Delivering what people care about

New Zealand Post
Tukurau Aotearoa
Integrated Report 2018
Welcome to our Integrated Report for 2018

About our Integrated Report 2018

New Zealand Post – Tukurau Aotearoa - has been part of our history for over 180 years and is transforming itself to be here for at least the next 180 years and beyond, working to serve New Zealand as the best delivery business in the country and for New Zealanders.

Tukurau Aotearoa 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.
Our purpose is to deliver what people care about. Through our networks, we bring people together to create meaningful moments. Through our relationships and expertise, we enable businesses to achieve great things. Our partnerships with our customers make us much more than a delivery and logistics business - what is important to them matters to us.

Focusing on our purpose, material issues and value creation across the capitals we impact, our Integrated Report tells NZ Post’s story for the year, with the help of the best Reporting frameworks.

This Report will discuss our four key strategies for the coming year, being the best partner for online shopping, delivering a sustainable letter business we can be proud of, providing solutions that will help our communities to connect and maximising the opportunities that complement our business.

In line with the principles of Integrated Reporting, we understand and describe the challenges that the organisation faces. We are transparent and clear on what we will do to address and take opportunities as they present themselves.

We are privileged to be an important part of communities up and down the country and our commitment to what they need from us is significant and constant. We are proud of the value we create for Kiwis through our service every day, and what we have been able to achieve as we set ourselves high standards.

Through this Report, we tell our value creation story for the year to you, our people, our customers, our communities, in fact all our stakeholders. It is as much about what we have achieved, as it is the ambitious plans we have for what is just around the corner for this most trusted national asset, NZ Post.

Jane Taylor  |  Chair
11 September 2018
How to read this Report

This is our sixth Integrated Report. Broader than a traditional Annual Report, Integrated Reporting evaluates the effects of an organisation’s activities to create value across a range of resources and assets known as capitals. It also takes account of the views and impacts on a range of key stakeholders.

NZ Post was one of the early adopters of Integrated Reporting, not just in New Zealand (where it was the first) but also globally, getting started in 2013, when the Integrated Reporting Framework was first released. Our aim is to inform our stakeholders about how we have created value in each of the six capitals in the reporting period, and how we plan to keep doing so over the medium and long term.

Material issues and value creation

We develop our business strategies based on the material issues that are important to our business and our stakeholders. Additionally, the elements of these which have the potential to impact value creation by our business in 2018 and beyond, and the finer details on how we determine the material issues, are explained over the next few pages.

Once we have established what the material issues are, we then look at our six capitals and establish how we will use these six capitals to achieve our strategies. This informs our Value Creation Model (see page 14).

Pulling the elements together

As you read through our Report, you will see the relevant material issues, and the value created by these at the beginning of each of the four chapters on our strategic priorities.

For each strategic priority, Our Future Outlook explains our plans for the next financial year. The featured case studies demonstrate what matters most to our business and our stakeholders through real-life examples of how we address our material issues to create value.

Through this process, you will be able to see how we are planning on delivering value to our stakeholders over the next financial year, enabling us to live up to the purpose we live every day “delivering what people care about”.

Delivering what people care about
Our six capitals

Our People
The motivation and commitment of our workforce (employees, contractors and subcontractors).

Our Expertise
The skills, competencies and capabilities of our workforce.

Our Networks
The extensive physical assets we own or lease that enable us to process and deliver high volumes of parcels and letters.

Our Relationships
The number and quality of the relationships we have with our customers, shareholder and other stakeholders such as communities and suppliers.

Our Finances
The amount of cash we generate through our business and investments.

Our Environment
The quality and availability of natural resources, such as the atmosphere, land, water and materials, that we rely on to run our business today and in the future.
What we do

Online shopping is driving high growth in parcel flows across the globe.

The Bonbon Factory
From humble beginnings in a Kiwi garage to taking on the Australian market, NZ Post’s domestic and international networks have enabled The Bonbon Factory to take on the world! We want to be there to help all SMEs in New Zealand to think globally, confident we can help them get where they want to be. Read more on page 26.

We deliver
We are committed to deliver what people care about and do our best to ensure that we do this through great customer service. In fact, over Christmas, we delivered almost 40 million items. Read page 40 for more information.

The perfect recipe
An efficient supply chain is critical says Cookie Time Director Guy Pope-Mayell. He says while there are lots of operators in New Zealand who can offer third party logistics, not all partners can offer what NZ Post can. Read more on page 28.

880 communities
Working with local business is more financially sustainable for NZ Post. It is also good for the businesses we work with, as they enjoy additional income both from taking postal services on our behalf and by having more customers coming through their doors. Read more on page 38.
240 Trips to the moon and back

Distance travelled from our air fleet to our posties, NZ Post people travel about 92 million kilometres a year, to the moon and back, 240 times.

- Rural Post – 25,100,000km
- Cycling – 1,200,000km
- Walking – 500,000km
- Motorbikes and cars – 960,000km
- Paxster and Kyburz – 4,200,000km
- Pace – 7,400,000km
- CourierPost – 30,000,000km
- Transport (linehaul etc.) – 15,000,000km
- Domestic Air network (we share with others – but this is total; km planes travelled) – 2,100,000km

Over 70 million

Parcels processed – split between domestic and international.

Over 2 million addresses

Delivery points including 250,000 rural addresses.

Over 6,000 people

This includes people who work for NZ Post, as well as the contractors we partner with.

Over 21,500 business customers

have monthly accounts.

Global connections

Our third party logistics offering means that our customers don’t have the headache of fulfilment. We take care of the when and how, so that they can get on with growing their business. Don’tbeadormat is looking to expand to new products, confident that their logistics will be taken care of. Read more on page 48.
Our material issues – why we do this and the value it adds

This is the fourth year we have identified our material issues by engaging with internal and external stakeholders in a specific process aligned with best practice. First and foremost, materiality is critical to good strategic planning as it identifies the priorities that we need to address in our strategy to create value.

Materiality also plays a crucial role in determining the content of our Integrated Report, facilitating our focus on the most important issues to our business and our stakeholders, helping to keep the Report concise. Last year, to gain the most value from this process, we aligned the timing of the materiality process with the Board Strategic Advance, our Board’s annual review of the NZ Post strategy. In 2017, the Board also reviewed the stakeholder sample engaged in the materiality process and we included questions on which Sustainable Development Goals (SDGs) NZ Post should focus on.

Board’s annual review of the NZ Post strategy

In 2017, the Board also reviewed the stakeholder sample engaged in the materiality process and we included questions on which Sustainable Development Goals (SDGs) NZ Post should focus on.

How we define material issues

At NZ Post, a material issue is a risk or an opportunity as determined by our stakeholders (internal and external) that could significantly impact our business performance i.e. the value we create, over the medium (3-5 years) or long term (6-10 years). The material issues directly influence our business strategy and can impact our ability to create value across the forms of capital we rely on to run our business – our people, environment, expertise, networks, relationships and finances.

Our materiality process

We have developed a three-step materiality process based on best practice. This process is presented in the flow chart opposite. It includes an online survey of all participants (31 in 2017), a 30-minute telephone interview (conducted by an independent expert) of a smaller group of stakeholders (10 in 2017), and workshops with internal and external stakeholders (one of each in 2017). In total, 17 internal and 14 external stakeholders participated in the 2017 process.

We aim to achieve balance and impartiality in our materiality process by:

- Engaging an independent expert to undertake the phone interviews, facilitate the workshops, analyse the data and provide guidance on process design.
- Seeking to engage with a balanced and representative stakeholder sample.
- Ensuring anonymity of responses.

Step 1 of the materiality process involves research to identify any new or changed issues by reviewing media coverage, risk registers, global mega trends, peer reports, other industry and international reports and additional issues identified through the 2016 materiality process.

A list of 16 issues were presented to stakeholders for consultation, including five new issues - Ethical culture; Data security and cyber safety; Health, safety and wellbeing; Partnerships and collaboration; and Mega cities. Stakeholders were also invited to propose any new issues they felt were missing from the list.

Ultimately, the materiality results were discussed at the Board Strategic Advance and the Board agreed the material issues for 2017. The Board was also asked to comment on the robustness of the materiality process and the number and range of stakeholders interviewed, as well as the quality of the insights gained.

This is the fourth year we have identified our material issues by engaging with internal and external stakeholders.
What our stakeholders told us – key findings:

- Our stakeholders rated all 16 issues presented to them a 3 or above out of 5, showing an increase in importance of all issues compared with the previous year. The materiality matrix shows how the issues were rated.

- The top two ranking issues remained the same – Changing customer needs and Digitisation – though with the order reversed from 2016. These same issues have been at the top of the materiality list for 3 years with a compounding effect – telling us that we need to work harder to show that we are managing these issues.

- There was a strong alignment of internal and external views except for minor differences on Climate change, and Health, safety and wellbeing.

- Our performance against several critical issues was rated as less than acceptable, indicating that we need to work harder to address them or demonstrate more clearly how we are addressing these issues.

Based on the materiality results, the Board agreed that we should communicate our materiality results and process in the 2018 Integrated Report, and that all 16 issues are material to our business and should be used to inform:

- Our business strategy
- Key performance indicators (KPIs)
- Content of the 2018 Integrated Report.

2018 materiality matrix
### Material issues

List of issues with definitions in order of priority as determined by stakeholders

<table>
<thead>
<tr>
<th>Material Issue</th>
<th>Description of issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Changing customer needs</td>
<td>Understand customers’ changing needs &amp; innovate our products &amp; services. Appreciate that our customers’ values will influence their decisions &amp; they will expect our behaviour to be fair, ethical &amp; transparent.</td>
</tr>
<tr>
<td>2. Digitisation</td>
<td>Build digital platforms for enhancing customer experience with excellent tracking systems and the ability to access real time information. Use big data analytics to identify &amp; meet changing customer needs and raise brand awareness.</td>
</tr>
<tr>
<td>3. 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>
</tr>
<tr>
<td>4. 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>
</tr>
<tr>
<td>5. Health, safety and wellbeing</td>
<td>Build a safe working environment and conditions that support physical and mental wellbeing, where employees are engaged, motivated and supported to make decisions and thrive.</td>
</tr>
<tr>
<td>6. Future ready workforce</td>
<td>Reflect the values and ethics of our workforce as their “employer of choice”. Build their resilience, change agility. Embrace diversity and inclusion and build new digital capability.</td>
</tr>
<tr>
<td>7. Brand and reputation</td>
<td>Value the trust that our customers and communities place in us in a world of increasing uncertainty, political &amp; otherwise. Be authentic and true in telling our value creation story.</td>
</tr>
<tr>
<td>8. Ethical culture</td>
<td>Be authentic in what we say &amp; do with a culture of ethical governance, building trust &amp; reputation with our stakeholders. Influence a secure &amp; responsible supply chain, where human rights &amp; other risks are guarded against.</td>
</tr>
<tr>
<td>Material Issue</td>
<td>Description of issues</td>
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<tr>
<td>--------------------------------</td>
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<tr>
<td>9. Competitor threat and disruption</td>
<td>Innovate and leverage opportunities in an industry with few barriers to entry for startups that can disrupt our traditional channels.</td>
</tr>
<tr>
<td>10. 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. (R)</td>
</tr>
<tr>
<td>11. Competition for capital</td>
<td>Raise capital through strong financial performance, investing in the right things and delivering the right outcomes.</td>
</tr>
<tr>
<td>12. 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>
</tr>
<tr>
<td>13. 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. (E)</td>
</tr>
<tr>
<td>14. 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, or workforce and society as a whole.</td>
</tr>
<tr>
<td>15. 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>
</tr>
<tr>
<td>16. Mega cities</td>
<td>Transition our offices and facilities and network in response to the challenges of mega cities, specifically issues of traffic congestion, property and housing affordability.</td>
</tr>
</tbody>
</table>
We have aligned the SDGs with the three pillars of our Sustainability Framework

Having identified the most relevant SDGs for our business and aligned them with our Sustainability Framework, we will now look more closely at the sub-targets behind each goal. We will explore how NZ Post can specifically contribute to these sub-targets to implement future initiatives and measurement and reporting against each.

Sustainable Development Goals

For the first-time, stakeholders were asked to rate the relevance of the Sustainable Development Goals (SDGs) to NZ Post’s activities. The SDGs are a collection of 17 global goals set by the United Nations in 2015 covering social and economic development issues. The governments of 193 countries, including New Zealand, have signed a commitment to work towards achieving these goals. Our internal and external stakeholders told us that:

- SDG5: Gender equality.
- SDG8: Decent work and economic growth.
- SDG11: Sustainable cities and communities.
- SDG12: Responsible consumption and production.
- SDG13: Climate action.
- SDG17: Partnerships for the goals.

The following seven SDGs are particularly relevant to NZ Post:

<table>
<thead>
<tr>
<th>People</th>
<th>Planet</th>
<th>Prosperity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating a positive social impact</td>
<td>Decarbonising our business</td>
<td>Long term inclusive growth</td>
</tr>
<tr>
<td>Our people</td>
<td>Our operations</td>
<td>Our business</td>
</tr>
<tr>
<td>Our customers</td>
<td>Our services</td>
<td>Our customers</td>
</tr>
<tr>
<td>A great place to work</td>
<td>Strong and resilient communities</td>
<td>Build a sustainable business and brand</td>
</tr>
<tr>
<td>SDG 5 Gender Equality</td>
<td>SDG 13 Climate Action</td>
<td>SDG 8 Decent work and economic growth</td>
</tr>
<tr>
<td>SDG 11 Sustainable cities and communities</td>
<td>SDG 9 Industry, innovation and infrastructure</td>
<td>SDG 12 Responsible consumption and production</td>
</tr>
<tr>
<td>SDG 17 Partnerships for the goals</td>
<td>SDG 17 Partnerships for the goals</td>
<td>SDG 17 Partnerships for the goals</td>
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</table>
Stakeholder review

Prior to embarking on the 2017 materiality process, the Senior Leadership Team (SLT) reviewed the stakeholders to be consulted. In line with best practice governance and strategic management, the SLT ran through an identification and prioritisation exercise to ensure that we are engaging with the most relevant and important stakeholders for our business.

For the exercise, we used the following definition of stakeholders: “Anyone who affects or is affected by the company” Freeman (1984).

The SLT formed a long list of stakeholders from a range of groups, including: customers, suppliers and contractors, shareholders, government and regulators, partners, non-governmental organisations (NGOs), special interest groups, community groups, media, industry groups and professional bodies.

The long list of stakeholders was prioritised by rating them based on the impact of the relationship between them and us. We then identified how best to engage each group i.e. via the online materiality survey, stakeholder interview and/or attendance at a workshop, or to keep a watching brief. The last step in the process was to identify the best representative to engage with for each stakeholder group.

As a result, we made some changes to our list of stakeholders. The most significant was to increase the number and type of customers we engage with, segmenting them into customer categories to ensure that a representative range of views was sought, reflecting our strategy. We also increased the focus on subject matter experts on topics such as innovation, disruption, business and industry trends, all of which are critical to our future.

Our Stakeholders

An outline of our primary stakeholder groups and their top material issues.

- **Our Directors and managers**
  - Digitisation
  - Changing customer needs
  - Continued business transformation
  - Future ready workforce
  - Brand and reputation
  - Economic wellbeing
  - Partnerships and collaboration

- **Our customers**
  - Digitisation
  - Changing customer needs
  - Continued business transformation
  - Data security and cyber safety
  - Climate change
  - Partnerships and collaboration

- **Our shareholder and regulators**
  - Digitisation
  - Changing customer needs
  - Globalisation
  - Changing customer needs
  - Partnerships and collaboration

- **Suppliers and partners**
  - Digitisation
  - Brand and reputation
  - Ethical culture
  - Changing customer needs
  - Climate change
  - Competitor threat and disruption

- **Communities and NGOs**
  - Partnerships and collaboration
  - Climate change
  - Digitisation
  - Changing customer needs
  - Competitor threat and disruption
  - Economic wellbeing
  - Employee health, safety and wellbeing

- **Industry and business associations**
  - Digitisation
  - Brand and reputation
  - Competition for capital
  - Climate change
  - Employee health, safety and wellbeing
  - Demographic change
How we create value
Our business model for value creation

**Our People**
The motivation and commitment of our workforce (employees, contractors and subcontractors).

**Our Expertise**
The skills, competencies and capabilities of our workforce.

**Our Networks**
The extensive physical assets we own or lease that enable us to process and deliver high volumes of parcels and letters.

**Outcomes**

**Our People**
Creating a strong Employee Value Proposition that attracts and retains the best talent through:
- Strong leadership providing clarity on purpose, aspiration and values
- Building an ethical, inclusive, zero harm, customer centric and high performance culture
- Creating opportunities for learning and development

**Our Expertise**
Growing our expertise as the best delivery partner for New Zealand by:
- Understanding our customers
- Investing in our people
- Building new products and services
- Sharing our knowledge with our customers

**Our Network**
Connecting communities across New Zealand and internationally and growing eCommerce through our:
- Reliable and efficient parcels and letters delivery network
- Retail outlets providing postal and payment services across metro, urban and rural New Zealand
- Contact centre
- Contract and logistics services
Our Purpose
Delivering what people care about

Our Relationships
The number and quality of the relationships we have with our customers, shareholder and other stakeholders such as communities, and suppliers.

Our Finances
The amount of cash we generate through our business and investments.

Our Environment
The quality and availability of natural resources, such as the atmosphere, land, water and materials, that we rely on to run our business today and in the future.

Our Relationships
Growing our brand and reputation and social licence to operate by:
- Demonstrating we understand the needs of our stakeholders
- Building trust through genuine, open communication
- Delivering what we promise

Our Finances
Investing in our future including the other capitals, and paying dividends to New Zealanders by delivering:
- A profitable parcels service
- Strong return on investments
- Smart allocation of capital to build capability and capacity

Our Environment
Building a low carbon delivery service and sustainable packaging solutions by:
- Investing in new technologies and processes such as electric vehicle technology and alternative packaging
- Developing new services such as low carbon delivery options
Our Performance

This Integrated Report reports on NZ Post excluding our investment in Kiwi Group Holdings and its subsidiaries (i.e. Kiwibank and others).

Our People
People engagement and Safety & Wellbeing

People engagement is the rational and emotional commitment our people have to NZ Post.

It is measured through our annual people engagement survey.

Whether it’s one of our team, a customer, or any member of the public we connect with on a daily basis, our objective is to ensure everyone can return ‘Safe Home Every Day’.

Our engagement scores were 60.4% for employees and 53.8% for contractors. These are consistent with scores for similar-sized New Zealand organisations.

Aligning, with the NZ Business Leaders Health & Safety Forum we now report Total Recordable Injuries, of which we had 401 in FY 2018. We will use this result to aim for at least a 20% reduction in the upcoming year.

Our Expertise
Market share of domestic eCommerce transactions

Our share of domestic eCommerce transactions measured using anonymised credit card data relating to the purchase of goods sold on line by our eCommerce customers (in the top 5,000 merchants).

We had 51% of market share of domestic eCommerce transactions in FY 2018.

We fully expect our market share to increase as eCommerce continues to grow, and we make the most of our unique position of being able to deliver to each home in New Zealand.

Our Networks
Parcel (Courier transit time)

The percentage of times we deliver parcels within our target service standards.

Letter (Letter delivery times)

The percentage of times we deliver letters within our target service standards across New Zealand.

Our engagement scores were 60.4% for employees and 53.8% for contractors. These are consistent with scores for similar-sized New Zealand organisations.

Aligning, with the NZ Business Leaders Health & Safety Forum we now report Total Recordable Injuries, of which we had 401 in FY 2018. We will use this result to aim for at least a 20% reduction in the upcoming year.

Courier Parcels: Domestic 97% / International 83%

Letters: Domestic 85.9% / International 78.1%

NZ Post’s network performed favourably throughout 2018 as it adapted to the increase in changing volumes and product mixes i.e. fewer letters and more parcels. However, we recognise that we will need to continue to adapt and transform as eCommerce becomes more popular.
Our Relationships

Overall market Net Promoter Score

NZ Post’s Net Promoter Score is a measure of how loyal and satisfied our customers are. It is based on an index ranging from -100 to 100 that measures the willingness of customers to recommend NZ Post to others.

Our Finances

EBITDA

We will now primarily measure our operating performance by EBITDA, which takes into account earnings before interest, tax, depreciation and amortisation. While this is our key measure, we will continue to use a range of measures for financial performances.

Our EBIT for FY18 was -$50m and our EBITDA was -$17m (loss).

This was largely attributable to the ongoing and significant letter volume decline, as customers continued to use and prefer online digital communications.

While NZ Post seeks to operate letters in a financially sustainable way, in FY 2019 we will look to make more revenue from parcel growth.

Our Environment

Carbon reduction (tCOe)

The total amount of greenhouse gases produced as a result of running our business expressed in equivalent tons of carbon dioxide (CO2). Measurement includes direct emissions e.g. from the vehicles we own, and indirect emissions e.g. electricity we consume and fuel usage from our contractors’ vehicles.

Our overall market Net Promoter Score was -1 in FY 2018.

Having introduced a new measurement approach in 2018 we will use this as a benchmark to focus on the best customer experience for senders and receivers.

118,136 absolute carbon emissions (tonnes CO\text{2}e)

881.38 carbon emissions per parcel (grams per item)

81.47 carbon emissions per letter (grams per item)

Our total emissions were consistent with the previous year, which is positive, when taking into account business changes including changing volumes, the installation of new sorting machines and the Paxster roll out.
NZ Post has been in the privileged position to service our communities for almost 180 years. The world has changed considerably in that time, even more so – and more rapidly – in the past decade.

This global evolution of how people communicate has impacted on the traditional services that we offer but has also introduced new business opportunities in other areas. We know that there is great potential in our parcel business, especially as we see the exponential growth in eCommerce. This offers unprecedented opportunity in international markets and we are focusing on strategies which make the most of this.

Driven by our purpose of delivering what people care about, we will continue conversations with our stakeholders as we seek to ensure that we are well positioned to continue to offer the valuable service that NZ Post provides to all New Zealanders. We are proud to connect New Zealand communities and we endeavour, every day, to meet the expectations of the Deed we operate under.

Thinking strategically is not new to us. We forecast in 2008 – and began to prepare for – an accelerating decline in letters. We undertook to right-size, remove cost, and balance the decline of our letter volumes with the growth and development of our parcel business. However, in the past financial year, the growth of our parcel business has not been enough to offset the rapid decline in letters.

The challenge that declining mail volume presents is not unique to NZ Post. Since 2006, total mail volumes have declined by more than a quarter in advanced economies and have more than halved for some postal businesses. E-substitution is impacting all mail segments as governments and businesses pursue online initiatives and opt for digital channels to issue bills, statements, invoices and advertising for their products.

We anticipated this change to our core business more than 10 years ago and made the hard decisions then to remain resilient in the face of unprecedented challenges to our mail business. We know we have to remain forward thinking and are confident that we will continue to deliver strategies that ensure that NZ Post is here to serve New Zealand well into the future.

NZ Post is a leaner, more efficient organisation than it has ever been.

“
OUR OUTLOOK

Our outlook
The opportunities we have

While we are engaged with challenges, we also have a lot to be proud of this year. We have seen significant change and opportunities in what our customers use our services for. We are pleased to be able to present our four key strategies for the next year in this Integrated Report. The case studies included reflect the value that our customers feel NZ Post has added to their businesses and in turn their customers and the communities our network services.

We believe the biggest opportunities for us lie in providing essential and trusted services in the eCommerce marketplace. One of our key strategies over the next 12 months is to be New Zealand’s best partner for online shopping. Business-to-consumer sending is one of the fastest areas of growth. We will ensure that we are well positioned to capitalise from this growth, as more and more New Zealanders opt for the convenience of online shopping. We will continue to use our expertise to help sending businesses grow. We are proud to demonstrate in this Integrated Report, how our domestic and international network has helped small, regional SMEs grow into international markets with our support. We see this as the way in which NZ Post expands the value we add beyond being a logistics service provider. We know that we can have a direct impact on the New Zealand economy through the services we provide to businesses and we will continue to invest in and grow our parcel capability.

The letters we deliver have value for communities beyond the dollars and cents – it is something we care about, too. For the New Zealanders who are not yet using digital communication, the service we provide is essential. Many people in rural communities depend on this service. As a State-Owned Enterprise, we have an important social responsibility for all our customers who value and rely on our letters service. We will be discussing how sustainable this service is in its current format in the coming year. However, we are committed to maintaining a commercial postal pricing strategy.

This year we reviewed our pricing structure to better reflect the true cost of collecting, processing and delivering mail items across New Zealand and the world. In the next 12 months, we will seek clarification from our bulk senders regarding their plans for mail sending. This helps us to be proactive in our planning, which in turn helps our customers.

We take our role in helping facilitate communities to connect seriously. We are dedicated to meeting our customers’ expectations in this regard. As we further develop our retail and service model, we will continue to transition more of our postal services from company operated premises, to working with local community-based hosts. This win-win model means we are fiscally responsible, while providing added value for the businesses and people we partner with.

By using our expertise, unravelling the complex and simplifying, over the next year, we want to make the most of the opportunities that complement our business. This includes maximising existing investments, such as our Customer Communications Management business, our investments in Kiwibank and Reachmedia and our highly valued coin and stamps business. We will investigate investment opportunities that arise from the increase in online shopping. Our partnerships with Alibaba and Fonterra to track customers’ orders using blockchain technology are great examples of the types of opportunities that we will explore.
The capitals we value

In addition to our network, finances, relationships and expertise capitals we also value our people and the environment.

NZ Post employs and partners with around 6,500 people, from permanent and casual people to contractors. We are developing a high-performing environment that ensures our people are valued and safe, keeps our people curious and learning, and builds a workforce that is flexible and capable.

Without our people, we are nothing. Everyone in our business is engaged in providing service – either personally delivering what our customers care about, or enabling the people who do. We can only prosper if our people enjoy being a part of NZ Post and are enabled to do their jobs well. For that reason we are committed to setting our people up for success.

Safe Home Every Day is our aim as we have the significant responsibility to take care of people when they come to work for us. This year we will continue to invest in improving our safety and wellbeing practices and culture, this includes a new online incident reporting tool and enhanced governance.

We are a business that is greater than the sum of its parts. Taking responsibility for the wider environment is one of our most precious capitals. We are working on constantly reducing our carbon footprint and with the creation of a Decarbonisation Fund, we are committed to being carbon neutral from 2030. We were proud to be recognised for our work in the sustainability arena. We received the Supreme Award at the NZI Sustainable Business Network Awards for the Greatest Contribution to a Sustainable New Zealand in 2017.

Several changes to the Senior Leadership Team have occurred during the year, as have changes to how we are structured. These are an important part of laying strong foundations for the next phase of our evolution.

We sincerely thank our Board members for their insight, support and dedication this past year. We gratefully acknowledge the contribution of Richard Leggat, who resigned from the Board during the year. He made a significant governance contribution and we wish him well for the future.

Thank you, especially, to all our people – employees and contractors – local business partners and stakeholders, and the communities we serve for their support during the year. We are embarking on both a challenging and exciting year. We value your support as we continue towards our aspiration of being the best delivery partner for New Zealand and continuing to deliver what people care about.

David Walsh | Chief Executive Officer

Jane Taylor | Chair
One of our key priorities is to be New Zealand’s best partner for online shopping.
One of our key priorities is to be New Zealand’s best partner for online shopping. We are doing this by growing our share of New Zealand’s estimated $1.2 billion parcel market. Business-to-consumer sending is one of the fastest areas of growth in eCommerce. With online retail driving high growth in parcel volumes in our network, we are maintaining our core network services while growing our capacity to provide services of greater value to people who are moving into a digital world.

The predicted growth of eCommerce will account for over 95% of our parcel growth in the next five years. NZ Post is well positioned to take advantage of this, but this is not without its challenges, we will continue to assess what network capabilities are needed to enable us to be New Zealand’s best partner for online shopping.

Our analysis of current trends indicates that over the next five-year period, the business-to-consumer market will increase to twice the size of the business-to-business market, and up to nine times larger than consumer-to-consumer sending volumes.

Our own research shows that 1.5 million Kiwis shopped online in 2017, spending a total of $3.6 million. We expect this amount to increase as more consumers opt for the convenience online shopping offers.

Future Outlook
In the next 12 months, we will:

» Develop our customer experience for senders and receivers

We will explore delivery solutions for our customers to integrate into their eCommerce shopping baskets. This will include user-friendly return delivery options as well as trialling new flexible delivery choices.

We want to grow access and improve the transparency of our customers’ delivery experience, giving those receiving parcels better notification services and updates. We are hoping that our customers will be so pleased with our improved service and real-time delivery updates that they will become our best advocates, persuading others to use us too. We will be able to measure our success with this using our Net Promoter Score (NPS). This is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company’s products or services to others. It is used as a proxy for gauging the customer’s overall satisfaction with a company’s product or service and the customer’s loyalty to the brand.

Our top material issues

Digitisation
Globalisation
Ethical culture
Continued business transformation
Climate change
Future ready workforce
Changing customer needs
To ensure we meet our customers’ needs, we want to further develop on-demand services, such as offering customers elective delivery, including Countdown, or Z Service Stations. This offers both sending customers, as well as receiving customers more flexibility. We will review our Pace urgent services, integrating this into core commercial product offerings to support consistent same day/local delivery options. While we focus on these initiatives we will also review our current product offering, removing obsolete or low performing products.

Given the demand placed on our network by higher parcel volumes, we will focus on improving data. One example of this is to review information received from our customers. This is used to operate and charge for our services, and if we can improve this we can reduce network costs and enhance billing accuracy.

Use our expertise to help sending businesses grow

Making the most of our years of experience of providing sending solutions, we will continue to grow our Contract Logistics offering as well as introduce break bulk transport solutions for target customers. Our goal is to offer the best service, products and experiences so that both senders and receivers are confident that we live up to our aim of being the best delivery business for New Zealand. To achieve this, over the next year we will establish a presence in the eCommerce developer eco-system, creating integration solutions which can be embedded into target eCommerce/online shopping platforms. We understand that our customers are busy and we want to make it easier for them to choose NZ Post as their preferred delivery partner. For this reason, we will introduce automated systems that our customers can sign up for themselves.

Ensure pricing reflects value delivered

As we demonstrate the value we add in a growing eCommerce market, we will define and implement a strategic pricing framework that will deliver improved remuneration that reflects the quality of our proposition. An integrated approach, based on annual pricing adjustments, will be coupled with introducing new pricing models to capture compliance and value-added activity.

Have the best sales and marketing capability

Through data-driven marketing, we will implement an acquisition programme across eCommerce and business-to-business segments, based on higher quality leads. Using data driven insights, we are also well placed to drive cross sell/up sell and lifecycle programmes across existing customers. We will also focus on segment marketing to deliver tailored and integrated sales and marketing activities. To give our customers the best value for their spend, we are committed to developing our sales team’s capabilities enabling them to become trusted advisors, solution sellers able to achieve growth and improve retention rates.

We know that to continue to build our profile and reputation over the next year NZ Post needs to define a clear and compelling brand strategy to position ourselves as New Zealand’s delivery partner of choice, a value proposition which allows us to best capture the emerging eCommerce opportunity.

We are aware that these goals are ambitious and that there may be factors we are not yet aware of, which could impact on our ability to deliver on these initiatives. For this reason, we are analysing potential risks as they present themselves and will work to mitigate these as they arise. As we work through the strategies we see the viability of many are dependent on parcel and letter volumes, which we are not yet able to anticipate. We are also cognisant that we must prioritise our strategies to ensure that we have enough of our capitals available: our expertise and our people, to ensure we can effectively launch and sustain key strategies.

We will continue to refine these plans as the year unfolds and make necessary adjustments to these as more information is made available. This will enable us to adjust and deal with any obstacles as they present themselves.
A trusted relationship and a logistics solution that works seamlessly leaves the management team of My Food Bag only one problem left to solve: what are thousands of New Zealanders going to have for dinner tonight?

“The value that NZ Post has added to our business is immense,” says Chief Operating Officer Richard Wafer.

Before My Food Bag launched just over five years ago, Sunday deliveries were far from the norm. To meet their needs, we created a network and built capacity and capability around their requirements. We now distribute My Food Bag’s products through our national networks - every Sunday and Monday.

“It is a complicated network because of the volume of product we move in such a short time. NZ Post has done an outstanding job in finding capacity to keep ahead of our growth. There have been challenges but the agile way in which NZ Post solves them is very valuable for our business,” says Richard.

Since October 2017, My Food Bag has been using Field Force, part of the NZ Post Next Generation delivery management solution. This has benefits for both parties – NZ Post gets to optimise every delivery route and My Food Bag get to track delivery performance in real time.

“When we moved to Field Force, we saw an immediate improvement in delivery accuracy. With Field Force, our Customer Love Team has visibility over the whereabouts of every customer delivery and can communicate proactively with our customers. If required the team can resolve customer delivery issues on the same night, rather than the day after, which is a much better experience for our customers,” Richard adds.

Knowing that NZ Post will deliver on what they say they will do, the team at My Food Bag has the confidence to focus on what they need to do to grow the business further.

“The benefit of working closely with NZ Post is that we can trust the logistics to be sorted and look at other projects. We have confidence in NZ Post. We know we are with the right partner, and the team that manage our account is outstanding.”

When NZ Post staff come to work on a Sunday, it feels like they work for My Food Bag, which is a great example of how the partnership works.
The Bonbon Factory takes on the world

The story of The Bonbon Factory is made of all the elements a great Kiwi-brand has: an idea, a summer in the garage giving it a go and the inevitable pathway to success when a good, honest product, made with a whole heap of love, wins hearts.

In two and a half years, the bath and beauty product brand has made an indelible mark on the Kiwi consumer and now the best-kept secret is finding its foothold internationally. Located in Whakatane, Bonbon took on the Australian market this year, and NZ Post will be beside them every step of the way.

“I thought starting with our coffee scrub, that we might sell a few online, but I am really surprised at how it went viral,” says Founder and Managing Director, Joshua Edlin.

The idea came from his partner in life and business, Stephanie Peacocke, who revisited a childhood hobby of making natural bath products, that launched the business. The service and the people have been amazing. They are always there ... it gives us a lot of confidence. "When I was a teenager Mum had a book on the shelf all about making natural skin care products. I would come home from school and practice, and then it just became my hobby over the years,” Stephanie explains.

The entrepreneurial couple had some products that were sold in Farmers about five years ago, but they were one-off purchases and Stephanie decided to spend a summer in their garage to see what she could make.

Starting off with a coffee scrub, The Bonbon Factory now has dozens of 100% vegan, natural, Kiwi-made, not-tested-on-animal products, that customers can’t get enough of.

The testament to the quality of their product is that they have not had to spend much on marketing. Stephanie approached a few beauty bloggers and the products have since gone viral.

“Every product has been added organically and made of locally sourced ingredients. All our recipes are homely, yummy smells that people love. It is all about the consumer. If the coffee scrub hadn’t worked and people didn’t like it, we wouldn’t have grown any further. It’s because people have loved it and shared it, it has its own momentum.”

The Bonbon Factory’s mission is to make their customer feel good; that includes giving them a product they enjoy and feel good about using. Josh says that NZ Post has helped them meet their goal.

“They have helped us grow and innovate at the same time. Their suggestions and experience have been invaluable, especially as we plan to move into the international market,” Josh says.
"The service and the people have been amazing. They are always there, you can pick up the phone, or send an email and it is answered straight away. It gives us a lot of confidence."

Stephanie says they have been able to save costs on packaging and, more importantly, reduced unnecessary waste by removing plastic bubble wrap from Bonbon’s packaging. They have also streamlined their dispatching process since partnering with NZ Post this past year, saving them time and money.

“I thought that starting with our coffee scrub, we might sell a few online, but I am really surprised at how it went viral,” says Founder and Managing Director, Joshua Edlin."
Cookie Time’s heartbeat

Over 13.5 million parcels have passed through NZ Post’s Southern Operations Centre in Christchurch since it opened in May 2017, including many, many cookies.

NZ Post provides a dedicated distribution centre based at the $8 million facility in Dakota Park at Christchurch Airport for the Kiwi icon, Cookie Time, providing warehousing and daily express delivery of their fresh cookies and products throughout New Zealand and around the world.

“In today’s world, whether you are domestic or international or indeed both, an efficient supply chain is critical. If you don’t have that, you really cannot be in the game,” says Guy Pope-Mayell, Director.

“We were looking for a competitive advantage in our supply chain partner. I think there are lots of operators around who can offer efficient third party logistics, but not all partners can offer you what we have with NZ Post.”

In fact, NZ Post does not only offer third party logistics, we also assemble many online products then pick, pack and dispatch them direct to consumers. We offer Cookie Time business-to-business solutions in terms of the businesses Cookie Time has a direct relationship with, as well as ensuring products get to Cookie Time’s franchise network.

“We aren’t just looking for efficiency, we are looking for synergy, having all the parts come together.

“We have something here you couldn’t get from a traditional solution,” Guy explains.

What we have with NZ Post is unique, special and a real competitive advantage.

And where the magic, as Guy calls it, really happens, is with the relationship Cookie Time has with the NZ Post people who work to make sure that things run smoothly.

“This is a complete bespoke solution. You have a group of people that come to work who are dedicated to thinking only about the Cookie Time world. They are connected digitally with us, both at a transactional level, as well as at a conversation level. We are sharing every moment of the day,” Guy explains.

“Knowing what is happening in both places allows us to be more aligned and get ahead of any potential problems that might arise. There has always been genuine heartfelt connection and commitment to the vision by NZ Post. When the going gets tough, it is that DNA that you can draw from to get through the moments that inevitably arise when you have a million moving parts going from A to B. There is nothing easy in making a supply chain work efficiently.”
NZ Post is an important part of our eCommerce customers’ value chain. This means that a reduction in our carbon footprint is a reduction in our customers’ carbon footprint.

As we focus on the value we add to the businesses that depend on our delivery networks, one of our priorities is to ensure we reduce our impact on the environment.

We are determined to be carbon neutral from 2030, as part of our commitment to environmental sustainability. Our goal is to reduce our carbon emissions as much as possible over the next 12 years and purchase carbon offsets for any remaining emissions from that date.

NZ Post has been measuring its carbon emissions and having them independently certified through CEMARS since 2013. Initially only absolute (total) emissions were recorded but with changes to the business and significant changes in parcel and letter volumes the need to measure our efficiency (carbon emissions per letter and per parcel) was introduced as it provided a meaningful indicator of emissions performance in a changing business. The intensity measures have shown that letter emissions continue to increase due to letter volumes dropping faster than anticipated and resource use (electricity for sorting, fuel for delivery etc.) is not able to be stripped out at the same rate. Parcel emissions are declining as more parcels enter the network and we have been able to process and deliver them without the need to add extra delivery capacity at the same rate.

Our Decarbonisation Fund, established in June 2018, will enable us to meet this ambitious target by investing in low carbon activities. In short, instead of buying carbon credits to be carbon neutral now, we are committed to investing the same amount those credits would cost in activities that stop carbon being generated in the first place.

For the 2019 financial year, the value of NZ Post’s Decarbonisation Fund will be nearly $1.5 million and will be used to invest in technology and innovation projects which will lower our carbon emissions. We are also setting a reduction target through to 2030 using the Science-Based Targets.

One of our strategies in reducing emissions has been expanding our electric vehicle fleet. Our over 400-strong fleet of Paxsters has allowed us to add delivery capacity into our network without the normal associated rise in carbon emissions.

Next up is piloting five electric courier vans. Purchased with help from EECA (Energy Efficiency and Conservation Authority), we are assessing the suitability of these vans for use in our courier fleet. We will test them under different loading conditions and operating environments to understand their potential for our metropolitan parcel delivery network, which currently includes over 500 vans.

For the 2019 financial year, the value of NZ Post’s Decarbonisation Fund will be nearly $1.5 million and will be targeted at investigating technology and innovation projects which will lower our carbon emissions.
NZ Post is committed to maintaining a sustainable letters business we are proud of.
As mail volumes drop, we must operate efficiently and manage costs to ensure that we maintain our reach to almost 2 million delivery points. Over the past 10 years mail volumes have declined by a weekly average of 939,000 letters. We have rationalised and increased efficiency as much as possible, managing to remove around $70 million in costs out of the mail business through significant changes to mail processing.

Over the past five years, NZ Post has responded to the systemic decline in letter services with world class business transformation through a mix of technology, service changes, delivery methods, and price adjustments.

Effective from July this year, the price of sending a standard letter in New Zealand increased 20 cents from $1 to $1.20. To continue to provide the service we have agreed with government to deliver, we also had to increase prices for bulk mail as well as other postal products in our annual price review. While this increase was nominal, we appreciate the impact on our customers and communication to explain the rationale behind this increase has been a challenge for us. NZ Post has in fact pulled the lever on pricing much later than a number of other comparable postal operators in other jurisdictions, who have increased their prices steadily to mitigate their financial losses from declining mail volumes.

These price reviews have enabled our business to manage the financial impacts of the significant decline in demand to the best of our ability. In 2018-19 and beyond, to maintain the service, we will be required to make further changes including likely pricing increases, as these declines continue.

The trend experienced in New Zealand, as businesses and consumers continue to send fewer letters as they opt for digital communication, is in-line with global trends. Despite the challenges that this steady decline creates, we will continue to meet our responsibilities to deliver letters around New Zealand. This is especially important for parts of our community who are either not digitally enabled or have a preference to send and receive written forms of communication.

One of the most important parts of this strategy, and one that has been reflected in our eCommerce strategy, is ensuring we are aware of and mitigate our impact on the environment, given that the core of our business is using vehicles to deliver parcels and mail.

Future Outlook

In the next 12 months, we will:

» Maintain a commercial postal pricing strategy

In order to ensure that our letters business is sustainable, NZ Post has had to review its pricing structure to better reflect the true cost to collect, process and deliver mail items. This is important for this part of our business to be in good shape for the future. Adjusting our prices means that, as always, we need to ensure we maintain our high service standards to meet customers’ growing expectations.
Assess and use key customer and business insights

Using this important data, NZ Post is able to ensure ongoing product improvement. We will do this so we can better support customers’ immediate plans, while at the same time planning for their future requirements as to how they see themselves further adapting communications for their customer groupings. This includes meeting with our big bulk senders, to understand what their plans are for the next 12 months.

Continue to engage with all key stakeholders

We are aware that the service NZ Post offers through the letters business goes beyond seeking financial returns and that the social value we provide through our service is important for our stakeholders. We will continue to ensure that we communicate with our customers, partners, the government, and communities on the future of our letters service. We are always engaging with a range of stakeholders including community groups, councils and MPs to understand the needs of the communities we service. We will continue to share our plans via the media too and welcome feedback. These important conversations will support and contribute to the further changes we will need to make to balance all stakeholders’ interests, and achieve a sustainable mail business.

One of the potential obstacles we may face over the next year is a decline in mail volumes that is even faster than forecast and which may not be reflective of what we had modelled for following our price review.

While we may not be able to predict the actual rate of decline, we will commission a “Future of the Mail” study to use as a tool to engage on any regulatory and stakeholder changes required to improve profitability. We will continue to analyse mail volumes and will develop contingency plans to identify and prioritise initiatives and cost savings options to execute in response to volume decline, as it happens.

Continue to improve processing efficiencies

Consistent with ensuring that we are working as efficiently as possible, we are committed to delivering productive service levels with the aim of achieving the best balance of financial returns and value across all our capitals. While taking into account the number of delivery points we service every day, our metro and rural terrains, and the prevalence of weather incidents we are managing, we will continue to strive to meet our service standards.

Plan for the mail network of the future

We are constantly reviewing our strategies and will closely monitor our networks, considering the continued volume decline and the types of mail that customers are likely to send. We have forecast that letter volumes could drop from current levels by half to around 200 million per annum by 2022.

As part of planning for the mail network of the future, we will regularly revisit our operation and network design to manage our fixed cost base as the volumes continue to decline.

This is a challenge as there is little opportunity to make significant cost reductions while maintaining our mail network. Our goal is to ensure we are operating as efficiently and effectively as possible and that our mail delivery service standards deliver as best we can, balancing all stakeholder expectations, to the needs and expectations of our customers and communities who rely on us.

While we cannot change the declining mail volumes, we are doing our best to ensure that mail is delivered efficiently.
The right address makes all the difference

As our customers send fewer letters, NZ Post continues to do its best to ensure that we are looking after this service which continues to be essential for at least some New Zealanders.

Many Kiwis and Kiwi businesses send letters infrequently now, and that has been their increasing preference for a number of years. It follows an international trend as more of our sending customers than ever before move to online communication for their own customers. However, while mail numbers are on the decline, we still recorded what remains a very significant 450 million letters through our mail centres last year.

In 2017, NZ Post made a significant investment in new processing machines in Auckland and Christchurch, to increase the amount of mail automatically sorted and sequenced. This means that when this mail arrives at the branch it will be what we call “delivery ready”, saving the valuable time of our delivery agents and posties, who no longer need to sort it.

While the new machines are very effective at sequencing most of the mail that comes through, there is still work to do when it comes to addressing accuracy.

“Our delivery agents and posties are still receiving more unsequenced mail than was anticipated, meaning that we still have work to do to reduce manual sorting,” explains Jason Darrow, General Manager of National Processing.

“We are working on this, as we know getting this right will make all the difference when it comes to letters being delivered on-time, while ensuring we are able to keep costs down. Firstly, we are ensuring these machines are working as smoothly as they should be to sequence the mail correctly and secondly, ensuring that the address on each and every letter being put through the machine is able to be accurately read.”

Correct addressing can make all the difference, so we are working closely with our largest sending customers to help them improve their letter addressing accuracy. This work is important, as their mail accounts for 70% of what goes through the network.

Over 80% of machine mail is now being accurately processed and we are seeing an ongoing and substantial reduction of manual sorting. When letters are correctly addressed, the rate of accuracy is at 100%, which means we will keep encouraging our sending and receiving customers alike to know their addresses and postcodes.

As online shopping becomes even more popular, another challenge has been the recent influx of small international letter-sized parcels flooding the network.

“The different types of mail we are seeing has certainly changed. The number of parcels that cannot go through our parcel sorting process and are also not suitable for the new letter sorting machines because they are too small has risen exponentially,” explains Jason.

“We have to sort these small parcels by hand and we are anticipating their numbers will double in the next 12 months, all thanks to the convenience of online shopping. To manage this increasing and unprecedented customer demand, we are already looking for ways to process these parcels efficiently so we can get them on their way to their final destinations.”

The right address makes all the difference...
NZ Post not only distributes OfficeMax’s catalogues through our postal network, but to ensure their customers are able to secure next day delivery, we have found innovative ways to get their product where it needs to go, fast.

While 70% of OfficeMax’s customers order online, their catalogues still play a vital part in their business. “The catalogue allows customers to look through page by page and select the things they may not have realised we offer or may not have used before. In that way, it is the shop window for our business,” says Managing Director, Kevin Obern.

“The catalogue will often travel through an office, with one person doing the ordering online for a group. We have done research on why we produce catalogues when everything is more digital. What we found is that people make a list by reviewing the catalogue and then they place the order online. The catalogue works as a reminder or prompt to make orders in this way.”

OfficeMax are always confident that NZ Post is able to deliver during their peak demand periods, including the post-Christmas rush for back to school supplies.

In fact, NZ Post send OfficeMax their own parcel containers to sort their own items into. We also provide OfficeMax with scanners so that their team can scan the items before they go into the containers for us to collect and deliver straight to our depots with full tracking ability.

This means that orders are processed much quicker and more efficiently. Once they are received by the depot, orders can be sorted and given to the courier directly for delivery.

“We have a service delivery promise, that if our customers place their orders by 5pm they will receive them by 5pm the next working day. That is not OfficeMax delivering by 5pm the next day, that is NZ Post. We get lots of accolades for our delivery service but we couldn’t do it without NZ Post,” says Alan Elliott, Director of Operations.

For Managing Director Kevin Obern, one of the biggest contributions that NZ Post provides is the human connection for the last mile of delivery. “NZ Post couriers are often the only person that our customers ever see when they buy from us. While they can order online or on the phone, it is someone from NZ Post who they see with their delivery. This last mile is really important; it’s being part of the community, delivering on time and with a smile. In that way and every day NZ Post humanises our business, and for us this is invaluable.”

The relationships we have built with NZ Post over time are the best we have ever had. It is a real partnership.
Launched in 2015, NZ Post’s Paxsters are now common place in many urban areas, having proven their value for integrated delivery of parcels and letters, not to mention sustainability with their electric power.

As our customers’ requirements change we are seeing an increase in deliveries of small packets and parcels to consumers, and fewer letters as online shopping becomes even more popular. This means that our delivery runs are being redesigned and as a result of that, how we deliver needs to change which makes the Paxster an innovative introduction to our vehicle fleet.

Over the past year we have put 410 of our 434 Paxsters into operation, with a capacity to carry 200kg and a range of 80km or more. Delivery agents can be seen driving the electric vehicles, delivering both mail and parcels, in many of our cities and large towns across New Zealand. We also have 28 Kyburz operating between Hawera and New Plymouth.

The evolution of the Paxster’s journey in New Zealand has been different from the European countries it was originally designed for. Improvements to the vehicles have included a change in shock absorbers and improved safety measures.

“NZ Post has been able to test the vehicle and provide feedback to the manufacturer. This has allowed the Paxster to develop into a vehicle that is now fit for purpose, having been tested in possibly some of the most challenging operating conditions in the world,” explains Alan Court, NZ Post’s General Manager of Transport and Logistics.

Additionally, in order to make our courier fleet more efficient, NZ Post is in the process of trialling new electric vans for those longer delivery journeys, to support and encourage couriers to replace their diesel and petrol vehicles.

“As part of building a case that would support contractors eventually buying their own electric vans, we need to demonstrate they are commercially viable. We hope the trial will open up opportunities for contractors to change their vehicles, thus allowing NZ Post to have an even greater influence on reducing GHG emissions and therefore our contribution to climate change, be it direct or indirect,” says Alan, adding that a contractor in Wellington had already made the switch and currently has two electric vans.

“This is a great example of a contractor seeing the environmental and business values stack up. This kind of change has already been seen in the taxi industry, where it’s now common to use a taxi that is a hybrid. It’s just what people are doing now, especially when they are using a vehicle over a long period of time or distance.

The onboarding of the Paxster means we now have New Zealand’s biggest fleet of road-usable electric vehicles."
The only postal operator in New Zealand committed to the provision of universal service throughout the country.
We know that our aspiration to be the best delivery business for New Zealand adds value to thousands of communities throughout the country. Our strategy is to continue to provide solutions for our communities that help them connect and keep in touch with those people that matter most to them.

We are aware that the role we play in communities has an intrinsic value for the people who live in them. We provide services that matter to them – be that connecting people to everyday communications such as appointments, jobs, utilities and services, to keeping in touch with friends and family.

We see our ourselves as a service provider and, in our way, contributing to an inclusive society to make sure everyone has connections to what matters the most to them.

As New Zealand is changing, the solutions we offer customers to connect are too. We anticipate these changes will continue with the growth of digitisation. Our customers are time pressed and are increasingly looking for convenience. We want to provide ease of use with innovative online services but we also acknowledge that some New Zealanders prefer face-to-face and personal interaction.

From our urban metro postal agencies, to our many rural delivery runs and the provincial businesses that we partner with, we work within and with communities every day. We believe it is this interaction that drives our purpose, delivering every day, what people care about.

Future Outlook

In the next 12 months, we will:

» **Further develop our retail and service model**

We continue with our strategy to evolve our retail model. This means the transition of more of our postal services from NZ Post operated premises to those operated in partnership with local community based hosts. These are typically local businesses with well-established reputations and who are trusted in their communities.

In place for many years, this approach has provided an enhanced customer experience, including longer opening hours and convenient access. It also benefits the local agent with increased foot traffic for their own business and allows NZ Post to reduce the costs of operating stand-alone stores.

Historically we have shared retail premises with Kiwibank; however as the needs of our businesses diverge, our retail service delivery will in many respects be different from that of Kiwibank’s banking and financial services.
We will continue with the same thorough selection process, working with the best partners for these stores.

For our retail and service model to work well we need to ensure we are providing our partners with what they need to provide the best service possible. Our local agents are important to NZ Post; their success is fundamental to our success. Given they are an integral part of the NZ Post brand, we need to ensure we work truly in partnership.

Contact centre and communication

For some of our customers, one of their only touch points with NZ Post is through our contact centre operated by a valued team of employees. Our people are very important to us and we are committed to further developing our workforce capability within our contact centres. We want our customers to feel supported and confident that we will help them as quickly as possible. We also want our people to feel that they are supported to do their jobs well.

Stakeholder engagement

While we understand that it is important for NZ Post to change how we operate, in response to a constantly changing environment, it is equally important to us that we communicate these changes well. We will continue to engage with communities and stakeholders when we propose change, including meeting with community interest groups, local councils and MPs, as well as keeping the public up to date via the media. We will continue to explain what changes are happening and why. We are always mindful and respectful of the impact change has on the communities we serve.

We know that we need to ensure that we have the relevant capabilities to overcome any challenges in meeting the goals we have set. To reach these objectives, we need to continue effective change and project management, ensure we are communicating with relevant stakeholders both internally and externally and draw on our commercial knowledge.

NZ Post - part of the community’s history

Walking into the Post and Telegraph building in the Central Otago town of Ophir is like stepping back in time.

The town is just off the Otago Rail Trail, which passes through Omakau, about three kilometres away. It was built to serve a gold mining town once called Blacks after the owners of the property, but the name was changed to Ophir when it became an official town.

Built in 1886, the beautiful stone building houses the oldest and longest running PostShop in NZ Post’s network and is cared for by Heritage New Zealand Pouhere Taonga. It still has its original Kauri furniture and brass fittings.

Postmistress Val Butcher says tourists and locals alike enjoy coming to the shop, which plays a central and important role in the small community.

“We have the original safe and fire extinguisher, plus lots of information and memorabilia about the gold mining days and past residents,” says Val.

“Our mail comes and goes by Rural Post five days a week and we only have a population of around 58 permanent residents, although this doubles in summer, so we get very good service for a small town.”

Not only does Val know the community, she knows Ophir’s four-legged residents by name.
The vets address some of the mail in just the pets’ names, so you have to know who owns which dog.

“Locals come in to collect their mail so it keeps me up with what’s happening in town and makes for real small town stuff like a dozen eggs in the post box, or a message, or flowers for someone. In one case there was a large cabbage which did not fit in the post box and had to be moved around out of the way until it was collected.”

NZ Post Head of Retail Mark Yagmich says

NZ Post works with local businesses like Heritage New Zealand, but also pharmacies, bookshops and more, to help provide communities with places they can do their posting from.

“This way of working with local businesses is more financially sustainable for NZ Post, in an ever-changing mix of postal services usage. The decline of mail, compared with the significant increase in parcel services has changed how we operate. It is also good for the businesses we work with, as they enjoy additional income both from providing postal services on our behalf and by having more customers coming through their doors to pick up their parcel or send their postcard,” he says.

“We think it works well for our customers too, who enjoy buying stamps and sending mail from locations when they are already out and about.”
You can’t help but like Mike Nesbit. As we sit in the front of his cab, winding our way through the Waihopai Valley near Blenheim in the Marlborough region of the South Island, it is clear that he is proud to be a NZ Post contractor. But more than that, he is proud that he is making a difference in his community.

Mike is a vital link for the people in his community. With every delivery, he stops for a quick chat, catching up on what is happening in this world of exquisite beauty and hard work.

Many of Mike’s clients are small businesses, based kilometres out of Blenheim. His last stop takes us 10 kilometres through forestry to customers who need parcels delivered so they can work. They rely on Mike to pick up their parcels for their own customers.

Jase and Summer Weir are good examples. They operate two businesses – Jase makes custom alloy dog boxes and ute crates and Summer creates New Zealand hunting and wildlife art.

As Mike pulls up in the early morning, their kids are still waking up. While we chat, a menagerie of animals, a pet deer, a squad of chooks and Dash the cat, all come up to greet Mike.

“Oh, it’s just Mike. He always arrives this early,” Summer laughs.

It’s not uncommon for Mike to make a delivery while Summer is getting the kids breakfast, out the door and down the road to the school bus on time.

“Or not on time, mostly,” Mike laughs. As the Weirs and Mike catch up, it feels like you are stepping into a very special community.

“Mike, you washed your truck today!” Jase says. Some good-natured banter that only those who really know each other well can share.

Our next stop on the route is the farm of Liz Evans, former national president of the Rural Women’s National Council, who was recognised for her services to rural women in the Queen’s New Year’s Honours list in 2015. Liz was made an Officer of the New Zealand Order of Merit (ONZM).

Sitting at her kitchen table, enjoying a cup of coffee, she shares how rural life has changed since she and her husband, Geoff, moved to the head of the Waihopai Valley in the 1970s. There were eight homes in the valley when they first moved there; now there are over 30.

“When I first came up here the whole valley was involved in pastoral farming of various sorts – beef, sheep and orchards. It has definitely changed now, as has traditional farming.
It is a lot more diverse and more people have moved to rural areas. There are a lot more people and their needs are quite different from what ours were 20-odd years ago. When my boys were little, the postie would bring up crates of milk and hot bread straight from the bakery back then. I think it has changed now.”

Mike agrees. “Mail has definitely changed. Four years ago, every day of the week, I would have at least three trays of letters. Now, I don’t have a day where there are more than two. There is a tremendous amount of parcels; my freight volumes have definitely increased over the past two years. I think that’s because people are becoming more comfortable with online shopping.”

From wineries to farms and even the Spy Base, Mike delivers clothes and packages, but he also delivers medicine and restricted licences for the kids he has watched grow up.

At times, after receiving a text asking him to, he puts groceries on kitchen benches and keeps an eye on the homes of customers who are away for any length of time.

Mike says he joined Facebook a year ago, so he could join the Waihopai Valley community page. When he sends me a friend request later that day, I know exactly who it is – Mike describes himself as “the best Rural Postie in Waihopai/Northbank/Onamalutu” – and if you asked anyone living there, they would agree.
Delivering what people care about

OUR STRATEGIES

We deliver online shopping

We deliver communication

We deliver community

We deliver opportunities
From using our procurement to support social enterprises, to offering staff a paid volunteer day to work with those in need, NZ Post is committed to making a difference in the communities we serve.

In November 2017, NZ Post was recognised by the NZI Sustainable Business Network Awards for our work with New Zealand Red Cross. Our unique partnership supports its disaster management programme through logistics, postal, banking services and volunteer mobilisation support.

In February 2018, we helped set up the Red Cross Curtain Bank in Invercargill the only curtain bank supporting the South Island.

This winter, our Red Cross Curtain Call asked generous Kiwis to donate their pre-loved curtains to help stock up Red Cross Curtain Banks, which our courier drivers picked up for free. Red Cross volunteers will bring these curtains to life and tailor them to fit the windows of recipients’ homes. In total, we collected 1,800 sets of pre-loved curtains from homes across New Zealand, saving approximately 4,000kg of curtains potentially making their way to landfills.

In May 2018, NZ Post was recognised by EY, a multi-national professional services consultancy, when we took out the top award for ‘Sustainability Project of the Year’ at the annual New Zealand Procurement Excellence Awards.

“We have been supporting the growth of social enterprise (purpose driven organisations that trade to deliver a social or environmental impact) in New Zealand since 2012. In partnership with the Ākina Foundation we have been helping Kiwis to set up and grow their social enterprises so they can solve the things they care about,” explains Dawn Baggaley, NZ Post Head of Sustainability.

“Last year we were a Gold supporter of the Social Enterprise World Forum which took place in Christchurch attracting 1,200 delegates from around the world and New Zealand.

We announced at the Forum that we would commit to purchase goods and services from at least three social enterprises by September 2018.”

As well as supporting communities through buying Fair Trade tea, coffee and hot chocolate supplies for our staff in all our main offices, NZ Post gives all staff members a paid volunteer leave day each year.

In June 2018, our Talent and Sourcing team were awarded the Corporate Challenge Awards ‘Volunteering to Reduce Inequality’ award for their volunteering with Habitat for Humanity.

The team used their volunteer day to help set up the Habitat for Humanity store in Lower Hutt, Wellington. They were initially booked in for a beach clean-up, but at the last minute were asked to help Habitat for Humanity meet their store opening deadline.

We recognise the best way to support the growth of social enterprises is to buy from them.
OPPORTUNITIES

By using our expertise, unravelling the complex and simplifying, we want to make the most of our investments.
By using our expertise, unravelling the complex and simplifying, we want to make the most of our investments. Our strategy for the next 12 months is to maximise the opportunities that complement our business. With a commercial mindset, we will continue to look for opportunities that support a commercial return on the government’s investment as our sole shareholder.

More New Zealand businesses than ever before are embracing an online presence to exploit the opportunities of eCommerce both domestically and abroad. Using our capitals of expertise and relationships, NZ Post is well positioned to partner with businesses as they expand into international networks. One service we will continue to develop and promote this year is storage and fulfilment. This is where we look after the warehousing (storage), picking, packing and shipping (fulfilment) of products from third party logistics sites.

We pick, pack and ship products to wherever they need to go. We allow our customers to see stock levels and movements digitally at any time, thus giving greater certainty to manage customers’ expectations.

**Future Outlook**

Over the next 12 months we will:

- **Maximise existing investments**
  
  We have a range of investments including banking (53% share of Kiwibank), print mail (CCM), direct marketing services and digital document solutions and archive capability. In 2018-19, we plan to continue to maximise the value of these investments.

- **Support adjacent revenue creation**
  
  We will ensure that opportunities for adjacent revenue are well supported. For example, our Customer Communications Management (CCM) business provides print mail, direct marketing fulfilment and digital solutions to our extensive customer base, including large enterprise and government departments. In 2018-19, we plan to leverage our leadership as New Zealand’s largest print and mail operation to continue to be a leading multi-channel digital customer communication and experience partner.

- **Support other revenue streams**
  
  Our highly-valued Stamps and Coins business is a very important commercial part of what we do. In representing New Zealand’s culture, heritage, history and people through products, this year we plan to further connect with the community to develop, innovate and grow our returns from this business.

- **Explore new revenue streams**
  
  During the next financial year, we will look for opportunities to add new sustainable revenue streams to what we do. We envisage an eCommerce focus to help us continue to meet customers’ changing needs.
We plan to use our strong delivery and logistics capabilities to enable Kiwi companies to take advantage of the high growth in online shopping. We have provided exciting and unprecedented opportunities, such as working in partnership with Alibaba and Fonterra to track customers’ orders using blockchain technology. This world-first system, currently being trialled, aims to improve supply chain transparency. It will be rolled out across Alibaba’s online marketplace, if successful, creating significant access to international markets.

We know that there will be challenges along the way. The rate of competition will continue to grow so we must position our business for this.

In terms of our environment capital, we are also aware that the needs and pressures in our large cities (specifically Auckland) must be considered and different strategies deployed to reduce pressures on our business.
Taking our communities to the world

The Hui Māori Collective are preparing to take their products to the world stage, thanks to NZ Post, in partnership with New Zealand Trade and Enterprise, AsureQuality, Te Puni Kōkiri, Poutama Trust and Katabolt.

This initiative will be launched in time for “Singles Day” – 11 November 2018 – which is the biggest eCommerce shopping day in China, with expected trade of over US$25 billion.

The Collective consists of 13 Māori-owned businesses selling a range of premium products, including wine, Mānuka honey, and food and beverage items, on NZ Post’s flagship store on Tmall Global (part of the Alibaba Group).

We will be the world’s first supply chain enabler for this kind of authentication in international cross border eCommerce

A manufacturing and supply chain verification process, including alignment with the collective’s Māori values, will be managed by AsureQuality. The “Fernmark Licence” also authenticates New Zealand provenance.

“AsureQuality’s world leading verification validates authenticity every step of the way, from product source through to NZ Post’s managed warehouse and international end-to-end tracking through the supply chain to the consumer,” explains Dene Green, General Manager of NZ Post Strategy and Partnerships. “The consumer can have absolute faith that what they receive is the authentic item they ordered from New Zealand.”

The programme utilises NZ Post’s strong, safe, secure and trusted network, while leveraging our international connections and our desire to be the best partner for online shopping.

“We will be the world’s first supply chain enabler for this kind of authentication in international cross border eCommerce. This is not wishful thinking and is clearly aligned with our strategy. We have been on this journey for over two years, culminating in the pilot programme with the Hui Māori Collective,” adds Dene.

The project, also known as “International New Horizons”, has involved significant investment by NZ Post and a number of partners, including New Zealand Trade and Enterprise, AsureQuality, Te Puni Kōkiri, Poutama Trust and Katabolt. They have all been vital in establishing the new verification process, which was trialled with the Hui Māori Collective, and which could ultimately be rolled out to more New Zealand exporters.
Freeing up time for businesses to grow

NZ Post’s Third Party Logistics adds value by allowing our customers to focus on how they are going to grow their business, rather than how they are going to get their product from A to B.

“We want the half a million New Zealand small and medium enterprises to tell us where in the world they want to go next, so that we can help them with how they are going to get there,” explains Storme Newton, General Manager Export and Trade Facilitation.

Operating from our operations centres across New Zealand, NZ Post picks, packs and sends customers’ products straight from the warehouse. This means a seamless process for the customer, who only needs to ensure that their stock is replenished.

For Kiwi-owned business dontbeadoormat, giving control of sending their product to a third party was a scary proposition. One of the elements they were concerned about was losing the sense of personal detail of when and where their products were sent.

For Tess Dunford, the creative force behind dontbeadoormat, it was the personal, handwritten notes that were one of the key elements she didn’t want to be lost.

“That was a big thing for me; I wanted to keep it personal. Any warehouse could put in some inserts and send it, but to retain a personalised note, especially if the person receiving it is getting it as a gift, just means so much,” says Tess.

“It was hard to give over the distribution, as we packed every order. When we were doing it ourselves, we used to check every mat. We would take a pair of scissors to trim any strands that weren’t quite right. You want to make sure that NZ Post has the same level of care. The fact that the staff at NZ Post would go to the trouble of writing the notes was a big selling point for me.”

Dan Stemp, Tess’s partner, in life and business, says that partnering with NZ Post has helped them work on the business, rather than in the business.

Confident their fulfilment and logistics are sorted, they can focus their attention on growing. Their biggest markets at the moment are New Zealand and Australia, but that is steadily growing, with a recent order in Switzerland.

Partnering with NZ Post has helped us work on the business, rather than in the business.

Being environmentally friendly is a huge part of the dontbeadoormat brand. When researching for their business, it was important to Dan and Tess that they chose a supplier who was ethical and that the supplies for their doormats were non-toxic and safe for the environment. They have now developed a product that is totally biodegradable and once too old to be used as a doormat, can be buried, rather than sent to the landfill.

NZ Post’s sustainability goals and moving to a more sustainable delivery model are just as important to them.

“Sustainability and creating value in the supply chain are really important to us. We make sure that our packaging is recyclable. If you look at what is happening in the world now, there is a real awareness of businesses being sustainable and looking after the environment. I think it is great that NZ Post do not just buy carbon credits to offset their carbon footprint, they take active steps to reduce their emissions,” says Dan.

Tess adds, “It isn’t just that this is important to us, it is important to our customers and it is something customers now expect.”
We deliver community

We deliver opportunities

KIA ORA
Corporate Governance

The NZ Post Board recognises the critical importance of strong corporate governance to the company’s ability to create value. It is at the heart of building an ethical culture across NZ Post and providing clarity of purpose in everything that we aspire to, for all of our people. 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.

Case Study: What makes a good Director? How can a Board member create value for NZ Post?

A good Director is one who thinks strategically and is curious about what the future might look like.

“As a Board, there needs to be a very clear vision of what success looks like. This vision needs to be translated into long term economic value through sustainable business practices,” explains NZ Post chairperson, Jane Taylor.

“One of the most important qualities of a good Director is someone who has the right value set, who is honest, transparent and collaborative. A good Director is able to really listen to the views of others and is prepared to have their own thinking challenged.”

Likewise, Directors need to be independent thinkers who can constructively challenge ideas, when needed, Jane adds.

While traditionally boards were focused largely on the short term financial outcomes, modern Boards look to the value the organisation creates beyond the balance sheets.

To understand and realise this value, an organisation needs to be purpose led and Directors must believe in this purpose themselves.

“A good Director needs to be attuned to the material issues facing the company and the society in which it operates, to manage the associated risks and to turn risks into opportunities. Looking at the bigger picture ensures that a business is not only surviving, but ensures it is able to really prosper. The Board’s role is to ask how we can help the business to achieve this.”

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.

NZ 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 NZ 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 2018, the Board comprised seven 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.

Our Board has ultimate responsibility for the management of NZ Post, which includes its strategic success and ongoing governance of its business affairs.

Utilising the significance and range of their key skills, the Board is committed to ensuring that management maintains the highest standards of corporate governance and upholds high ethical standards.

The Board’s role is to ask how we can help the business to achieve this.
The NZ Post Board

NZ Post has a strong Board with a range of skills and expertise.

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.

Julia Hoare BCom, FCA, CMinsD Director
Julia is a professional independent Director. She possesses a comprehensive range of commercial and financial expertise, developed from both her governance roles.

Jane Taylor LLB(Hons), LLM (First Class Honours), Dip Acc. FCA, 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.
Jacqueline (Jackie) Lloyd BA, BCom, CMInsD
Deputy Chair
Jacquie has an extensive background in private and public organisations. She is currently Chair of Experience Wellington (Wellington Museums Trust).

Carol Campbell BCom, CA, CMInsD
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.

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 NZ, holding senior international appointments including as Chairman and CEO of McDonald’s NZ.

Read more about the NZ Post Board on our website
Senior Leadership Team

NZ Post has a Senior Leadership Team with broad experience and a deep commitment to our purpose, led by the Chief Executive and accountable to the Board.

Bryan Dobson BBS (Hons): Chief Marketing Officer (from August 2017)
Bryan joined NZ Post in February 2017 and brings a wealth of experience in strategic marketing roles in the energy and financial services industries.

Mark Stewart BSc (Hons), PhD: Chief Operating Officer, Customer Service Delivery
Mark Stewart joined NZ Post in 2008 and has held leadership roles across the business since – in the store network, mail operations, leading the integration of our parcel (courier) and mail operations, and now as Chief Operating Officer.

Malcolm Shaw LLB (Hons): General Manager, Governance & Sustainability
Acting General Manager, People & Culture (from May 2018)
Malcolm Shaw joined NZ Post in 2000, and in his role as General Manager, Governance & Sustainability, he is also Group General Counsel and Company Secretary.

Geri Ellis MBA: Chief Data and Technology Officer (from September 2017)
Geri Ellis joined NZ Post in September 2017 and brings a wealth of experience in digital, technology, marketing and strategy.
Janet Selwood BA, MBA: General Manager Channels
Janet Selwood joined NZ Post in May 2013 as Strategic Advisor to the Chief Executive, having previously held a variety of roles at Telecom. She was appointed to her current role in December 2017.

David Walsh BCA, CA: Chief Executive Officer
David Walsh 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.

Sohail Choudhry BA, BE, ME, PhD: Chief International Business Officer
Sohail Choudhry joined NZ Post in November 2007 and has worked in various customer facing, marketing and strategy senior leadership roles, with particular emphasis in the area of eCommerce.

Michael Boersen BCOM, CA and ACIS: Chief Financial Officer (from May 2018)
Michael Boersen joined NZ Post in May 2018, having previously held senior leadership roles at organisations including Auckland District Health Board and TR Group Ltd.

Read more about the NZ Post Senior Leadership Team on our website
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 under the State-Owned Enterprises Act is to operate as a successful business, including:

- to be as profitable and efficient as comparable private sector businesses;
- to be a good employer;
- 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 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 with the annual plan and forecasts at its regular meetings.

The Board has collectively reviewed and approved the Integrated Report for 2018. It confirms that, in the view of Directors, the Report is presented in accordance with the Integrated Reporting Framework.

Board Meetings

During 2017-18, the Board held 10 regular meetings (with provision for additional meetings as required). The Board also held an annual strategic planning session that considers strategic issues in conjunction with the Chief Executive and the Senior Leadership Team.

The Chief Executive, Chief Financial Officer and General Counsel 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. In particular, Directors use site visits as a time to undertake safety observations, and other due diligence activities, and a number of Directors have during the year received specific health and safety training.

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.

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 three to 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 Markets Conduct 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.
**Tax strategy and governance**

- Consistent with best practice, the Board has approved a Tax Policy, which sets the tax strategy and outlines the control framework by which tax obligations are met from an operational and risk management perspective.
- The Tax Policy endorses the OECD’s Business and Industry Advisory Committee’s (BIAC) Statement of Tax Principles for International Business (September 2013), which is supported by Inland Revenue.
- The Tax Policy is reviewed regularly and any changes are approved by the Board.
- NZ Post adopts a socially responsible approach to management of its tax affairs. Consistent with the high standards expected of it, NZ Post does not undertake tax planning activities that would be considered aggressive from either a New Zealand or international perspective.

**Tax contribution**

The amount of income tax paid by NZ Post has varied in recent years and was nil for the year ended 30 June 2018, reflecting a tax loss incurred in that year.

**Principle 5: Remuneration**

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

The Committee’s primary purpose is to assist the Board in fulfilling its oversight of ‘good employer’ and human resources governance responsibilities relating to 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 maintained its strong focus on the health and wellbeing of NZ Post employees and contractors with significant and ongoing improvements sought. The company monitors 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 Michele Embling 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 ongoing 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.