kiwibank’s asset growth as it becomes an even more significant New Zealand bank; and nurturing our other early-stage emerging businesses, like Localist, YouShop and RealMe as they enter new phases of growth.

The financial resources available to us will help us meet our business targets – targets that aim to ensure we generate further resources for the Group and balance the costs of funding those targets by not borrowing too much.

**We also sourced funds through borrowing**

While generating profits from our operations helps fund further growth, we also need help in the form of borrowed funds. For Kiwibank, that meant increasing the amount of customer deposits it held (that it uses to fund mortgages) by **$555m**.

Funds must also be held in reserve as a safety buffer, and some of this was sourced from investors as part of the Subordinated Debt issue into the New Zealand market and the Covered Bond sold to Swiss investors.
In the postal business we reduced our debt by $100m in the year but still use $383m to help to fund our broader activities.

We sold some non-essential assets
Our Group strategy of divesting from non-core assets continued this year with the sale of Datacom and our largest office building – New Zealand Post House in Wellington. This contributed to the release of over $200m in capital.

Into next year
We’ve increased the financial capital available to our Group by 1.9 percent.

Shareholders Equity has remained steady at $338m.

Retained Earnings and Reserves have increased by 21 percent to $750m.

Funding has increased by 1.2 percent to $14,641m.

This gives us a total of $15,730m heading into the next business year, which will support the ongoing activities of all the businesses under the New Zealand Post Group umbrella.
With more than 170 years’ service to the community behind it, the New Zealand Post Group continued to be one of the most trusted and respected brands on the New Zealand market during 2012/13.

For many years the Group, and key brands such as Kiwibank, have consistently placed at, or near, the top of various awards processes recognising public trust and reputation.

This remained true in 2012/13 – a year in which we started public discussions on difficult concepts such as the possibility of, over time, decreasing the frequency of mail deliveries for standard letters as a result of falling mail volumes. The resilience of our reputation in such difficult times is testament to the strength and depth of goodwill that the Group has established.

New Zealand Post was this year ranked in the top five for best business reputation (by AMR Australia), while Reader’s Digest once again named Kiwibank the most trusted bank, and PostShops as one of the two most trusted retailers. New parts of the business also came to the fore this year, with Kiwibank’s new Sustainable Energy Loans receiving the 2013 Canstar Innovation Excellence Award.

Building on Our Reach

As discussed in Our Networks (see page 24), one of the great strengths of the New Zealand Post Group is its robust and comprehensive store and delivery networks – and the demonstrated excellence in complex large-scale logistics that enables those networks to thrive.

In the past year, the strength of those networks created opportunities to expand our expertise even further, including:

- the launch of the New Zealand Post Global Logistics business, which will help Kiwi businesses market and sell their products internationally
- our partnership with the Department of Internal Affairs to launch RealMe (see page 15) which, for its success, required an iconic place in the community where people could get their accounts verified.

Collectables

While the Group’s postal, banking and courier businesses compete in open markets, there are certain areas where our brands have secured special domain over certain products. A key example is our contract with the Reserve Bank of New Zealand to produce legal tender commemorative coins. This contract, which was recently renewed for a further five years, grants New Zealand Post the exclusive rights to design, procure and market commemorative legal tender coins – such as this year’s highly collectable ‘The Hobbit: An Unexpected Journey’ coins.

Business Expertise

As a consequence of its postal network, the Group has developed a depth of knowledge in how to effectively communicate to audiences. This expertise has, for some years, been leveraged to offer services that assist businesses in connecting with their target audiences. In the past year our activities in supporting business have been consolidated – with three individual stand-alone brands (Datam, Datamail and Kinetic 121) brought under the New Zealand Post brand (see Strategy 4 page 13) – creating a centre of expertise to help guide businesses through the process of connecting with their customers.

This includes planning campaigns, producing collateral like flyers and brochures, and delivering messages to the targeted demographic appropriate for the product or service, through addressed mail (delivered by New Zealand Post) or unaddressed ‘direct’ mail (delivered by Reachmedia).
As a consequence of its postal network, the Group has developed a depth of knowledge in how to effectively communicate to audiences.

This ability to reach the right audience has been leveraged not only by businesses, but also by government departments and charities. This expertise is also a key reason behind certain government functions with a heavy focus on information and contact management being nested inside New Zealand Post – including the Electoral Enrolment Centre and the administrative and technical support function for the National Cervical Screening Programme.
<table>
<thead>
<tr>
<th>Scorecard Targets</th>
<th>2012 actual</th>
<th>2013 plan</th>
<th>2013 actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shareholder Returns</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Total Shareholder Return</td>
<td>%</td>
<td>4.7%</td>
<td>0.5%</td>
</tr>
<tr>
<td>(b) Dividend yield (excl Kiwibank)</td>
<td>%</td>
<td>0.3%</td>
<td>0.5%</td>
</tr>
<tr>
<td>(c) Return on equity</td>
<td>%</td>
<td>23.2%</td>
<td>12.9%</td>
</tr>
<tr>
<td>(d) Return on equity adjusted</td>
<td>%</td>
<td>23.1%</td>
<td>12.9%</td>
</tr>
<tr>
<td><strong>Profitability / Efficiency</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e) Return on capital employed</td>
<td>%</td>
<td>16.3%</td>
<td>7.8%</td>
</tr>
<tr>
<td>(f) Operating margin</td>
<td>%</td>
<td>21.4%</td>
<td>13.4%</td>
</tr>
<tr>
<td><strong>Leverage and Solvency</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(g) Gearing ratio (net)</td>
<td>%</td>
<td>88.3%</td>
<td>88.0%</td>
</tr>
<tr>
<td>(h) Interest cover</td>
<td>times</td>
<td>19.4</td>
<td>10.5</td>
</tr>
<tr>
<td>(i) Solvency (current ratio)</td>
<td>times</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Good Employer</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(j) People engagement index</td>
<td>(Raw engagement score per the Annual Employee Engagement Survey)</td>
<td>%</td>
<td>72.9%</td>
</tr>
<tr>
<td>(k) Lost Time Injury Frequency Rate</td>
<td>(Lost time injuries per million hours worked)</td>
<td>per M</td>
<td>5.6</td>
</tr>
<tr>
<td><strong>Corporate Responsibility</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(l) Standard letter service performance</td>
<td>(Letters delivered to standard (Testpo Survey))</td>
<td>%</td>
<td>93.9%</td>
</tr>
<tr>
<td>(m) Customer favourability</td>
<td>(% Who rate NZP as 'excellent' or 'very good')</td>
<td>%</td>
<td>47.0%</td>
</tr>
<tr>
<td>(n) Emissions reduction</td>
<td>%</td>
<td>16.1%</td>
<td>2.1%*</td>
</tr>
</tbody>
</table>

*year-on-year movement
## FIVE-YEAR TREND SUMMARY

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue (m$)</td>
<td>1,253.8</td>
<td>1,204.2</td>
<td>1,266.9</td>
<td>1,309.4</td>
<td>1,687.8</td>
</tr>
<tr>
<td>Operating expenses (m$)</td>
<td>1,163.4</td>
<td>1,179.8</td>
<td>1,297.2</td>
<td>1,223.5</td>
<td>1,622.5</td>
</tr>
<tr>
<td>Operating margin before tax (%)</td>
<td>7.2</td>
<td>2.0</td>
<td>(2.3)</td>
<td>6.6</td>
<td>3.9</td>
</tr>
<tr>
<td>Profit / (loss) before tax (m$)</td>
<td>93.5</td>
<td>34.1</td>
<td>(34.6)</td>
<td>190.1</td>
<td>122.2</td>
</tr>
<tr>
<td>Earnings per share (cents)</td>
<td>37.4</td>
<td>1.4</td>
<td>(18.5)</td>
<td>88.0</td>
<td>63.0</td>
</tr>
<tr>
<td>Total assets (m$)</td>
<td>11,304.0</td>
<td>13,075.5</td>
<td>14,682.0</td>
<td>15,851.0</td>
<td>16,139.6</td>
</tr>
<tr>
<td>Average shareholders’ funds (m$)</td>
<td>667.9</td>
<td>677.5</td>
<td>666.8</td>
<td>730.7</td>
<td>878.0</td>
</tr>
<tr>
<td>Return on average shareholders’ funds after tax (%)</td>
<td>10.8</td>
<td>0.39</td>
<td>(5.3)</td>
<td>23.2</td>
<td>13.8</td>
</tr>
<tr>
<td>Net asset backing per share ($)</td>
<td>3.48</td>
<td>3.91</td>
<td>3.37</td>
<td>5.0</td>
<td>5.7</td>
</tr>
<tr>
<td>Average shareholders’ funds to total assets (%)</td>
<td>5.9</td>
<td>5.7</td>
<td>4.5</td>
<td>4.6</td>
<td>5.4</td>
</tr>
<tr>
<td>Interim dividend per share (cents)</td>
<td>3.6</td>
<td>3.0</td>
<td>0.9</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Final dividend per share (cents)</td>
<td>-</td>
<td>0.004</td>
<td>0.1</td>
<td>1.3</td>
<td>1.3</td>
</tr>
</tbody>
</table>
BOARD OF NEW ZEALAND POST GROUP
(as at 30 June 2013)

Hon Sir Michael John Cullen
KNZM, MA, PhD
Chairman
Ohope
Appointed as Director on 1/5/2009
Appointed as Chairman on 1/11/2010

Murray Ian David Gribben
BA (Hons), MBA
Deputy Chair
Wellington
Appointed as Director on 1/11/2009
Appointed as Deputy Chair on 1/5/2012

Carol Anne Campbell
BCom, CA
Auckland
Appointed as Director on 1/5/2012

Alan Michael Dunn
Mapua
Appointed as Director on 1/11/2010

Philippa (Pip) Jane Dunphy
BHortSci, CFA
Auckland
Appointed as Director on 1/11/2007

William Temuera (Tem) Hall
BSS, AFA
Taupo
Appointed as Director on 1/5/2009

Richard Ian Leggat
BSc
Auckland
Appointed as Director on 1/5/2012

Jacqueline (Jackie) Marie Lloyd
BA, BCom
Wellington
Appointed as Director on 1/11/2010

David Stephen Willis
BCA (Wellington), ICA (New Zealand), ICA (Australia)
Sydney
Appointed as Director on 1/5/2010

Finance, Risk and Investment Committee:
Pip Dunphy (Chair)
Carol Campbell
Michael Cullen
Murray Gribben
David Willis

Human Resources Committee:
Jackie Lloyd (Chair)
Michael Cullen
Tem Hall
Alan Dunn
Richard Leggat

From left
Carol Anne Campbell,
Alan Michael Dunn,
William Temuera (Tem) Hall,
Hon Sir Michael John Cullen,
David Stephen Willis,
Jacqueline (Jackie) Marie Lloyd,
Philippa (Pip) Jane Dunphy,
Murray Ian David Gribben,
Richard Ian Leggat
STATEMENT OF CORPORATE GOVERNANCE

The Board is responsible for the corporate governance of the Group. “Corporate Governance” includes the direction and control of the Group and the accountability of the Board to shareholders and other stakeholders for the organisation’s performance, and compliance with laws and standards.

The New Zealand Post Group has in place a comprehensive system of corporate governance policies, practices and procedures designed to ensure adherence to best practice and high ethical standards.

Shareholders
As a state-owned enterprise, New Zealand Post Limited has two shareholding Ministers acting on behalf of the Crown. The Minister of Finance and the Minister for State-Owned Enterprises hold the company’s shares.

Shareholder Communications
An annual business plan and quarterly reports against the performance set out in the plan are provided to shareholding Ministers. A Statement of Corporate Intent, unaudited half-year accounts and audited year-end accounts are tabled in Parliament annually. Shareholding Ministers are also kept informed about developments of significance on an ongoing basis.

Board Governance
The Board
The Board of the New Zealand Post Group may comprise up to 10 Directors. The Directors are not executives of the company.

Shareholding Ministers appoint the Directors. Before appointing new Directors, shareholding Ministers consider the balance of competencies and experience on the Board and also consult with the Chair.

The Chair carries out a leadership role in the conduct of the Board and its relationship with shareholding Ministers and stakeholders. The Chair maintains a close professional relationship with the Chief Executive. The Chair has no external commitments that conflict with the Chair’s role.

As at 30 June 2013, the Board comprised nine Directors. Each Director is considered to be ‘independent’, in that each is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of the Directors’ unfettered and independent judgement.

Role of the Board
The Board is responsible to shareholding Ministers for directing and monitoring the management and affairs of the New Zealand Post Group. The New Zealand Post Group is made up of a number of companies including the parent company New Zealand Post Limited, and its wholly owned subsidiaries Kiwibank Limited and Express Couriers Limited. Under the State-Owned Enterprises Act 1986, New Zealand Post’s principal objective is to operate as a successful business, including:

° to be as profitable and efficient as comparable private sector businesses;
° to be a good employer; and
° to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.
The Board establishes objectives and sets strategies to achieve those objectives. The Board, in the context of the approved policy, risk and compliance framework within which the Group operates, monitors management’s performance against those strategies. The Board has delegated the day-to-day management to the Group Chief Executive.

The Board requires a three-year plan (presented annually), which is consistent with the agreed strategic objectives of the New Zealand Post Group, to be submitted to it for approval. The Board closely monitors financial and non-financial performance and compares performance to the annual plan and forecasts at its regular meetings.

**Board Meetings**
During the period, the Board held 10 regular meetings (together with additional meetings as required). The Board also holds an annual strategic planning session that considers strategic issues in conjunction with the Chief Executive and the Group Leadership Team.

The Chief Executive, Chief Financial Officer and Company Secretary attend all Board meetings. Other managers attend Board meetings in relation to matters regarding their areas of responsibility and Directors have other opportunities, including site visits, for contact with wider Group employees.

**Board Committees**
A Finance, Risk and Investment Committee and a Human Resources Committee assist the Board in discharging its responsibilities. Both Committees have formal Charters, approved by the Board, setting out the respective Committees’ duties and responsibilities.

The Board also establishes ad hoc committees as required, to deal with specific issues.

All Directors are entitled to attend committee meetings and copies of all meeting papers and minutes are available to all Directors. The Chief Executive attends committee meetings. The Finance, Risk and Investment Committee holds regular ‘Directors Only’ sessions, which provide for discussions with external auditors to ensure a robust and independent audit process.

**Finance, Risk and Investment Committee**
The Finance, Risk and Investment Committee comprises five Directors and holds four regular meetings a year. In addition, there is provision for additional meetings to be held to deal with other matters as they arise. The Committee’s overall function is to assist the Board in fulfilling its responsibilities relating to the management systems, and accounting and reporting practices, including:

- assisting the Board to meet its accounting and reporting responsibilities under the Companies Act 1993, the Financial Reporting Act 1993, and related legislation;
- overseeing and reviewing the quality of internal and external audits;
- ensuring the integrity of internal financial reporting;
- ensuring that the Group has the framework and methodologies in place that will ensure that all strategic and business risks are thoroughly managed; and
- advising the Board in relation to the governance, performance and strategy of investment and divestment activity.

**Human Resources Committee**
The Committee comprises five Directors and schedules four regular meetings a year. There is provision for additional meetings to be held to deal with other matters as they arise.

The Committee’s primary purpose is to assist the Board in fulfilling its oversight of ‘good employer’ and human resources governance responsibilities relating to the New Zealand Post Group. The responsibilities of the Committee include:

- overseeing, and reviewing performance of, the human resources strategy for the New Zealand Post Group;
- overseeing, and reviewing performance of, the health, safety and wellbeing strategy for the New Zealand Post Group;
- reviewing, and recommending to the Board for approval, the remuneration policy for the Group, consistent with the Group’s strategic plan;
- reviewing, and recommending to the Board for approval, remuneration arrangements and performance measures and targets for the Chief Executive; and
- reviewing the performance of the CEO against performance measures and targets.

**Access to Independent Information**
In circumstances that warrant additional assurance the Board as a whole, and Directors individually, may, in order to assist in carrying out their responsibilities, request independent professional advice at the Company’s expense. Such requests are to be made in consultation with the Chair and are facilitated through the Company Secretariat.
Risk Management

Management of risk is a key focus of the Board, as it is crucial to the protection of shareholder value. The New Zealand Post Group, therefore, has in place a comprehensive risk management and internal control framework designed to identify and treat all significant business and strategic risks.

The Board approves and monitors policy and processes in significant risk areas. The Board has approved a comprehensive delegated authority structure that clearly states actions reserved to itself and those delegated to management. The Board is also required to approve capital and operational expenditure that exceeds the Chief Executive’s delegations. Any such request for approval is required to reflect a formal consideration of the relevant risk and prioritisation issues.

The Group Risk Team takes a systematic, disciplined approach to maintaining and continuously improving the effectiveness of risk management, internal control, project management and associated governance processes.

The following specific actions are taken:

- a Group risk profile that considers the principal risks to the New Zealand Post Group, and the management actions to mitigate such risks, is updated throughout the year;
- the Board’s Finance, Risk and Investment Committee periodically reviews the Group’s principal risk profile; and
- internal controls are assessed in line with a risk-based internal audit plan, with the outcomes being considered by the Board’s Finance Risk and Investment Committee.

Integrity Standards

The Board supports the principles set out in the “Codes of Proper Practice for Directors”, as issued by the New Zealand Institute of Directors, under which Directors are expected to:

- act honestly and with integrity;
- comply with the law;
- avoid conflicts of interest;
- use Company assets responsibly and in the best interests of the Company;
- be responsible and accountable for their actions; and
- act in accordance with their fiduciary duties.

The New Zealand Post Group has a suite of policies in which it outlines how it seeks to conduct its business with integrity, honesty, fairness and in compliance with all relevant laws, regulations, codes and standards. These policies clearly set out the ethical standards that are expected of Group employees and contractors in their dealings with customers, the Company, and each other.

Additionally, the Board has adopted a set of Directors’ Business Rules and Guidelines to ensure that the practices and procedures of the Board are aligned with the policies applying to New Zealand Post Group employees.

Conflict of Interest

The Companies Act 1993, the Company’s Constitution, the Board Charter and the Directors’ Business Rules and Guidelines deal with the disclosure of interests by Directors and the participation and voting at Board meetings where any such interests are relevant.

Directors are regularly requested to make general disclosures of interest, which are recorded in the Register of Interests.

Governance Requirements and Best Practice

The Board has confirmed that its corporate governance policies, practices and procedures accord with the Securities Commission’s (now the Financial Markets Authority’s) “Corporate Governance Principles & Guidelines”, in the material respects in which they are appropriate for a state-owned enterprise.

Health and Safety

Health and Safety governance is a key priority for the Board. The Board supports the “Good Governance Practices Guidelines for Managing Health and Safety Risks” produced by the Institute of Directors and the Ministry of Business, Innovation and Employment.
KIWIBANK BOARD
(as at 30 June 2013)

Robert William Bentley Morrison
BCom
Chairman
Independent Director
Appointed as Director on 25/2/2011
Appointed as Chairman from 1/7/2011

Alison Rosemary Gerry
MApp. Fin, BMS (Hons)
Deputy Chair
Independent Director
Appointed as Director on 28/3/2007
Appointed as Deputy Chair from 1/12/2011

Hon Sir Michael John Cullen
KNZM, MA, PhD
Appointed as Director on 13/7/2009

Murray Ian David Gribben
BA (Hons), MBA
Appointed as Director on 21/6/2010

Brian Joseph Roche
BCA, FCA
Appointed as Director on 3/2/2010

Catherine Maria Savage
BCA, CA
Independent Director
Appointed as Director on 20/12/2011

David Stephen Willis
BCA (Victoria), ACA (NZ),
ICA (Australia)
Appointed as Director on 21/7/2010

From left: Murray Ian David Gribben, Brian Joseph Roche, Grant Andrew Paterson (resigned 18 June 2013), Robert William Bentley Morrison, David Stephen Willis, Hon Sir Michael John Cullen, Alison Rosemary Gerry, Catherine Maria Savage
OUR EXECUTIVE TEAM

GROUP LEADERSHIP TEAM
(as at 30 June 2013)

Brian Roche, BCA, FCA
Chief Executive Officer – New Zealand Post Group
Before joining New Zealand Post Group in 2010, Brian was a partner in PricewaterhouseCoopers.

Malcolm Shaw, LLB (Hons)
Group General Manager – Assurance
Malcolm is responsible for our Assurance Group, which provides assurance in relation to risk and compliance and plays a leadership role in building and supporting the Group’s brand and reputation. Malcolm has had an extensive background in both in-house legal roles and working for law firms in New Zealand and overseas.

Mark Yeoman, BCA, CA
Chief Financial Officer – New Zealand Post Group
Mark joined New Zealand Post Group in 2009. He was previously CFO at Airways and before that CEO of Samoa’s telecom and postal company, where he managed its transformation from a government department to a state-owned enterprise.

Paul Brock, BBS
Chief Executive Officer – Kiwibank
Paul has an extensive background in the New Zealand banking industry and joined Kiwibank in 2000 as part of the team that created the bank.

Ashley Smout, BBS, MBA
Chief Operating Officer – Mail & Communications
Since joining New Zealand Post Group from Airways in early 2011, Ashley has made his mark in building a strong culture in the Operations business. Ashley leads the newly formed Mail and Communications business in New Zealand Post – looking after the end-to-end process from customer solutions through to operations for our domestic and international business.

Paul Reid, BSc (Hons)
Chief Operating Officer – Channels & Digital Platforms
Paul is responsible for designing and leading the way our customers interact with our products and services across our range of channels – retail network, contact centres and digital platforms. Prior to joining New Zealand Post in 2011 Paul held senior positions at MetService, Air New Zealand and Carter Holt Harvey.

Jo Avenell, BCom, MSc
Group General Manager – People & Capability
Jo joined the New Zealand Post Group in December 2012. She brought with her a wealth of experience designing corporate strategies, leading cultural change and transformation programmes and delivering enhanced employee engagement, productivity and performance. Jo has held executive and senior roles at PricewaterhouseCoopers in New Zealand and the United Kingdom.

Paul Trotman, BCom, ASCPA
Chief Operating Officer – Express Couriers Limited (ECL) (Acting)
Paul started with New Zealand Post in 2003 in the Express and Logistics Finance group. Between 2011 and 2013 Paul was Operations Director in the Telecommunications services industry helping build the Ultra Fast Broadband network in Auckland. Paul returned to the New Zealand Post Group this year as Acting Chief Operating Officer.
Chairman
Hon Sir Michael Cullen

Deputy Chair
Murray Gribben

Members
Carol Campbell
Alan Dunn
Philippa Dunphy
Temuera Hall
Richard Leggat
Jackie Lloyd
David Willis

Group Leadership Team
Group Chief Executive Officer: Brian Roche
Chief Executive Officer, Kiwibank Limited: Paul Brock
Chief Operating Officer, Express Couriers Limited: Paul Trotman (Acting)
Group General Manager, People & Capability: Jo Avenell
Chief Operating Officer, Channels & Digital Platforms: Paul Reid
Chief Operating Officer, Mail & Communications: Ashley Smout
Group General Manager, Assurance: Malcolm Shaw
Chief Financial Officer: Mark Yeoman

Bankers
Bank of New Zealand Limited

Auditor
Paul Clark assisted by PricewaterhouseCoopers, Wellington, on behalf of the Auditor-General

Solicitors
Buddle Findlay
Russell McVeagh

Registered Office
12th Floor
New Zealand Post House
7 Waterloo Quay
Wellington
New Zealand

For further information about the contents of this report, please contact:

New Zealand Post Group Corporate Affairs Team
Private Bag 39990
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Telephone: +64-4-496 4999
Facsimile +64-4-496 4479
Email: post.communications@nzpost.co.nz

For more information about New Zealand Post’s products and services, please contact:

New Zealand Post Customer Services Centre
Telephone toll free: 0800 501 501
Email: enquiry@nzpost.co.nz
Website: www.nzpost.co.nz

For information about our collectable stamps and coins, please contact:

Collectables and Solutions Centre
Private Bag 3001
Whanganui 4540
New Zealand
Telephone: +64-6-349 1234
Facsimile: +64-6-345 7120
Website: www.stamps.co.nz
New Zealand Post's range of The Hobbit: An Unexpected Journey stamps and coins not only portray the characters and themes of Sir Peter Jackson's film, but also reflect New Zealand as the home of Middle-earth.

The Christmas 2013 stamp issue is a reminder of the meaning behind Christmas, and the reason we all celebrate on 25 December. The stamps have a uniquely New Zealand touch, with a pōhutukawa motif framing each of the intricately illustrated images.

A Tiki Tour of New Zealand No.2 takes you on a classic Kiwi road trip around Aotearoa. As you wind your way around the country with caravan in tow, you'll discover the landmarks, activities, culture and history that make Aotearoa such a great place to explore.

The Queen Elizabeth II – 60th Anniversary of the Coronation stamp and coin issue celebrates the six decades that the Queen has served as New Zealand's graceful monarch. Both the stamps and coin feature the six main depictions of the Queen that have appeared on New Zealand legal tender coins.
The **ANZAC 2013** stamp issue honours New Zealanders serving abroad. The stamps in the issue highlight six overseas operations in which our service personnel have shown dedication to achieving peace and security.

The **2013 Year of the Snake** stamp issue reflects different aspects of Chinese tradition and culture. The four illustrated stamps also celebrate New Zealand’s growing Chinese community.

The second coin in New Zealand Post’s **Kiwi Treasures** series combines our national bird with iconic treasures of nature. The 2013 issue features the mighty Tāne Mahuta – New Zealand’s largest living kauri tree.

Both the **Matariki 2013** stamp issue and the **2013 Māori Art Coin** celebrate the koru – a pattern symbolising new life and regeneration.

The **Margaret Mahy** stamp issue celebrates five of her popular books, and is a charming tribute to her life and work. Internationally, Margaret Mahy is considered one of the greatest writers for children and young people of her generation.