New Zealand’s delivery partner

NZ Post
Tukurau Aotearoa
Integrated Report 2017
Welcome to our Integrated Report for 2017

NZ Post – Tukurau Aotearoa continues with its transformation into a delivery and e-commerce logistics company. Our Integrated Report, which focuses on business purpose, capitals and material issues, charts the progress of this transformation.

This year, we tell our value creation story for the short, medium and long terms. Using the International Integrated Reporting Council (IIRC) <IR> framework, we provide further insight on the six capitals that are fundamental to NZ Post and the material issues that influence our ability to create value. We also discuss our strategies – growth, innovation and service, efficiency, and sustainability – and our performance towards achieving them.

NZ Post remains committed to providing New Zealanders with mail services. In 2017, we are also developing our broader role as this country’s delivery partner in a digital world experiencing exponential growth in e-commerce.

Jane Taylor | Chair
11 September 2017
Who we are

NZ Post – Tukurau Aotearoa is a New Zealand-based delivery and e-commerce logistics company with the purpose: Nothing gets in the way of delivering what people care about.

We process and deliver items – parcels, packages and letters – of New Zealand and international origin, to meet the requirements of both sending and receiving customers.

We provide logistics services for businesses, including many who are engaged in e-commerce with consumers, and with other businesses here and internationally.

NZ Post’s strong delivery and logistics capabilities and deep connection with New Zealanders are enabling the high growth now occurring in e-commerce and online shopping. That growth presents exciting opportunities for us into the future and we are taking the steps needed to take full advantage of them.

We are transforming this business to be New Zealand’s delivery partner for a digital world.

NZ Post is a State-Owned Enterprise created in 1987 out of the former New Zealand Post Office. Under a Deed of Understanding agreed with the Government, we provide a universal postal service within New Zealand, and to and from other countries. NZ Post is an investor in Kiwi Group Holdings [the owner of Kiwibank], having sold a 47% shareholding to the NZ Super Fund and the Accident Compensation Corporation during the 2016-17 financial year.

Tukurau Aotearoa is a contemporary representation of NZ Post in te reo Māori: Tuku conveys the sense of sending or delivering, Rau means a hundred or many, Aotearoa being New Zealand. Tukurau – to send or deliver many things. We would like to acknowledge Te Taura Whiri i te Reo Māori – the Māori Language Commission for its support in our adoption of Tukurau Aotearoa.
Online shopping and e-commerce are driving high growth in parcel flows across the globe. NZ Post revenues on inbound and outbound parcels between New Zealand and our 13 largest partner countries were $140M in the latest year.

NZ Post has negotiated bilateral trade agreements with partner countries for the exchange and delivery of these increasing parcel volumes.

Growth is fastest in parcel flows to and from China – New Zealanders receiving goods bought online and Kiwi exporters selling to Chinese consumers, including on platforms such as Tmall, JD.com and Amazon.cn.
UPU MEMBERSHIP
NZ is one of 192 members in the Universal Postal Union (UPU) which sets the rules for international mail and parcel exchanges – New Zealanders can send and receive letters and parcels to and from all countries of the UPU.

INTERNATIONAL MAIL
International mail revenue was $34M in 2016-17, down 3.9% from the previous year.

NZ POST SERVICES
International Parcels and International Letters are two important services we provide, alongside Domestic Parcels and Domestic Letters, CourierPost, Pace (same-day delivery between larger urban locations), Contract Logistics, and Print and Mail.

Note: All revenues shown above are NZ Dollars.
Our six capitals

Organisations use the capitals – each a set of resources and relationships – to create value. In the <IR> Framework, these financial, physical, human and environmental capitals are seen as stocks of value that are increased, decreased or transformed by the strategies and outputs of the organisation from year-to-year. At NZ Post, the following six capitals are relevant to our stakeholders and to the business.

Our Finances

NZ Post’s balance sheet and its capacity to fund the business and to generate financial value for stakeholders.

- Total assets of $1818 million at 30 June 2017.
- $1285 million funded by shareholders’ equity.

Our People

Employees and contractors who work in the NZ Post Network and related business activities, bringing to life our purpose: Nothing gets in the way of delivering what people care about.

- 5099 employees at 30 June 2017.
- 537 Rural Delivery contractors.
- 149 contracted urban or provincial Delivery Agents.
- 45 road transport contractors.
- 525 contract couriers.

Our Expertise

NZ Post’s intellectual property and capacity for innovation in competitive markets for delivery services, and for operational management of the network. Specialist expertise in: Domestic and international parcels; Same-day and overnight courier services; Contract logistics; Domestic and international letters; and Print and mail services.

- 244 million tonnes of parcels and letters transported by road or air during 2016-17.
- Logistics managed across 15 million km of road transport and 8.5 million km of domestic air transport.

Our Relationships

NZ Post’s focus on the delivery, logistics and information needs of customers and partners New Zealand-wide and internationally. NZ Post operates as a sustainable business of national importance.

- Global connection as part of the 192-member Universal Postal Union for parcel and mail exchange and through 13 bilateral agreements for handling of the biggest flows between New Zealand and partner countries including Australia, the United Kingdom, China and the United States.
- Universal Service Obligation to 4.6 million New Zealand residents.
- 21,000 business customers operating monthly accounts with NZ Post.
Our Network

NZ Post operates 24 hours a day with a network of processing centres, transport links, and delivery branches and agents.

National mail and parcel processing centres in Auckland, Palmerston North and Christchurch. Other operations centres in key regional locations.

Road transport with approx. 145 trucks travelling 55,000 km per day. Air freight sharing three 737-400 aircraft flying 17 sectors per week, Auckland-Palmerston North-Christchurch. Full GPS tracking of trucks and aircraft, with centralised network management.

Delivery through 140 branches that cover 1.94 million delivery points. Every two days, NZ Post Delivery Agents walk, cycle or use light vehicles approx. 33,000 delivery kilometres to reach receiving customers. In addition, 650 box lobbies serve 190,000 customers. In 2016–17, tracked parcel and courier deliveries to addresses nationwide involved over 100 million scan events.

Our Environment

NZ Post operations use natural resources, most notably fossil fuels in the transport elements of the network. These make up most of the company’s carbon footprint, calculated at 121,635 tonnes of CO₂e in 2016–17. The total was due to ground transport (39%), carriage of international outbound mail (36%) and domestic air mail (11%). NZ Post has targets in place to reduce its carbon emissions on an intensity basis and is working on an overall carbon reduction goal. The company’s large property portfolio also uses energy and generates waste, both small contributors to the carbon footprint but ones on which NZ Post remains focused.
Our material issues

NZ Post develops strategies for creating value after careful review of all material issues. These issues include social, economic and environmental concerns which matter to our stakeholders, and which could substantially affect this organisation’s ability to create value over time.

Material issues matter in all strategic decision making that shapes the future of NZ Post, and in how we deliver performance for stakeholders over the short, medium and long terms.¹ We identify material issues and assess their significance for the business through periodic engagement with NZ Post stakeholders, ongoing consultation with thought leaders in New Zealand and regular internal review.

Material processes

In 2017, we are aligning the next stakeholder engagement and materiality process more closely with NZ Post’s annual strategy review including the annual Board Strategic Advance which will be held in November. The review and Board discussions will be informed by the outcome of a full, independent materiality process. The latter will also feed into NZ Post’s Integrated Report for 2018. Preparation for the current report has been based on a materiality process undertaken in 2016, the results summarised in the matrix on page 9.

We have not been standing still in this area over the past 12 months. A number of new issues have been identified as being of growing importance for NZ Post. In order to explore these and to determine whether any of the 2016 material issues had changed in definition or importance we consulted a variety of sources and spoke to key people across the business. The consensus was that all existing 15 issues (see the matrix) remained material with minor changes to their impact and some definitional changes required to reflect recent developments.

However four new issues were identified: Data security and cyber safety; Employee health, safety and well-being; Partnerships and collaborations; and Mega cities. We will include these in the upcoming materiality process, as a starting point for consultation with stakeholders (see an overview of issues in 2017 on page 10).

Sustainable Development Goals

NZ Post will increasingly consider its contribution to the United Nations’ Sustainable Development Goals (SDGs). The 17 SDGs were agreed by all UN members in January 2016 and have 2030 target dates. Governments are committing themselves to the SDGs and worldwide, businesses face an increasing expectation that they will also explicitly contribute.

We believe NZ Post needs to report on its contribution. The 2017 materiality process will seek stakeholders’ views on the SDGs of most relevance to this business. Globally, the International Postal Corporation (IPC) has commissioned a survey of postal service company stakeholders to identify which SDGs are of most relevance to this industry. This will assist NZ Post’s consultation with stakeholders prior to November 2017.

IPC - identified SDGs of most relevance to postal services

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<thead>
<tr>
<th>People</th>
<th>Planet</th>
<th>Prosperity</th>
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<tbody>
<tr>
<td>SDG 11 Sustainable cities and communities</td>
<td>SDG 13 Climate action.</td>
<td>SDG 12 Responsible consumption and production</td>
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<tr>
<td>SDG 8 Decent work and economic growth</td>
<td>SDG 9 Industry innovation and infrastructure</td>
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¹ NZ Post regards short term as the next 1-2 years, medium term as 5 years and long term as 10 years and beyond.
**Stakeholders**

NZ Post’s stakeholders are wide ranging and our engagement with them is ongoing. From an internal perspective, we regularly canvass employee engagement via surveys and specific instances of consultation, across business areas, locations and levels. Externally, we engage across New Zealand society, with our customers (including small business and large business via the Sustainable Business Council), community, suppliers, Government, partners and other key non-governmental organisations (NGOs).

NZ Post executives have recently reviewed the identity and relevant importance of the stakeholders who should be consulted in 2017, and the methods most appropriate for this consultation. This was an insightful discussion and identified some gaps in our current engagement which we will address in our future consultations, as part of rebalancing our stakeholder engagement.

**Materiality matrix**

NZ Post’s material issues can be weighted for their impact on the business’s ability to create value over time and for their level of concern to stakeholders. The matrix shows the 15 material issues identified in the 2016 process, weighted here for their business impact and concern. Digitisation along with changing customer needs are the issues of greatest significance to NZ Post.

To ensure transparency and robustness in the materiality process, NZ Post engages an independent expert to consult with our stakeholders and explore their views of material issues for this business. The 2016 materiality process involved a survey, one-on-one interviews and a workshop with our stakeholders. In addition, 12 leaders within NZ Post – people responsible for the six capitals – were interviewed. Externally, we involved 11 stakeholder groups with which we regularly engage, including the New Zealand Red Cross, the Sustainable Business Council, Ākina Foundation, a small business owner, the Treasury, BNZ and Z Energy. Information gathered led to the materiality matrix as shown.

**Materiality matrix of issues identified in 2016**

<table>
<thead>
<tr>
<th>Business Impact</th>
<th>Stakeholder Concern</th>
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<tbody>
<tr>
<td>Global Marketplace</td>
<td>Climate Change</td>
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<td></td>
<td>Individualism</td>
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<td></td>
<td>Competition for Capital</td>
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<td></td>
<td>Ethical and Transparent Governance</td>
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<td>Regulation</td>
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<td></td>
<td>Economic Wellbeing</td>
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<td>Demographic Change</td>
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<td></td>
<td>Competition</td>
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<tr>
<td></td>
<td>Business Transformation</td>
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<td></td>
<td>Changing Customer Needs</td>
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<td></td>
<td>Attract, Nurture and Retain Talent</td>
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<td></td>
<td>Brand and Reputation</td>
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<td></td>
<td>Big Data</td>
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<td></td>
<td>Threat and Disruption</td>
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</tbody>
</table>

Note: The matrix shows material issues as reviewed in 2016.
Material issues in 2017

The upcoming 2017 materiality process will be based on 16 material issues identified in preliminary work. Stakeholders’ views on these will be surveyed and analysed to build NZ Post’s understanding of the likely challenges and opportunities presented by each material issue. The process will be similar to that followed in 2016, with the added consideration of the UN Sustainable Development Goals. We will update our identification of stakeholder groups for consultation to reflect the executive deliberation on this aspect. We had positive feedback on workshops held in 2016 and this element will be extended in 2017.

2017 Material issues for review

<table>
<thead>
<tr>
<th>Material Issue</th>
<th>Description of issues</th>
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<tbody>
<tr>
<td>1. Digitisation</td>
<td>Build digital platforms for enhancing customer experience with excellent tracking systems, and the ability to access real time information from any location. Use big data analytics to identify and meet changing customer needs and raise brand awareness.</td>
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<tr>
<td>2. Changing customer needs and expectations</td>
<td>Understand customers’ changing needs and innovate our products and services to meet them. Appreciate that our customers’ values will influence their decisions and they will expect our behaviour to be fair, ethical and transparent.</td>
</tr>
<tr>
<td>3. Continued business transformation</td>
<td>Continue to innovate our systems, networks and organisational structure to be a market leader of the future with a customer centric culture, where information flows freely.</td>
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<tr>
<td>4. Brand and reputation</td>
<td>Value the trust that our customers and communities place in us in a world of increasing uncertainty, political and otherwise. Be authentic and true in telling our value creation story.</td>
</tr>
<tr>
<td>5. Future ready workforce</td>
<td>Reflect the values and ethics of our workforce as their ‘employer of choice’. Build their resilience and change agility. Embrace diversity and inclusion and build new digital capability.</td>
</tr>
<tr>
<td>6. Competitor threat and disruption</td>
<td>Innovate and leverage opportunities in an industry with few barriers to entry for start-ups that can disrupt our traditional channels.</td>
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<tr>
<td>7. Globalisation</td>
<td>Translate our knowledge and expertise of global markets to help our customers access them locally. Develop effective partnerships and networks to operate effectively in global and local markets in parallel.</td>
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<tr>
<td>8. Competition for capital</td>
<td>Raise capital through strong financial performance, investing in the right things and delivering the right outcomes.</td>
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<tr>
<td>Material Issue</td>
<td>Description of issues</td>
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<td>9. Ethical culture</td>
<td>Be authentic in what we say and do with a culture of ethical governance, building trust and reputation with our stakeholders. Influence a secure and responsible supply chain, where human rights and other risks are guarded against and smaller suppliers are supported, especially in times of change.</td>
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<tr>
<td>10. Economic wellbeing</td>
<td>Contribute to a healthy local and global economy, acknowledging the widening gap between ‘the rich and the poor’ and the impact of this inequity on our customers, workforce and society as a whole.</td>
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<tr>
<td>11. Climate change</td>
<td>Play our part in the transition to a low carbon economy, by reducing carbon emissions from our vehicle fleet and property portfolio. Consider adaptation measures as extreme weather events increase in frequency and severity.</td>
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<tr>
<td>12. Demographic change</td>
<td>Respond to the needs of an ageing population and workforce and the growing social issues presented by increasing cultural diversity in society as a whole.</td>
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<tr>
<td>13. Data security and cyber safety</td>
<td>Protect customer data and privacy as part of our trusted relationship with them. Build cyber safety into our systems and the necessary skills for our workforce and customers.</td>
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<tr>
<td>14. Workforce health, safety and mental wellbeing</td>
<td>Build a safe working environment and conditions that support physical and mental wellbeing, where our people are engaged, motivated and supported to make decisions and thrive.</td>
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<tr>
<td>15. Partnerships and collaboration</td>
<td>Leverage opportunities to collaborate with partners, both established and new, across business, community, government and NGOs. Much more can be achieved in partnership than alone, in particular in times of disruption.</td>
</tr>
<tr>
<td>16. Mega cities</td>
<td>Transition our offices, facilities and network in response to the increasing challenges of mega cities, specifically issues of traffic congestion and property / housing affordability.</td>
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Our business model for value creation

NZ Post owns and operates a delivery and e-commerce logistics business throughout New Zealand, and in connection with other delivery businesses globally. Our strategies use NZ Post’s six capitals to create value for shareholders and other stakeholders.

Material Issues
- Digitisation
- Changing customer needs and expectations
- Continued business transformation
- Brand and reputation
- Future ready workforce
- Competitor threat and disruption
- Globalisation
- Competition for capital
- Ethical culture
- Economic wellbeing
- Climate change
- Demographic change
- Data security and cyber safety
- Workforce health, safety and mental wellbeing
- Partnerships and collaboration
- Mega cities

Our Purpose
Nothing gets in the way of delivering what people care about.
Our strategies have been developed in response to material issues that are important to our stakeholders and that have potential to impact on our business in 2017 and beyond. We must adapt to the wider environment, and to the risks and opportunities associated with it. The value creation model shows how we use the six capitals to achieve our strategies.
NZ Post has quantitative and qualitative indicators for each of its six capitals. Transformation impacted on performance in 2016-17 but overall NZ Post made significant progress towards our long-term goals.

Our Finances
- NZ Post returned to operating profit in the year due to expenditure control, increase in the letter price and growth in parcel volumes in some markets.
- The 47% sale of Kiwi Group Holdings (owner of Kiwibank) shares completed successfully – proceeds used to strengthen the NZ Post balance sheet, support Kiwibank’s capital needs and pay a special dividend to the Crown.

Our People
- We Can! programme of company-wide discussion and customer service story telling launched – NZ Post people empowered to raise service quality in all areas.
- Transformational changes in organisational structure completed – decision making moved closer to the customer.
- Strengthened focus on wellbeing and safety among NZ Post people.

Our Expertise
- New Parcel Delivery Choices meet market demand – service innovation to save customers time and expertise.
- New marketing initiatives for business customers – successful expos in Auckland and Christchurch for start-up, medium sized and bigger companies.
- Rapid recovery from Kaikoura earthquake – network disruption minimised through expertise in transport management and operations.

- $4M underlying net profit after tax compared with an $8 million loss in the previous year.\(^2\)
- 20% debt to equity ratio at 30 June 2017 (down from 30% at 30 June 2016).
- $100M special dividend paid to shareholders from KGH share sale proceeds.
- 59 employee engagement score, consistent with corporate sector benchmark for NZ.
- 5099 employee headcount at 30 June, in line with business and service requirements.
- 220,000 uses of Parcel Delivery Choices by receiving customers.
- One week only of slowed delivery in the South Island following the Kaikoura earthquake that blocked State Highway One.
- 6.1 Lost Time Injury Frequency Rate – spur for renewed focus on safety.

\(^2\) A reconciliation to reported net profit after tax is provided in the Financial Commentary to the 2017 Annual Report.
Our Relationships

- NZ Post brand favourability holds well above its average level of the previous three years.
- High growth in volumes to and from China through partnership with e-commerce specialist Trademonster. NZ Post joined Alibaba, Fonterra and PwC in exploring the use of blockchain technology for ensuring product authenticity in China.
- Fulfilled NZ Post’s universal service obligation to 4.6 million NZ residents.

Our Network

- Capacity and efficiency gains with major new network hubs completed and fully operational – Southern Operations Centre, Christchurch, Waikato Operations Centre at Te Rapa and Taranaki regional centre at Waiwhakaiho, New Plymouth.
- Integration of parcels and mail delivery proceeded to plan in 80 urban and provincial locations – rollout of alternate day delivery continued in provincial areas.
- Letter delivery performance measure slipped to 89.1% – temporary impact of organisational changes.

Our Environment

- Paxster electric vehicles rolled out for delivery in many urban areas with emissions reduction occurring in the network’s “last mile”. NZ Post’s Paxster project a finalist in the government’s Environmental Green Ribbon Awards 2017.
- Total NZ Post carbon emissions growth held to only 5% through new efficiencies in transport routing and a shift to more fuel efficient vehicles and aircraft. Growth due mainly to international parcel volume (beyond NZ Post control).
- Continued strong performance on recycling as waste volumes grow in consequence of higher parcel volumes.

38%
NZ Post brand favourability in 2017 – highest since 2014.

106%
growth in parcels inbound and outbound between NZ and China during the year.

27%
growth in YouShop registrations – New Zealanders using our global online shopping service.

$24M
Capital investment in the network of the future – part of an ongoing programme with more network investment planned in coming years.

70M
parcels processed and delivered to New Zealand addresses or to international destinations.

18%
growth in international parcel volumes (inbound and outbound).

249
Paxsters in operation by 30 June.

6%
reduction in emissions per parcel handled during the year.

73%
recycling of total waste, which grew 4% by volume in the year.

5.9%
reduction in electricity consumed at NZ Post sites.
Our outlook

Chair and Chief Executive

NZ Post is well positioned for success in a rapidly-changing world.

Like other countries, New Zealand is seeing phenomenal growth in e-commerce and online shopping. Today NZ Post plays a critical role in enabling this growth through our delivery of parcels, packages and letters. And we see big business opportunities tomorrow as people everywhere race further into the digital world. We will run beside Kiwis as their trusted delivery partner, reliable data source and innovative e-commerce logistics supplier. NZ Post has the network reach, people, systems and relationships required for success – our success as a profitable, sustainable business and New Zealand’s success as a prosperous, secure nation in a world of rapid change and digitisation.

Over the past four years we have transformed the company’s structure, operations and competitiveness. Change transformation is about positioning for growth – and also for managing the ongoing decline in traditional mail volumes which is, of course, the flipside of digitisation. In 2017, growth is the dominant theme, with increasing parcel volumes in our network and strong demand for NZ Post’s value-added delivery and logistics services. The past year saw further contraction in mail volumes, although the revenue impact was partly offset by a letter price increase and high growth in the volumes of parcels processed and delivered domestically and around the world.

We are pleased to report a $4 million underlying net profit after tax on NZ Post’s core business in 2016-17. This marked improvement on the previous year’s $8 million loss (on a comparable basis) reflects operating cost improvements in the fourth year of our business transformation. Including NZ Post’s share of Kiwi Group Holdings (KGH) earnings, our bottom line profit for 2016-17 is $93 million.

Last October, we completed the successful sale of 47% of KGH to the NZ Super Fund and the Accident Compensation Corporation.

The transaction enabled NZ Post to pay the Government a $100 million special dividend while also strengthening our balance sheet and supporting capital requirements within Kiwibank.

Looking ahead, we expect ongoing improvement in NZ Post’s core financial performance as the company develops and grows its delivery and e-commerce logistics business. We will have high expectations also of our broader economic, social and environmental performance. In 2017 our fifth Integrated Report looks at how value is created across six forms of capital. The past year has seen substantial capability added to the network, strong interest by NZ Post people in our new We Can! programme, positive customer feedback on new service initiatives, progress with our efforts for long-term carbon emissions reduction, and continued engagement with the Akina Foundation and our other community programmes.

This year, we will take further steps to embed sustainability into NZ Post’s strategic planning process and operational management. This includes systematic engagement with stakeholders on issues that really matter to them. Digitisation in all forms of commercial and social interaction, along with big shifts in people’s expectation of service providers, are obviously critical issues.

NZ Post is committed to being a successful business for all stakeholders – and also to making a substantial contribution to the sustainability of New Zealand in economic, social and environmental terms.

We have come a long way in four years. But change and transformation must continue within the strategic framework that is now well established for NZ Post. In 2017-18 and beyond, we see four major imperatives.

First, we must grow our focus on customers and their needs, and ensure the NZ Post network has the required capacity for this. Parcel volumes are growing rapidly and accordingly, we must expand our core functions of processing, transport and delivery. This means investing for bigger scale in some areas, but also integrating more facilities and assets so that any item can be handled with maximum flexibility and timeliness.

To a large extent, our growth will come from the growth of our business customers and their digital connections with their customers. It will also come from the growth of New Zealand’s export sector, and its success in the digital marketplaces of China, across Asia and in other large countries.
Today NZ Post plays a critical role in enabling this growth with our delivery of parcels, packages and letters. And we see big business opportunities tomorrow as people everywhere race further into the digital world. We will run beside Kiwis as their trusted delivery partner, reliable data source and innovative e-commerce logistics supplier.
Second, we must be more innovative with services and empower NZ Post people to “go the extra mile” for customers. With greater digitisation in the world, people expect greater choice and services tailored to their specific need. Parcel delivery choices are an excellent example of NZ Post innovation for residential customers. There are many more to come, especially as we adopt new technology for end-to-end visibility on items and for delivery flexibility.

Our Contract Logistics business is another excellent example: NZ Post hosting the products of business customers and enabling their supply chains to work with speed and efficiency. Our smart systems and the knowledge and commitment of our people can make all the difference to businesses – and to the experience of their customers. We Can! encourages each person within NZ Post to do what they can for every customer while remaining safe, legal and ethical.

Third, we must pursue operating efficiency as well as high service quality. Digitisation is raising customer expectations of highly predictable, consistent service at competitive prices. For exactly this reason, NZ Post is working to make its network more “customer centric” – highly responsive to demand and cost efficient in each area of processing, transport and delivery. Our Parcel Delivery Choices launched during 2016-17, are a good example. They enable customers to save time and expense by specifying how and where they receive parcels.

Transformation has seen substantial investment in efficient new equipment in the Auckland, Waikato and Southern Operations Centres, consolidation of sites around New Zealand and rationalisation in transport activities. More will follow.

Efficiency needs to be clearly reflected in value to our customers. This is certainly the case with various large retailing and service businesses who know they can rely on NZ Post every day for delivery of their products throughout New Zealand. We make all the difference to their success and growth. Our next steps include creating standardised NZ Post service modules from which the business customer can make a selection and build their own particular supply chain solution.

Fourth, we must grow our contribution to a more sustainable Aotearoa New Zealand. Our business, at the heart of this country’s economy, contributes every day to the security and prosperity of tens of thousands of businesses large and small. We share a fundamental commitment to sustainability with many of them – and we are making this a key attribute of the NZ Post brand. This means doing our bit by reducing our environmental impact and growing the value we contribute to communities.

Transparency and data on service performance are critical in this evolving form of customer-centric operation. NZ Post is striving for efficiency and cost control in its network operations so that each component can be put to optimal use and continuity of service can be protected whenever a problem arises. Our rapid and effective response to last November’s Kaikoura earthquake illustrates the progress made.

Delivering in a digital world
We are currently reviewing NZ Post’s ambitions for lowering our carbon footprint. Our challenge is our transport network, the largest contributor to our emissions. When completed, the roll-out of Paxsters in the last mile of the network will be an innovative step towards lowering our transport footprint. This is the first of many such innovations – other major decisions are pending. We also remain committed to our waste reduction and energy efficiency initiatives. Our commitment to building resilient communities includes our partnerships with the New Zealand Red Cross as well as the Ākina Foundation and its programme for building social enterprise capacity.

Our strategies are now well established: Growth, innovation, efficiency and sustainability. This year and the two following will require further substantial investment in network capacity, new information systems and more sustainable transport and other facilities. We expect to invest up to $70 million in key projects, each with a significant return in expanded capacity, operating efficiency and service to customers.

We are proud of the transformation so far achieved in the company’s operations although more changes will inevitably be required given the ongoing decline in letter volumes. NZ Post will continue pursuing efficiency gains and pricing structures will also need close attention to support the financial sustainability of the mail business in particular.

Overall, we face the future with strong confidence in NZ Post’s ability to seize the opportunities arising from digitisation and global growth in e-commerce – and also to meet the related challenges. Transformation has been a success so far but the work must continue. Change has brought disruption in some areas: restoring and maintaining NZ Post’s customer service quality across the board is a big focus in 2017–18.

We take this opportunity to acknowledge the leadership of Sir Michael Cullen, as Chairman, and Sir Brian Roche, as Chief Executive, through a long period of challenge and transformation for NZ Post. Sir Michael retired in October 2016, having chaired the company since November 2010, while Sir Brian retired in April 2017 after seven years in his role. We thank them both for their outstanding contributions to NZ Post and its positive outlook.

We also extend a warm thank you to all NZ Post people for your hard work and resilience over the past year. Skilled and dedicated people remain the heart of NZ Post. Our confidence in the future is founded on you and on our shared commitment to delivering what people care about.

Jane Taylor
Chair

David Walsh
Chief Executive

Our strategies are now well-established: Growth, innovation, efficiency and sustainability.
Grow capacity and value

NZ Post is growing its network capacity and the value it delivers to customers.

The digital world is driving high growth in parcel volumes processed and delivered through the network. Customers in New Zealand and internationally expect reliable, safe service when sending or receiving items through NZ Post. Mail volumes continue to contract as digitisation sees people everywhere communicate online as a faster, lower cost alternative to traditional mail. Our strategy is to maintain our core network services while growing our capacity to provide new services of greater value to people in a digital world.

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<th>Material issues</th>
<th>Capitals</th>
<th>Value creation</th>
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<td>• Digitisation</td>
<td>• Seamless physical and digital interaction</td>
<td>• Integrated delivery of parcels and mail</td>
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<tr>
<td>• Changing customer needs and expectations</td>
<td>• Innovative approach to service design and delivery</td>
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</tr>
<tr>
<td>• Continued business transformation</td>
<td>• Greater choice and convenience for customers</td>
<td>• Customer centric culture</td>
</tr>
<tr>
<td>• Competitor threat and disruption</td>
<td>• Customer centric culture</td>
<td>• Entrepreneurial and commercial culture</td>
</tr>
<tr>
<td>• Globalisation</td>
<td>• Partnerships with other businesses and communities</td>
<td>• Lean and responsive organisation</td>
</tr>
<tr>
<td></td>
<td>• Seamless physical and digital interaction</td>
<td>• Large-scale automated processing at key sites</td>
</tr>
</tbody>
</table>

Partners in a world of online shopping

The Warehouse Group and NZ Post – two major New Zealand companies who share far more than red branding. Both are committed to delivering the best service they can in every part of this country and to meeting all the challenges of an increasingly digital world.

The Warehouse is focused on being New Zealand’s most successful omni-channel retailer, offering customers in-store and online choices for their every need and convenience. Success will require great digital information systems – and also a great delivery partner. NZ Post has the New Zealand-wide reach, the operating agility and the service commitment to match those of The Warehouse.

“With all the challenges we face, our company has got to maintain a strong position and that includes partnering with the right people like NZ Post,” says Jon Adams, The Warehouse’s Chief Fulfillment and Logistics Officer. “They have the knowledge of people and places around New Zealand, and we need to leverage that in the best ways we can to ensure we’re giving our customers great service.”

NZ Post has been delivering to customers since The Warehouse launched its first online shopping offer in 2009. Today, delivery is well integrated into the Group’s retailing operation, with NZ Post picking up orders from multiple distribution centres nationwide and delivering within clear time parameters [next day to addresses within the same island or 2-3 days for items that cross Cook Strait]. NZ Post provides The Warehouse and its customers with online access to real-time information for the tracking of items between pickup and delivery.

Online sales are now the strongest area of sales growth across the Group, which includes Warehouse Stationery, Noel Leeming, Torpedo7 and Number 1 Fitness as well as the core “red sheds” chain of 92 stores nationwide. Like retailers everywhere, The Warehouse is working through all the implications of the big shift to online shopping.

“The disruption isn’t going to stop and just winning the battle to serve customers today isn’t enough. We need to be working with good partners to plan for tomorrow,” Jon says. “The more brains around the table the better and we’re now looking at joint initiatives.”

“No-one really knows what the future is going to be like but for the immediate time ahead, NZ Post is certainly one of our strongest partners,” he says. “They’re integral to our business and I can’t foresee anything that will change that.”
Future outlook
In 2017-18 and beyond, we will:

• **Expand core network functions** – processing, transport and delivery – in locations where volume growth requires this. In particular we will need to expand and/or relocate the Auckland International Mail Centre to meet business requirements.

• **Continue the integration of previously separate network facilities and functions** for mail, parcels, courier and rural delivery into one Group Integrated Network for processing, transport and delivery of items to service levels selected, and paid for, by the individual customer.

• **Integrate NZ Post pickup and delivery activities into the operations of sizeable New Zealand businesses.** Network functions are configured to meet particular customer requirements, ensuring reliable service to agreed standards and securing for NZ Post growth in parcel volumes.

• **Facilitate growth in international outbound and inbound volumes** by partnering with New Zealand-based exporting and importing businesses such as Trademonster which supports consumer goods exporters to China. These exporters have increasing digital market presence in China and their supply chains are enabled by NZ Post and its delivery partners in that market.

• **Engage with substantial international businesses**, including Fonterra, PwC and Alibaba in developing blockchain information technology for the authentication of products export supply chains from New Zealand to China.

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**Parcel volume**

<table>
<thead>
<tr>
<th></th>
<th>Millions of parcels</th>
<th>2015-16</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>47.5</td>
<td>45.5</td>
<td>4.4%</td>
</tr>
<tr>
<td>International</td>
<td>23.2</td>
<td>19.7</td>
<td>17.8%</td>
</tr>
<tr>
<td>Total</td>
<td>70.7</td>
<td>65.1</td>
<td>8.5%</td>
</tr>
</tbody>
</table>

Growth in parcel volumes reflects the take-up and use of online shopping and e-commerce services in New Zealand and internationally.

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With all the challenges we face, our company has got to maintain a strong position and that includes partnering with the right people like NZ Post.

Jon Adams, The Warehouse’s Chief Fulfillment and Logistics Officer

---

**Mail volume**

<table>
<thead>
<tr>
<th></th>
<th>Millions of letters</th>
<th>2015-16</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mail items</td>
<td>514.5</td>
<td>578.0</td>
<td>-11%</td>
</tr>
</tbody>
</table>

Mail volume continues a long-term decline in New Zealand and internationally as communication and information go more online.

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**Revenue segments**

<table>
<thead>
<tr>
<th></th>
<th>Millions of dollars</th>
<th>2015-16</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parcels</td>
<td>431.0</td>
<td>416.5</td>
<td>3.5%</td>
</tr>
<tr>
<td>Letters</td>
<td>311.7</td>
<td>322.0</td>
<td>-3.2%</td>
</tr>
</tbody>
</table>

Revenue growth in parcels reflects increasing volume of these in the network, while the mail volume decline has led to lower letters revenue.
Our Trademonster connection to China

China is definitely open for business – New Zealand business. And the partnership of NZ Post and digital commerce specialist Trademonster is enabling dozens of this country’s small and medium-sized enterprises to achieve rapid sales growth in China’s vast online marketplace.

Trademonster, based in Auckland and Shanghai, has the knowledge and connections needed by New Zealand SMEs looking to reach millions of increasingly-affluent Chinese consumers through one or more of 12 digital platforms in that country, most prominently Tmall, JD.com and Amazon.cn.

NZ Post has the logistical and delivery capabilities, and the official standing, to move products from New Zealand to residential addresses in large parts of China with the speed and efficiency now expected across the digital world. People in Beijing, Guangzhou and Wuhan like online shopping as much as anyone!

Business has boomed since NZ Post began partnering with Trademonster in late 2015. Trademonster is the creation of Shanghai native Gavin Yang who immigrated to New Zealand in 2013 and saw huge potential for business-to-consumer e-commerce between the two countries. Formerly a China-based executive in the global finance sector, Gavin now provides New Zealand SMEs with unique insight into Chinese markets, advice on local requirements of their products, and on how to manage their brands and products on Tmall and other platforms.

The NZ Post-Trademonster partnership supports more than 60 suppliers into China – the brands include substantial Australasian brands such as Antipodes, Evolu, Earthwise and Thompson’s. “For many businesses, China is a very difficult proposition because of the sheer size of the market, its large number of players and fiercely competition,” Gavin says. “Working with NZ Post, we have built a high reputation in New Zealand … we’re now the most trusted partner for building your presence in China, based on the e-commerce platforms that are best for you.”

Trademonster’s Auckland-based team also advises SMEs on how their products can be produced and packaged for China where supply in volume and quality consistency can be big issues. The Trademonster name, Gavin says, “reflects our huge commitment to building long-term trust with our partners and customers, and to being transparent with them in all our business dealings”.

NZ Post provides its well-established Go China service for parcel logistics and delivery (China Post handles most of the “last-mile” delivery in that market). Before Trademonster, NZ Post had seen the growth potential in online sales to China and was providing its New Zealand business customers with a flagship national store on Tmall. This became part of the Trademonster partnership in late 2015.

Since then, parcel volumes have surged month-by-month, topping a total number of 35,000 in June 2017 (compared with only 594 in December 2015).

The partners are now also very focused on growing volumes into New Zealand from China, drawing on Trademonster connections with freight consolidators in Shenzhen.

Kiwis’ international online shopping is one driver but NZ Post could also handle increasing volumes from China to Brazil. Gavin Yang says New Zealand’s location is perfect for the delivery of goods across a digital world, especially between its two fastest-growing physical economies.

“The Trademonster name, Gavin says, “reflects our huge commitment to building long-term trust with our partners and customers, and to being transparent with them in all our business dealings”.

Gavin Yang, Trademonster

Delivering in a digital world
Be innovative for customers

NZ Post is being more innovative with service options and empowering its people to “go the extra mile” for customers.

In the digital world, customers demand choice and service options that meet their needs. NZ Post faces increasing competition from traditional and new players in transport and delivery markets. We are the only operator committed to the provision of universal service throughout this country. We see our reach to 1.94 million delivery points and deep connection as competitive advantages, especially when combined with the expertise and people of NZ Post. Our strategy is for continuous innovation in existing and new markets, and for our people to always do the best they can for customers (while staying safe, legal and ethical).

Future outlook

In 2017-18 and beyond, we will:

- Promote the take-up of Parcel Delivery Choices by parcel receiving customers, enabling savings of time and expense. NZ Post launched the four Delivery Choices in early 2016 – Parcel Leave (where a customer gives authority to leave a parcel for which their signature would otherwise be required), Delivery Instructions (for leaving a parcel in a particular location at the delivery address), Parcel Redirect (to another address) and Parcel Collect (by a customer who requests the parcel be held for them at a particular location). Take-up of Delivery Choices has been strong, with customers using one of the choices in more than 220,000 occasions during 2016-17. On this basis, we estimate an 18% reduction in the need for the Delivery Agent to leave a card at the delivery address and for the customer to retrieve their parcel from a NZ Post location.

- Extend our offer of Domestic Third Party Logistics (3PL), or Contract Logistics, services to business customers as a solution for their specific supply chain needs or for their efficient product delivery to online customers. NZ Post supports larger businesses with an Enterprise Warehouse Management System capable of handling their complex logistical needs including inventory management, order fulfilment and transport. We have invested in the latest cloud-based information technology (Mosaic) to support these services: Business customers automatically receive inventory information, stock shipping messages with track and trace details, and monthly reports against key performance indicators. This warehouse management system is used frequently by product manufacturers and distributors in their supply to retail chains.

Brand favourability

<table>
<thead>
<tr>
<th>Percentage scores</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer rating of NZ Post</td>
<td>38</td>
<td>39</td>
<td>36</td>
<td>34</td>
</tr>
</tbody>
</table>

NZ Post commissions an independent survey of brand favourability each year. A representative sample of 1000 New Zealanders aged 18 or over are asked for their overall impression of the company on a 1-5 scale. The percentage scores are based on those who rank NZ Post at 4 or 5.

Our strategy is for continuous innovation in existing and new markets, and for our people to always do the best they can for customers.
Processing team leader Jarrod Campbell knows how much rural people care about getting their newspapers, mail and parcels. When north Taranaki’s coastal highway was blocked by a large slip last September, Jarrod rapidly went to work on alternatives for delivering to Mokau, Awakino and surrounding areas.

“When they said the highway would be blocked for days, I thought ‘there’s just got to be some way of getting our deliveries through’ … I was going to ask a farmer for permission to walk across their land and carry the bags past the slip,” says Jarrod, a team leader at NZ Post’s Taranaki Operations Centre in New Plymouth.

The best solution emerged in Jarrod’s phone calls to Mokau-based RDI contractor Shelley Pratt and other locals gathered at that settlement’s Whitebait Inn café. It was agreed that Jarrod would drive the delivery bags 70km north to the southern end of the slip and hand them over to the Mokau-resident Police constable. “He was the only one with the authority to drive through the slip area with flashing lights and of course, support from the roading contractors.” It took four days before one lane was sufficiently cleared for Inter-city buses to resume their New Plymouth-Auckland run, making the usual delivery stops in Mokau and Awakino. Jarrod made sure deliveries got passed the half kilometre-long slip on two of those days with real team effort from the 4WD-driving Police officer, Shelley and NZ Post’s New Plymouth-based transport operators. The competitors waited out the four days before resuming their service to north Taranaki.

“It’s easy to overlook the importance to small towns of staying connected,” says Jarrod. “For me, it’s about heartland New Zealand and the fact that people there care a lot about the papers and mail arriving most days. We really don’t want anything to get in the way of that.”
NZ Post Contract Logistics also includes Pick, Pack, Ship services for smaller businesses who are, typically, selling online to consumers. We host the businesses’ products, mainly at our specific Contract Logistics sites in Auckland and Christchurch. The customer is free to focus on their marketing and sales activities without significant investment or expertise in supply chain management. NZ Post information systems are integrated with their systems for seamless sales fulfilment, inventory management and reporting. In addition, we have a range of value-added services to strengthen our Enterprise Warehouse Management and Pick, Pack, Ship solutions, depending on the needs of the particular customer.

NZ Post Contract Logistics are, of course, integrated also with our parcel processing and delivery operations nationwide. Business customers can be assured of faster, more cost effective transport and fulfilment on their behalf. This includes our standard overnight CourierPost delivery, except for in rural areas, and also our economy option of 2-3 day delivery between the North and South Islands. Businesses also benefit from ready access to NZ Post’s Pace service for on-demand point-to-point deliveries.

- **Empower NZ Post’s people to take the initiative in providing the best possible service they can for individual customers (provided actions taken are always safe, legal and ethical).**
  
  We launched the We Can! programme for empowering people in August 2016. This continues with a series of events for leaders and specialists, and with discussions in every team. People are encouraged to share their customer service success stories and discuss their contribution to the NZ Post Purpose: Nothing gets in the way of delivering what people care about. The ongoing conversation uses our internal social media channel and is supported by a 35-member group of “frontrunners” who have volunteered to share their passion for customer service and to encourage their colleagues.

**Employee engagement**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2015</th>
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<tbody>
<tr>
<td>Employee Engagement Score</td>
<td>59</td>
<td>66</td>
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NZ Post commissioned an independent survey of employee perceptions in April 2017. This indicated a need for stronger communication of the company’s strategies, and for more opportunities for feedback and discussion. NZ Post’s traditionally high level of employee engagement has slipped in the context of transformation, although people indicated high satisfaction with day-to-day leadership and with how they work in teams. We are focussed on responding to concerns raised in the survey.

**Health and safety**

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Lost Time Injury Frequency Rate (LTIFR)</td>
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<td>4.9</td>
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Following a period of year on year reductions in the LTIFR, NZ Post saw an increase in injuries among employees requiring time off work during 2016-17. This increase occurred during a period of significant changes in network operations and has reinforced our need to strengthen the focus on the basics of safety in the company’s workplaces, especially during times of change. The Safe Home Every Day (SHED) programme of communication and discussion among leaders and their teams is underway in 2017-18. The LTIFR refers to injuries requiring time off the job per million hours worked within NZ Post. The company will continue to measure this but shift its primary focus to Total Recordable Injuries (including all injuries requiring medical treatment and not necessarily requiring time off work). This ensures our focus is on the reduction (a 20% target for 2017–18) in all injuries, not just those resulting in lost time.

**Letter service performance**

<table>
<thead>
<tr>
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<th>2017</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Percentage delivered to specification</td>
<td>89.1%</td>
<td>94.5%</td>
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</table>

NZ Post commissions an annual independent assessment of its letter delivery performance against the publicly stated objective: Delivery within three working days for Standard Post letters between New Zealand’s major towns and cities. Performance in 2016-17 was temporarily impacted by change processes in some areas of operation.

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**OUR STRATEGIES**

**Growth**

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**Innovation**

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**Letter service performance**

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From the hive to the home

Hives, helicopters and hill country are matched meticulously for the production of True Honey – a brand of the highest quality and most sustainable New Zealand manuka honey. Highbrook also has a critical role with this remarkable product as NZ Post’s Contract Logistics team helps The True Honey Co. deliver on its “hive to home” promise to customers.

The product originates in untouched and remote stands of manuka, mostly in North Island hill country, where bee hives are gently positioned each year by helicopter. “We plan for minimal disruption to the environment, putting the hives among pristine stands of manuka where they are sheltered and where no disruptive track building is required,” says Jim McMillan, Chief Executive of The True Honey Co. It was Jim who saw the potential in his earlier career as a helicopter pilot, looking down on remote swaths of white flowering manuka.

Ideally, the bees have only manuka to feed on. The hives are carefully placed on scales for weight gain measurement through the flowering season. Every day, custom-built technology on the scales sends an automatic record of weight and ambient temperature by satellite phone to The True Honey Co.’s database. The data is continuously also available to the owners of the land.

Hives and their honey boxes are retrieved, by helicopter of course, for harvesting between August and March (depending on location). The honey is extracted at a processing plant in Greytown, Wairarapa. Each glass jar of finished product contains a high concentration of the methylglyoxal (MGO) ingredient which makes manuka honey so valued on nutritional and other grounds. The MGO rating of True Honey ranges from 300+ to 1000+. Each jar is also backed by detailed traceability data on hive, location and timeframe of production (this, too, is shared with the land owners who participate in the eventual sale proceeds).

Jim McMillan and his team are so intent on quality and transparency in the True Honey value chain that sales in New Zealand and Australia are mainly direct to consumers through www.truehoney.co.nz. And this is where NZ Post Contract Logistics becomes so critical. “To maintain the integrity of our offering, we must have a logistics partner in whom we have full confidence ... confidence in how they handle our product, how promptly they deliver it and how affordable they are for our customers,” Jim says.

Highbrook receives jars of product by the pallet, to be stored ready for picking, packing and shipping in response to online orders. The True Honey Co. built such logistics provider autonomy into its e-commerce system from the outset. The system gives it real-time visibility on NZ Post’s order fulfilment and on inventory levels at Highbrook.

NZ Post also has a role in True Honey’s sustainable packaging. Each order of jars is packed at Highbrook for delivery in recycled paper and sustainably-sourced wood: No plastic or bubble wrap. The sustainable and shock-proof packaging is design is based on NZ Post advice – and we are now responsible for how each True Honey order is presented to the customer.

To maintain the integrity of our offering, we must have a logistics partner in whom we have full confidence ... confidence in how they handle our product, how promptly they deliver it and how affordable they are for our customers.

Jim McMillan, Chief Executive

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3 NZ Post’s Contract Logistics Centre, East Tamaki, Auckland.
Pursue efficiency and lower costs

NZ Post is pursuing efficiency and lower cost structures in its operations without compromise to network capacity and innovation for customers.

Around the world, digitisation has raised expectations on service and price. New Zealand is no exception. Like all large service businesses, NZ Post must operate efficiently and manage its costs closely in order to maintain and enhance service quality and price competitiveness. Our strategy is to invest in the best available plant and technology, to give customers choice based on our costs to provide service, and to maintain an effective organisation of skilled and well-motivated people.

Future Outlook

In 2017-18 and beyond, NZ Post will

• Continue investing in state-of-the-art parcel and mail processing plant at major NZ Post sites. This will include Mixed Mail Sorting and Sequencing Machines, built by Siemens of Germany for use in the Auckland Mail Centre: The first of three machines to be installed has replaced manual work with the automated processing of up to 70,000 items per night.

• Secure efficiency gains from our new parcel and mail processing sites. These include the Southern Operations Centre (opened May 2017) and Waikato Operations Centre (opened August 2016).

• Maintain an organisational structure and employment practices that enable NZ Post to compete on service and prices, and also to respond to changes in the operating environment and to improve its productivity over time.

• Develop standardised modules of NZ Post service from which business customers can make selections and create solutions to their particular needs. Standardisation enables the costs of services and solutions to be identified clearly, and those costs to be matched against benefits to customers.

• Establish a National Operations Centre (NOC) for centralised monitoring and control of all network operations. This will require further investment in information technology.

NZ Post reduced operating expense by 9% in 2016-17, due largely to a reduction in employee numbers which resulted in a 22% decrease in employee costs. The 19% reduction in property expenses does not reflect a change in the underlying cost of the property portfolio. It is a consequence of a significant one-off expense in the previous year and one-off rent savings following the Kaikoura earthquake in 2016-17.

NZ Post operating costs

<table>
<thead>
<tr>
<th>MIL lion s of dollars</th>
<th>2016-17</th>
<th>2015-16</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenses</td>
<td>887</td>
<td>975</td>
<td>-9.0%</td>
</tr>
<tr>
<td><strong>Expense segments</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee</td>
<td>348</td>
<td>445</td>
<td>-21.8%</td>
</tr>
<tr>
<td>Transportation</td>
<td>293</td>
<td>285</td>
<td>+2.8%</td>
</tr>
<tr>
<td>Property</td>
<td>71</td>
<td>88</td>
<td>-19.3%</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>32</td>
<td>31</td>
<td>+3.2%</td>
</tr>
<tr>
<td>Other</td>
<td>143</td>
<td>126</td>
<td>+13.5%</td>
</tr>
</tbody>
</table>

NZ Post transformation has involved significant restructuring and change in work requirements across the organisation. The company remains a substantial employer throughout New Zealand.

Total employees

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee headcount</td>
<td>5099</td>
<td>6696</td>
<td>7531</td>
</tr>
<tr>
<td>Full-time equivalent employees</td>
<td>4675</td>
<td>5664</td>
<td>6208</td>
</tr>
</tbody>
</table>
Mighty fast and reliable

Kiwis increasingly love to shop online. They also still love holding, using and viewing their new possessions as soon as possible after purchase. No-one understands this better than Mighty Ape - New Zealand’s home-grown online retailing pioneer.

“Fast, reliable delivery is key to us retaining our edge over a growing number of competitors both at home and overseas,” says Dylan Bland, Mighty Ape General Manager. “We achieve fast delivery in three ways … by holding tonnes of stock, by being physically close to customers and by working closely with reliable delivery partners.”

NZ Post certainly understands “fast and reliable” – words that have come to define a delivery partnership at the heart of Mighty Ape’s rapid business growth over nine years. Today the online retailer offers more than 490,000 products – mostly digital entertainment, toys, electronics and homewares – and an extraordinary offer of same-day or next-day delivery to any address in this country. Kaitaia to Bluff.

“Mighty Ape has been built from the ground up in New Zealand, and from day one we’ve operated our own distribution centre in Auckland (at Albany),” says Dylan. “Holding stock under our own roof allows control over how quickly we can get orders picked, packed and into the hands of courier drivers. Our customers love our fast dispatch times.”

“In addition to holding stock, being tightly integrated with CourierPost has been key to keeping true to Mighty Ape’s delivery promise of fast overnight delivery anywhere in New Zealand. It doesn’t matter where people live, they all enjoy the same reliable overnight service. That’s a real lifestyle improvement for customers in small towns who can finally enjoy the same range of awesome products as friends and family living in cities. Online shopping is a true equaliser!”

Dylan says the relationship between Mighty Ape and NZ Post has scaled seamlessly since 2008. “Over the years we’ve moved from manual tickets to a fully integrated booking system which has created efficiencies in the distribution centre and also service wins for our customers with every order able to be fully tracked within Mighty Ape. NZ Post’s commitment to technology and helping us to scale has certainly been of great benefit to our business.”

In fact, Mighty Ape believes New Zealand is really just starting its online shopping journey, and delivery times and costs must come down further "Same-day or faster must become the new standard," says Dylan. “New Zealand companies are facing offshore competition like never before and the opportunity has never been greater for NZ Post to help Kiwi companies like Mighty Ape remain competitive.”
An earthquake in the way ... briefly

The Kaikoura earthquake of November 2016 was a big shock to the NZ Post network. It was also a big test of our capacity for urgent redesign of network components and for operating efficiency in the face of adversity.

In fact, the massive landslides that blocked State Highway 1, and caused temporary disruption to Cook Strait ferries slowed our delivery volumes through the South Island for only a week – and NZ Post was back delivering letters and parcels in the cut-off Kaikoura township within five days.

The magnitude 7.8 quake struck at midnight on Sunday. Recovery efforts were well underway by Monday lunchtime, with transport services between the North and South Islands resuming later in the day albeit with some delays. “We got our drivers group in Blenheim together and rapidly sketched out what we were going to do over the long-term,” says Alan Court, General Manager Transport and Logistics. “Within a week we had this part of the network reconfigured and delivery volumes were moving again pretty much as usual.”

Driver safety and on-the-road work time restrictions were major considerations. NZ Post trucks were re-routed between Picton and Christchurch using State Highway 63 and the Lewis Pass, with additional drivers and a swap-over of drivers in the North Canterbury town of Culverdon. The plan required more carrying capacity to be added elsewhere in the network, as far away as Auckland, to maintain a north-south balance in space availability.

On the key Picton-to-Christchurch route, NZ Post was forced to add 282km (four hours) to the round trip. For all this, however, sending and receiving customers throughout most of the South Island would have noticed only a small difference in our delivery times as a result of the big event.

The network reconfiguration will remain in place until Highway 1 is restored in full from Christchurch to Picton. Maintaining service standards between the islands and around the South Island has, meantime, lifted NZ Post’s network operating costs by about 10% per month.

The quake closed road access to Kaikoura from all directions for nearly three weeks but, again, NZ Post moved as rapidly as it could. On the Friday following (the fifth day), we delivered 2 tonnes into the town on two chartered aircraft flown from Christchurch. NZ Post followed hard on the heels of the NZ Defence Force!

By Friday afternoon, our Kaikoura-based Delivery Agents were delivering mail and parcels to grateful householders and businesses. (NZ Post had actually flown emergency relief into the town for those delivery contractors on the third day.)

Over the weeks that followed, we secured space on regular flights into Kaikoura and when road access from North Canterbury was restored, NZ Post vehicles were among the first in. Our two Kaikoura-based Rural Delivery contractors were back in business as soon as they could be. To the north, around 100 customers remain still isolated by slips and damage to the Clarence River bridge: Three times a week, NZ Post delivers for them to a drop-off point on the north side of the river. Nothing gets in the way, for long, of us delivering what people care about.

“Within a day we had this part of the network reconfigured and delivery volumes were moving again pretty much as usual.”

Alan Court, General Manager Transport and Logistics.
OUR STRATEGIES

Growth

Innovation

Efficiency

Sustainability
Grow our sustainability

NZ Post will take further steps to grow its contribution to the sustainability of New Zealand and the world.

NZ Post has a sustainability strategy with three core elements: People, Planet and Prosperity. We work on each element with partners, developing and implementing programmes that help build communities, protect and enhance the environment, and support the success of businesses across New Zealand. NZ Post has been taking initiatives for social, environmental and economic sustainability for the past 10 years. These initiatives and our People, Planet and Prosperity strategy are, in effect, continuing a 177-year tradition of service to communities and to the New Zealand economy.4

In 2017 this country, like many others, faces big challenges of social, environmental and economic sustainability. NZ Post plans and operates its business with these challenges firmly in mind: We are committed to growing our contribution, consistent with the Sustainable Development Goals of the United Nations.

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Cutting emissions in the “last mile”

Delivering mail and parcels to the households of Torbay, on Auckland’s North Shore now involves a low emissions vehicle – the Paxster, NZ Post’s new electric vehicle for “last mile” delivery. Torbay is among the first areas to see Paxsters on the street for residential and commercial delivery. The transition from cycles, motorbikes and vans to all-purpose electric vehicles has been successful in Torbay, especially when the new vehicles are in the capable hands of Delivery Agents like Harsha de Silva.
Future outlook

In 2017-18 and beyond, NZ Post will continue to embed the principles of sustainability into our core operating strategies, including the following specific initiatives:

• **Support employees to volunteer time and resources to many social projects across New Zealand.** Each year our people may take a day’s paid volunteer leave to offer their time and energy in their community – from preparing frozen meals, to sewing school bags, to building walking tracks in conservation areas. Our people are volunteering their time and effort every year. NZ Post is committed to increasing employee involvement in the years ahead.

• **Maintain a strong partnership with the New Zealand Red Cross and its programmes for emergency response, for disaster relief in this country and the Asia Pacific region, and for community preparedness and resilience.** NZ Post provides the NZ Red Cross with logistical support, postal and banking services (through Kiwibank) and volunteer mobilisation whenever need arises. Our retail presence and relationship with Kiwibank are particularly useful for the rapid establishment of a donations channel between the New Zealand public and the NZ Red Cross; Since 2011, more than $630,000 has been collected in this way for emergencies and disaster relief (including the 2016 Kaikoura earthquake).

NZ Post also gives support to the five Red Cross Disaster Welfare and Support Trucks stationed around the country for dispatch to emergency locations. In the past year, 1300 people benefited directly from these mobile facilities, with the Kaikoura quake and Franz Joseph floods two notable occasions. The two organisations work together on numerous local community initiatives. Recent examples include a curtain bank for people in Invercargill and a NZ Post bicycle re-use scheme for refugee groups in Hamilton.

• **Support not-for-profit groups across New Zealand with the Community Post programme.** The past year saw 1 million postage-included envelopes donated to groups for community-building projects.

• **Foster the growth of social enterprise in New Zealand.** Social enterprises are purpose-driven organisations with specific non-financial goals. They are commercially-viable businesses operating in the market economy to produce and supply goods and services, and to achieve certain social and environmental outcomes. NZ Post supports the growth of social enterprise in New Zealand largely through a partnership with the Ākina Foundation, under the People and Prosperity elements of NZ Post is working closely with the New Zealand Transport Agency, the Police, unions and local authorities on all safety aspects of Paxster use on urban streets. This includes careful design of their routes. The four-wheel vehicle can be driven on both road and footpath, this flexibility being necessary for the efficient integration of mail and parcel deliveries. In Torbay, Harsha knows every stretch of footpath and he says pedestrians always have right of way. “People are still learning about the Paxsters at this stage and we’ll become a more familiar sight over time.”

Being electric, the vehicle has zero tailpipe emission. Paxters will enable NZ Post to add much-needed delivery capacity as parcel volumes grow, with little or no increase in associated emissions. They will have replaced a number of the vans used now in “last mile” parcel delivery in some urban areas. With delivery volumes rising all the time, that will give a real boost to business sustainability!

Harsha says the response from people on his routes has been overwhelmingly positive in the eight months since his Paxster’s first outing. “It’s been a new experience for everyone and mostly, people show huge interest in how far it can travel on one battery charge.”

Based at NZ Post’s Rosedale delivery distribution centre, Harsha provides priority delivery of mail and parcels along two routes early in the day. His second delivery of items is completed by 5pm. “The system is very efficient. The vehicle can carry all the parcels required of it so far and I can easily deliver just to a letterbox or go to a customer’s door when that’s needed for parcel delivery,” says Harsha, who was previously with CourierPost. Each Delivery Agent is equipped with a wireless barcode scanner for capturing the data that enables real-time tracking of parcels.

NZ Post selected the Norwegian-built Paxster as the electric vehicle for integrated delivery of mail and parcels in many urban areas after trialling it and another contender on the streets of New Plymouth during 2015. The Paxster has a load capacity of 200kg and a range of 80km or more. The plan is to put 450 of them into operation by late 2017 – and that will be this country’s biggest fleet of road-useable electric vehicles. Added to this will be several KYBURZ electric three-wheelers, kept in use by NZ Post after their acquisition for the New Plymouth trials.
our sustainability strategy. Ākina is a charitable entity for the building of human and organisational capability across the social enterprise sector, for facilitating investment in such businesses, and for supporting their growth from start-up onward. Since partnering with Ākina in 2012, NZ Post has supported a social enterprise programme in Northland, Manawatu and Tairawhiti, helping start-ups in these regions to access capital and train people. Some NZ Post employees have used their volunteer day to help particular enterprises.

With Ākina, NZ Post is supporting the establishment of a digital marketplace for social enterprises to present and sell their products to larger New Zealand companies. This will progress “social procurement” in this country, where organisations use their purchasing power to procure goods and services they need with the intent also of creating particular social and environmental outcomes. In September 2017, Ākina will host the Social Enterprise World Forum in Christchurch. NZ Post is a gold sponsor for this three-day event, which will bring over 1200 delegates here to focus on social enterprise developments worldwide.

• **Constantly seek to reduce the environmental impact of NZ Post operations where this is commercially feasible.** Carbon emission reduction, energy efficiency and waste reduction and recycling are key areas for this company, and we will be continuing to set specific goals in the business, and with suppliers and customers. In previous years, NZ Post has taken big steps to use more fuel efficient aircraft domestically, improve the routing of its trucks, introduce electric vehicles, and explore a shift to biodiesel. These continue to be areas of focus.

• **Divert the major share of NZ Post waste into recycling.** In 2017 we are going further with our “Let’s sort it” campaign among NZ Post’s people. They are encouraged to reduce waste and shift even more waste paper, cardboard, glass and plastic waste to recycling, rather than landfill.

• **Operate New Zealand’s largest fleet of electric vehicles** from this year onward. Around 450 specialist electric vehicles, mainly Norwegian-designed and built Paxsters, are going into service for “last mile” delivery in many urban areas nationwide. These vehicles enable NZ Post to add much-needed delivery capacity as parcel volumes grow, with little or no increase in equivalent emissions.

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**Operations centre for a sustainable future**

NZ Post took a long-term view on the needs of its business and its people when planning the new Southern Operations Centre at Christchurch International Airport.
### Greenhouse gas emissions

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<th>2017</th>
<th>2016</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total emissions – tonnes of CO²E (CEMARS certified)</td>
<td>121,635</td>
<td>119,916</td>
<td>+1.4%</td>
</tr>
<tr>
<td>Emissions per parcel – grams of CO²E</td>
<td>982.64</td>
<td>1049.817</td>
<td>-6.4%</td>
</tr>
<tr>
<td>Emissions per letter – grams of CO²E</td>
<td>73.46</td>
<td>66.96</td>
<td>+9.7%</td>
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</table>

Total NZ Post-accounted emissions increased by 1.4% during 2016-17 due, mainly due growth in outbound international parcels and the YouShop service. Emissions associated with the transport of parcels from New Zealand are included in the total but these are not subject to NZ Post control. Parcel emissions intensity declined 6% as the network is reconfigured and becomes more efficient at processing the increasing number of parcels. Letter emissions intensity increased 10% as the network cannot be scaled back at the same rate as letters decline.

### Energy usage

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<th>2017</th>
<th>2016</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity consumed at NZ Post-occupied sites – Annual total per square metres</td>
<td>96 kWh</td>
<td>102 kWh</td>
<td>-5.9%</td>
</tr>
</tbody>
</table>

Usage declined during 2016-17 due mainly to a milder winter across New Zealand, and to the impact of the Kaikoura Earthquake in November, along with the addition of newer, more energy-efficient sites in the NZ Post network. The latter involve the introduction of more energy efficient equipment and appliances.

### Waste and recycling

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<th>2017</th>
<th>2016</th>
<th>% change</th>
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<tbody>
<tr>
<td>Total waste – kg/m² NZ Post-occupied site</td>
<td>2.3</td>
<td>2.2</td>
<td>+4.6%</td>
</tr>
<tr>
<td>Percentage recycled</td>
<td>73%</td>
<td>74%</td>
<td>-1.4%</td>
</tr>
</tbody>
</table>

Total waste from NZ Post operations grew during 2016-17, with kilograms of waste per square metre up 4.5%. More waste was recycled compared with the previous year although not as a percentage of total waste due to the latter’s growth rate. A renewed focus on waste reduction and recycling is underway with the Let’s Sort it! campaign.

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The centre – ideally-located and equipped with state-of-the-art parcel processing equipment – has added much to the efficiency of NZ Post operations across the South Island. It is also safer and more comfortable for our people to work in.

The centre can process up to 6000 parcels an hour, four times the capacity of the previous facility. It serves as NZ Post’s overnight courier, parcels, processing and distribution hub for the South Island. Items can arrive here for delivery anywhere in the island, many of them through 14 regional distribution points. The centre is also the point from which parcels are shipped on to the North Island and the wider world.

Adjacent to the tarmac as part of the airport’s Dakota Park development, the centre can handle up to 14 aircraft and 46 road line-haul movements in a 24-hour period. Its location just 200 metres off State Highway 1 makes for faster and safer truck movements in and out of Christchurch.

The 14,600 sq metre centre was purpose-built for NZ Post by Christchurch International Airport Limited. As long-term lessee, we have invested $8 million in automated sorting equipment for the site. Every parcel arriving here is barcode scanned and photographed on each side, then rapidly conveyed to the collection area for retrieval by couriers or transport operators for road movement further afield.

This level of automatic data capture has significant revenue benefits to NZ Post as accurate information is now instantly gathered on all items including those that were incorrectly labelled by senders in respect of parcel size and/or weight. The processing efficiencies and enhanced data capture mean faster delivery to customers, and greater tracking ability for them and for NZ Post.

The new Southern Operations Centre is another component in Christchurch’s ongoing post-earthquakes rebuild – and of course, it brings NZ Post people into a safer working environment. Health and Safety considerations were also to the fore when the processing equipment was being designed and installed. Around 170, of our people are based on the site, which also includes an international gateway for inbound freight. Customs and MPI personnel are on site when needed to inspect and process items which come directly into the centre from overseas, adding efficiency to NZ Post’s operation.

“Our productivity is definitely up as people really enjoy working with such a clever and efficient system, and also appreciate the centre’s excellent facilities,” says Marie Watson, Southern Operations Manager (National Processing). “The first months of operation have, overall, been extremely successful.

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Our productivity is definitely up as people really enjoy working with such a clever and efficient system, and also appreciate the centre’s excellent facilities.

Marie Watson, Southern Operations Manager
Corporate governance

The NZ Post Board recognises the critical importance of strong corporate governance to the company’s ability to create value. Accordingly, NZ Post has a comprehensive set of governance structures and practices to promote high ethical standards, rigorous review and deliberation, and sound decision making in all key areas of Board activity. The Board is guided by the nine Corporate Governance Principles of the Financial Markets Authority.

**Principle 1: Ethical standards**

The Board supports the principles set out in the Code of Practice for Directors of 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.

New Zealand Post has a set of policies for the conduct of its business with integrity, honesty, fairness and in compliance with all relevant laws, regulations, codes and standards. Furthermore, the Board has adopted a set of Directors’ Business Rules and Guidelines to ensure that its practices and procedures are aligned with the policies applying to employees.

The Companies Act 1993, the company’s Constitution 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.

The policies include a specific Ethics Policy which requires NZ Post’s people to “maintain the highest standards of behaviour and undertake their duties and responsibilities in an honest and professional manner and in accordance with the New Zealand Post Group ethics, principles and the law”. The policies also require the company to maintain a safe and healthy workplace, and to manage its business with care for the environment.

To ensure that the essence of the policies is easily accessible and understood by our people, we have created “My Post Code – a personal guide for doing the right thing at NZ Post”. The Post Code synthesises the key elements into a wallet sized guide.

**Principle 2: Board composition and performance**

The NZ Post Board 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.

At 30 June 2017, the Board comprised eight 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.
Sir Michael Cullen  
MA, PhD  
Retired Chair  
Sir Michael was Chair until he retired on 31 October 2016. He joined the Board in May 2009 and was Chair from November 2010.

Jane Taylor  
LLB (Hons), LLM (First Class Honours), BForSc (Hons) Dip. Acc. CA CFInstD  
Chair  
Jane Taylor is a professional director, with a strong background in both law and finance. Her current governance appointments include Chair of Landcare Research New Zealand Limited and Predator Free 2050 Limited, Deputy Chair of Radio New Zealand, and a director of Silver Fern Farms Limited, Kiwibank Limited and OTPP New Zealand Forest Investments Limited. Jane is also a board member of the External Reporting Board (XRB).

Former directorships include Forestry Corporation of New Zealand Limited, Hirepool Group Limited, Heartland NZ Limited, GNS Science Limited and Research and Education Advanced Network Limited. Jane was awarded the Otago Daily Times Business Leader of the Year for 2016.

Jane holds an LLB(Hons) and LLM with First Class Honours from the University of Auckland, a postgraduate qualification in accountancy and finance from Victoria University of Wellington and a BForSc (Hons) from the University of Canterbury. She is a Barrister and Solicitor of the High Court of New Zealand, a Chartered Fellow of the Institute of Directors in New Zealand, a member of the New Zealand Law Society and a member of Chartered Accountants of Australia and New Zealand. Jane is also certified as an Independent Hearings Commissioner (Chair endorsement) under the Resource Management Act 1991.

Jacqueline (Jackie) Lloyd  
BA, BCom, CMInsD  
Deputy Chair  
Jackie has an extensive background in private and public organisations. She is currently Chair of Experience Wellington (Wellington Museums Trust), a director of AgResearch, a trustee of The Lion Foundation and a member of the Combined Council for the Weltec & Whiteria Institutes of Technology. She is also Chair of the State Services Commission Risk and Assurance Committee, and an independent member of the New Zealand Defence Force Risk and Assurance Committee.

Jackie has a strong background in business transformation, human resources and leadership. She previously served as global human resources director for the New Zealand Dairy Board and NZMP Fonterra, and subsequently as a consultant and New Zealand country manager for Hewitt Associates and The Gallup Organization. Jackie is a member of Global Women and serves on the National Council of the Institute of Directors in NZ (Inc).
Carol Campbell
BCom, CA
Director
Carol Campbell brings 30 years of financial experience with a background as a Chartered Accountant and is a member of the Chartered Accountants Australia and New Zealand.
Carol has extensive financial experience and a sound understanding of efficient Board governance. Carol holds a number of directorships across a broad spectrum of companies, including T&G Global, NZME, NPT and the Fisher Listed Investment companies – Kingfish, Barramundi and Marlin Global where she is also Chair of the Audit and Risk Committee. She is also a Director of Kiwibank, holds a number of Private company Directorships and is Chair of Ronald McDonald House Charities in New Zealand.
Carol was a Director of The Business Advisory Group for 11 years a chartered accountancy practice, and prior to that a partner at Ernst & Young for over 25 years.

Richard Dellabarca
Director
Richard Dellabarca returned to New Zealand in 2015 after 14 years offshore in a variety of CEO, CFO and director positions in private equity backed ventures, capital markets, financial services and technology related opportunities. Prior to this, Richard was an investment banker, working in both New Zealand and Australia in Mergers and Acquisitions and Equity Capital Markets.
Richard has an MBA from Cambridge University and is qualified as a barrister and solicitor, and chartered accountant.
Richard is currently Chief Executive Officer of the New Zealand Venture Investment Fund, and a Board member for the New Zealand Rugby Union, Harman Limited, Kea New Zealand and Solvency II Solutions, an insurance software business based in the United Kingdom.

Alan Dunn
Director
Alan Dunn is a Director of Burger Fuel Worldwide Limited and Z Energy Limited. Until 2007, he spent 30 years with McDonald’s, holding senior international appointments including Chairman and CEO of McDonald’s New Zealand, Vice-President Operations at McDonald’s head office in Chicago, and regional Vice-President and Managing Director of McDonald’s Nordic region based in Sweden.
In addition to his strong business background, he has contributed to a variety of community and education organisations, including Chairman of the Clean Up NZ Trust, the Auckland University of Technology (AUT) Foundation, the AUT School of Hotel and Restaurant Studies Advisory Committee and the AUT Maori Scholarship Committee, and as a Trustee of Ronald McDonald House Charities. In 2001 he chaired the Government Task Force on Business Compliance Cost.
Julia Hoare  
BCom, FCA  
Director

Julia is a professional independent director. She possesses a comprehensive range of commercial and financial expertise, developed from both her governance roles and over the course of 20 years as a partner with PwC. She retired from the PwC partnership on 31 December 2012 to pursue a full time corporate governance career.

Julia is currently the Deputy Chair and Chair of the Audit and Risk Committee for both The a2 Milk Company Limited and Watercare Services Limited. She is also a director and the Chair of the Audit and Risk Committees of both Port of Tauranga Limited and AWF Madison Group Limited. Julia is a member of the Institute of Directors National Council and the External Reporting Board Advisory Panel.

Julia is a fellow of Chartered Accountants Australia and New Zealand and a member of the Institute of Directors.

Richard Ian Leggat  
BSc  
Director

Richard brings 30 years’ experience across manufacturing, sales and marketing, governance and financial management in a range of industries, with a particular focus on investment advice to institutional clients. For the past five years Richard has been a full time director with positions on a number of government and sporting organisations.

Amongst his positions Richard is a Director of Tourism NZ, Education NZ, Waterfront Auckland, Chair of the NZ Cycle Trail, Director of Cycling NZ and Director of SnowSports NZ.

Richie Smith  
MBA  
Director

Richie Smith brings with him over 20 years of national and international executive leadership roles with an extensive background in agriculture and logistics. Previously Richie has served as the Chief Executive for companies such as the Farmside Group and GreenFields (CRT).

He currently holds directorships in a number of companies including Hilton Haulage Transport Group, Timaru District Holdings Limited, Pivot Software Group and Ngai Tahu Farming. Previous directorships in a range of industries have included dairy, agriculture, telecommunications, technology and manufacturing. Richie has also previously held a Ministerial appointment to the South Canterbury District Health Board.
Senior Leadership Team

NZ Post has a Senior Leadership Team of managers, led by the Chief Executive and accountable to the Board.

Sir Brian Roche  BCA, FCA
Chief Executive Officer until retirement on 30 April 2017

Sir Brian joined NZ Post as Chief Executive Officer in January 2010, with an extensive background in strategy, organisational transformation and people management. He was a senior partner at PricewaterhouseCoopers before taking up his leadership role at NZ Post.

David Walsh  BCA, CA
Chief Executive Officer (from May 2017)

David became Chief Executive in May 2017. He joined NZ Post in February 2015 as Chief Financial Officer having previously held the position of General Manager Corporate and Finance at KiwiRail after his role as CFO was widened.

His professional background also includes being Chief Operating and Chief Financial Officer at the New Zealand Racing Board, and working in senior finance roles at Fonterra and TransAlta.

Bryan Dobson  BBS (Hons)
General Manager, Customer Solutions & Marketing (from August 2017)

Bryan joined NZ Post in February 2017 with a wealth of experience in strategic marketing roles in the energy and financial services industries. Prior to joining NZ Post, Bryan worked for energy company Mercury where he held senior roles in sales and marketing, digital transformation and general management. Bryan has a first class honours degree in marketing.

Janet Selwood  BA, MBA
Executive Manager

Janet joined NZ Post in May 2013 as strategic adviser to the Chief Executive, having previously held a variety of roles in Telecom New Zealand. Janet has worked in the private, SOE and government sectors, predominantly in the areas of strategic planning, business performance management, business/investment analysis, finance and leadership.

Malcolm Shaw  LLB (Hons)
General Manager, Governance & Sustainability

Malcolm joined NZ Post in 2000, and in his role as General Manager, Governance & Sustainability, is also Group General Counsel and Company Secretary. Malcolm is a Barrister and Solicitor of the High Court of New Zealand.

Along with Malcolm’s legal background, in-house at Contact Energy and the New Zealand Dairy Board and in private practice both in New Zealand and the UK, he also has extensive general management experience.

Jo Avenell  BCom, ACA
General Manager, People, Culture & Communications

Jo joined NZ Post in December 2012 and brought with her a wealth of experience designing corporate strategies, leading cultural change and transformation programmes, developing aligned HR strategies, and delivering enhanced employee engagement, productivity and performance.

Jo was most recently General Manager, Human Resources at Westpac and has held executive and senior HR roles at Pricewaterhouse Coopers in New Zealand, and at Ernst and Young and Credit Suisse both in New Zealand and the United Kingdom.
Ashley Smout  BBS, MBA  
General Manager, Customer Sales & Channels (Interim)  
Ashley was appointed to this role in August 2017 having previously been Group General Manager, Customer Engagement. Other previous leadership positions at NZ Post were Chief Operating Officer of Customer Service Delivery and Group General Manager, Operations. Ashley joined NZ Post from Airways Corporation of New Zealand, where he was Chief Executive Officer for eight years. Before joining Airways Corporation in 1999, Ashley spent 10 years in general management roles with Schneider Electric, including positions in Australia and Singapore. He earlier held marketing and senior operational management roles in New Zealand’s industrial manufacturing sector.

Mark Stewart  BSc (Hons), PhD  
Chief Operating Officer, Customer Service Delivery  
Mark joined NZ Post in 2008. He has held a leadership roles across the business since, in the store network, mail operations, leading the integration of parcel and mail operations, and now Chief Operating Officer, Customer Service Delivery. Prior to NZ Post, Mark worked in a number of management consulting roles, most notably with PA Consulting in London, United Kingdom, where he worked in private and public organisations across multiple industries to develop and implement customer and operational strategies to improve business performance.

John van Woerkom  BCA, CA  
Chief Financial Officer  
(Interim from May 2017)  
John joined NZ Post in September 2015 and prior to his appointment as interim CFO, John was in the role of Deputy CFO responsible for various functions including planning, management reporting, portfolio management, process management and investor relations. Before he joined NZ Post, John worked in a number of financial and management roles at Telecom/Spark, most recently as Group Financial Controller. John started his career at Coopers & Lybrand (now PwC) and had a stint at The Treasury prior to joining Telecom.

Brendan Thawley  MSc  
General Manager, Customer Experience Transformation  
(from August 2017)  
Brendan joined NZ Post in February 2017. He has a master’s degree in behavioural psychology and extensive experience in strategy, marketing and customer experience roles in New Zealand, Australia and the United Kingdom. Most recently Brendan held general management accountabilities for strategic and operational support of ANZ New Zealand’s Retail and Business Banking businesses.
Role of the Board

The Board is responsible to shareholding Ministers for directing and monitoring the management and affairs of NZ Post. NZ 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 NZ Post 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 NZ Post, 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.

The Board has collectively reviewed and approved the Integrated Report for 2017. It confirms that, in the view of directors, the report is presented in accordance with the Integrated Reporting Framework.

Board meetings

During 2016-17, the Board held 10 regular meetings (with provision for 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 Senior Leadership Team.

In the current financial year, an additional strategic planning session was held, as part of transitioning the timing of these sessions from February to November.

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.

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.

Periodically, directors visit NZ Post sites and attend gatherings of NZ Post people, a recent example being in the context of our We Can! programme for empowering NZ Post people and engaging the organisation in customer conversations. These activities are regarded by the Board as critical to its oversight of safety and wellbeing and to other Board due diligence activities within the company.

Principle 3: Board committees

A Finance, Risk and Investment Committee and a Human Resources Committee assist the Board in the discharge of its responsibilities. Both committees have formal charters, approved by the Board, setting out the respective committee’s 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.

Principle 4: Reporting and disclosure

The Board relies on the Finance, Risk and Investment Committee to oversee and guide the company’s external reporting and disclosure. The committee comprises four 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 2013, and related legislation;
• overseeing and reviewing the quality of internal and external audits;
• ensuring the integrity of external financial reporting;
• ensuring that NZ Post has the framework and methodologies in place that will ensure that all strategic and business risks and opportunities are thoroughly managed; and
• advising the Board in relation to the governance, performance and strategy of investment and divestment activity.
**Principle 5: Remuneration**

The Human Resources Committee comprises five directors and schedules five 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 NZ Post. The responsibilities of the committee include:

- overseeing, and reviewing performance of, the human resources;
- overseeing, and reviewing performance of, health, safety and wellbeing;
- reviewing, and recommending to the Board for approval, the remuneration policy, consistent with the strategic plan;
- reviewing the remuneration for members of the senior leadership team;
- 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 Chief Executive against performance measures and targets.

NZ Post’s management remuneration structures are designed to attract, reward and motivate our executive talent while remaining mindful of affordability. In setting remuneration for NZ Post managers and specialists, market information from similarly-sized positions within a broad range of New Zealand businesses is assessed.

Safety and wellbeing governance is a key priority for the Board. The Board plays a leadership role in respect of NZ Post’s health and safety strategy and policy, including undertaking due diligence in relation to NZ Post’s health and safety performance. This is to ensure the organisation is meeting best practice, including meeting its duties and obligations under the Health and Safety at Work Act 2015. In addition, members of the Senior Leadership Team sit on a Safety and Wellbeing Subcommittee of the Senior Leadership Team to ensure that there is focus on safety and wellbeing at the most senior executive level.

In 2017-18, the Board has a particularly strong focus on the health and wellbeing of NZ Post employees and contractors with significant improvements sought. The company is reviewing its investment in training and education in this area.

**Principle 6: Risk management**

Management of risk is a key focus of the Board, as it is crucial to the protection of the company’s value to stakeholders. NZ Post has 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 Risk and Internal Audit functions report directly to the Board’s Finance, Risk and Investment Committee, with the Committee being actively engaged in the development and monitoring of risk management in the organisation.

The Board has approved a comprehensive delegated authority structure that clearly states actions reserved to itself and those delegated to management. As part of this, the Board is 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.

**Principle 7: Auditors**

The appointed auditor for NZ Post is Chris Barber assisted by PricewaterhouseCoopers, on behalf of the Auditor-General.

**Principle 8: Shareholders**

As a State-Owned Enterprise, NZ Post 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.

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 on-going basis and in accordance with their “no surprises” policy.

**Principle 9: Stakeholders**

NZ Post has formal and informal processes for regular engagement with stakeholders to identify and explore issues of concern to them which impact on the company’s business, or are likely to in future. Stakeholders’ views make a critical contribution to determining the material issues which NZ Post addresses in forming and implementing business strategies. Independently-conducted consultation with stakeholders provides valuable input for the Board’s annual review of strategy and for Integrated Reporting.
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