

Sus tain ability

Report
2019



He waka eke noa

We are all on this journey together

We are moving forward together, Air New Zealand whānau, customers, suppliers and stakeholders. Together we can achieve more for the future of Aotearoa than if we work alone. In this report we highlight some of the challenges that Air New Zealand, our nation and the world are facing, and we look at some of the ways we are coming together with a range of partners to deliver our sustainability agenda.



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A LETTER FROM

The Chief Executive Officer

We stand at a pivotal moment in time with a groundswell of sustainability awareness demanding that business, governments and communities together do more to play their part in responding to the climate crisis and other critical sustainability challenges.

The immense challenges we face underscore the relevance of Air New Zealand's company purpose, to supercharge New Zealand's success — socially, environmentally and economically. This purpose reflects the critical and multifaceted roles we play — connecting people and products across New Zealand and the world, supporting people and communities as one of New Zealand's largest employers, and leading a conversation on the future of sustainable tourism, New Zealand's largest contributor to GDP. Our company purpose also reflects the airline's role in helping to protect the natural environment for Kiwis and visitors alike, and the desire that our workplaces offer equal opportunities irrespective of gender, race, sexual orientation or physical ability.

This year the Air New Zealand Executive identified 'Sustainability in the Bloodstream' as a long-term organisation-wide strategic pillar. This commitment will accelerate progress towards our sustainability goals with an additional focus on enhancing awareness and capability of all senior leaders to deliver our ambitious agenda.

In 2019 the climate crisis has taken centre stage. We have seen unprecedented engagement of community and youth leaders shining a light on the challenges

that climate change poses and the need for urgent action. Countries are crystallising targets and enshrining mechanisms in legislation to deliver to the 2050 Paris targets. The New Zealand Government is seeking to pass the Zero Carbon Bill to establish long-term emissions budgets. As a founding member of the New Zealand Climate Leaders Coalition, Air New Zealand has supported the net-zero ambition and seeks enhanced policy certainty and the design of new mechanisms to support low-carbon technology, particularly for hard-to-abate sectors like aviation.

Globally, consumer awareness of the negative carbon impacts of flying is rising. Responding to the climate crisis remains Air New Zealand's single biggest sustainability challenge. The most impactful lever we have currently is to fly modern, more fuel-efficient aircraft, which we continue to invest in, and to ensure our operations both in the air and on the ground are as efficient

This year the Air New Zealand Executive identified 'Sustainability in the Bloodstream' as a long-term organisation-wide strategic pillar.

as possible. We also know that new fuels and electric aircraft technology must form part of the longer-term solution for reducing emissions. In the past year we are proud that our voluntary customer carbon offset programme passed a milestone of \$1 million going towards the purchase of carbon offsets from permanent New Zealand forests.

This past year has also seen continued low levels of trust globally in governments, NGOs and media. In the trust stakes, "my employer" is the most trusted relationship by a significant margin. With such trust comes responsibility — the expectation

upon businesses that they stand up like never before to be a trustworthy source of information, to take a stand on contentious societal issues and help deliver a fairer, safer and more resilient society. People are at the heart of Air New Zealand so I'm really proud that we have led national conversations around important social issues such as diversity and inclusion, automation and the future of work. Within Air New Zealand, the proportion of women in our Senior Leadership Team roles has jumped from 16 percent in 2013 to 44 percent this year, we have advanced a leading parental leave policy and we continue to embrace te reo Māori. Our progress has been recognised externally, securing the inaugural Diversity & Inclusion Award from the International Air Transport Association and winning New Zealand's Most Attractive Employer award for the sixth time. These awards are great recognition, but the bigger prize is the difference I see in employee satisfaction and improved business performance.

Our unique position as the national carrier of Aotearoa extends to the positive impact we have on New Zealand economically — bringing overseas visitors to our shores, transporting high-value cargo exports, stimulating regional economies and supporting local businesses across our supply chain. At our inaugural Tūhono Supplier Awards, we celebrated the contribution of many of our suppliers to our own business success. In the regional impact and tourism space, we recently announced a four-year strategic partnership with Queenstown Resort College's Tai Tokerau campus. This partnership aims

to stimulate economic and social impact in the regions by promoting tourism career pathways for young people who would not otherwise access tertiary training.

I'm incredibly proud of what we've collectively achieved at Air New Zealand in the past seven years during my tenure as CEO, and our sustainability journey has been absolutely one of the highlights. My appreciation again goes to the Air New Zealand Board and members of Sustainability Advisory Panel for their continued guidance and the challenges they have set, and to our partners who are working alongside us to deliver results. When Air New Zealand first launched our sustainability agenda, not many New Zealand companies, and certainly not many airlines, were so "all in". I'm therefore grateful for the support and trust the Air New Zealand Executive and Board had to launch and take this critical strategy forward.

To make lasting and significant progress to address the biggest of the world's challenges — and there are many — business must continue to step up and mobilise their people, knowledge and capital. Ultimately, we will get the future we design and are prepared to invest in together — and our people, communities, long-term resilience as a business, and health of our planet depend on our collective and continued bold leadership.

Nāku noa, nā



Christopher Luxon
Chief Executive Officer,
Air New Zealand



A LETTER FROM THE

Sustainability Advisory Panel Chair

Although there are lots of companies today that talk a lot about corporate sustainability (or Corporate Social Responsibility), very few of them really get it. Worse yet, a lot of them are still just ‘adding it on’ to the ‘shareholder-first imperative’.

Paradoxically, there’s a strong case to be made that the best way of putting shareholders first is to put shareholders last! And the structure of this report perfectly exemplifies that heretical idea. Corporate sustainability for Air New Zealand starts with Air New Zealanders (Section One) — the heart and soul of the company. As it is for every company. Screw this up, or even play it down, and that’s pretty much game over for any company seeking genuine sustainability.

At long last, there is now a much greater recognition of both the scale and the urgency of the climate crisis.

Get it right, and that goes a long, long way in terms of securing customer loyalty and attracting new customers.

That kind of loyalty depends completely on trust, and that kind of trust depends in part on having the right strategic partners, prepared to co-create future commercial

success by addressing whatever key challenges that company may be facing — in Air New Zealand’s case, Climate Change, Tourism (Sections Two and Three), and getting on top of its waste management issues, with a particular focus these days on plastic waste (Section Five) — where Air New Zealand has a good story to tell (see page 49).

Get all that right, and suppliers (Section Four) will be proud to help that company achieve its goals. At which point, investors will be assured of good returns, in both the short and the long term, as a direct consequence of getting the basics right everywhere else in the company.

With an airline, inevitably, investors will be particularly keen to know that its Board of Directors is managing climate risk as purposefully as is now required at a time of climate emergency. My colleague Tim Jackson spells that out very clearly on

page 32. In that regard, the decision by Air New Zealand’s Board to sign up to the requirements of the Task Force on Climate-related Financial Disclosures is particularly encouraging (see page 23).

This last year has been dreadful, with one extreme weather event after another



somewhere in the world. In fact, the UN tells us that we’re now witnessing one such calamity every week, and that this will get much worse with sea levels starting to rise much faster, and a deeply disturbing projection of a one metre average sea-level rise by the end of the century.

For many people in the Pacific, that’s the equivalent of their countries being put on death row. Kiribati (home to 100,000 people on 33 islands) has for a long time been the poster child for all small island states in this region, given that most of Kiribati is only just above sea level and is already disappearing. Back in 2014, former President Anote Tong had the foresight to purchase 6,000 hectares on Vanua Levu, Fiji’s second largest island — but it’s still hard for people

to understand the psychological trauma of leaving behind one’s homeland, culture, history and very identity as a people.

New Zealand’s leadership on climate change (as well as that of Fiji itself) is going to be crucial over the next few years. The phrase ‘he waka eke noa’ takes on an extra resonance in that regard (‘we’re all in the same boat’ seems insipid by comparison!), reminding us not just that we have to plan and implement a very rapid transition to a low-carbon world, but that we have to do it in a fair, just and accountable way. Air New Zealand has an important part to play in that regard, empowering its own Māori and Pasifika employees, and thinking even more dynamically about its role in South Auckland — as a critically important element in a

broader community engagement strategy which has moved forward in leaps and bounds over the last 18 months.

The world already looks to New Zealand (and to its national carrier) for leadership in such troubled times. Lending real substance to the principle of Tūhono — standing together — will set the benchmark for others to aspire to.

Sir Jonathon Porritt
Founder Director, Forum for the Future
September 2019

Our business

Air New Zealand operates a global network, with a Pacific Rim focus, that provides passenger and cargo services to, from, and within New Zealand to more than 17 million customers a year.

Our domestic network is unmatched, offering services to 20 main centres and regions across New Zealand, while our alliance relationships with airlines in key offshore markets complement the destinations we fly to. With more than 3.2 million members, our Airpoints™ programme is considered the most valuable loyalty programme in New Zealand. We have a proven history of achieving profitability, delivering positive earnings every year since 2003 and paying dividends to our shareholders every year since 2005.

We believe our success is inextricably linked to the success of New Zealand and this is reflected in our company purpose: **Supercharge New Zealand’s success – socially, environmentally and economically.**



#1

17.7M

190K+

Eco-Airline of the Year¹

Corporate reputation in New Zealand and Australia²

Passengers carried in 2019 financial year

Air New Zealand flights in 2019 financial year

\$128M

20

32

12,553

Dividend paid to the New Zealand government in 2019³

Domestic destinations

International destinations⁴

Employees at end of June 2019

¹ 2019 ATW Airline Awards ² Colmar Brunton Corporate Reputation Index 2019 (New Zealand); Reputation Institute's 2019 Corporate Reputation Index (Australia) ³ Total Ordinary dividend declared \$247 million ⁴ Includes Seoul which commences late November 2019

Our customers

Air New Zealand connects New Zealanders to each other and with the world. We take our responsibilities to our customers very seriously. Whether we are helping friends and family to connect, bringing tourists to New Zealand or taking exports to the world, customers are at the very core of why we do what we do.

If we can make their experience safer, better, with less impact on the environment, and get them where they need to be, when they need to be there, we have succeeded.

The number of customers flying on our network continues to grow. In the last year, Air New Zealand flew more than 17 million customers on more than 190,000 flights. Our international flights carried more than six

million customers to over 30 international destinations. We also operate one of the most connected¹ domestic networks in the world with more than 30,000 customers travelling on more than 400 flights each day between 20 domestic destinations.

We carried more than 180,000 tonnes of cargo on our network in the past 12 months, supporting New Zealand businesses and facilitating urgent movements of medical and infrastructure supplies. For a small island nation in the Pacific, air travel provides a vital connection to the rest of the world. There are many economic and social benefits to travel, connecting people with friends and family, providing exposure to different cultures and experiences, and facilitating tourism and trade.

Consumers in New Zealand and around the world are increasingly concerned with how the industry can provide these benefits at the same time as reducing the negative environmental impact of aviation. This is another area where we need to work together.

The power of consumers to influence change in the world, particularly around sustainability issues, has increased significantly in recent years. Social media has made it much easier for like-minded groups to advocate for environmental and social advances. This makes it even more important for us to give our customers a voice and to listen.

Customers can make a difference by choosing to fly with airlines that are making significant positive change and they can take action by offsetting the carbon emissions from their flights. In the past year more of our retail customers around the world chose to offset some or all of their carbon emissions, offsetting close to 45,000 tonnes of carbon emissions from more than 183,000 journeys — a 41 percent increase on the previous year (albeit still a low percentage of bookings overall). We also introduced offsetting for our corporate and government customers, with more than 7,000 tonnes of carbon emissions offset in the inaugural year of the programme.

3.2M

38,600 tonnes

Number of Airpoints™ members, up 11% from the prior year

Annual volume of New Zealand exports carried on Air New Zealand

PHOTO: Photograph by Joao Inacio

2.38M  2017

2.84M  2018

3.08M  2019

Total number of social media fans¹

¹ Facebook (global networks) — have 'liked' Air New Zealand; Instagram (global networks) — have followed Air New Zealand; YouTube (global networks) — have subscribed to Air New Zealand channel; Twitter (New Zealand network only) — have followed Air New Zealand

Sustainability at Air New Zealand

Our purpose is to supercharge New Zealand's success — socially, environmentally and economically. Our Sustainability Framework helps guide our actions and is aligned with the United Nations Sustainable Development Goals (SDGs), the blueprint to create a better and more sustainable future for all.

We have identified nine SDGs that we have the greatest ability to positively impact. We have a four-member Sustainability Executive Steering Group comprising our Executives responsible for Strategy, Networks and Alliances, Ground Operations, Marketing and Customer, and Operations Integrity and Standards. This group steers our sustainability agenda and drives change through their respective parts of the business.

Internally we use an online sustainability dashboard to regularly monitor and track performance against targets in each of our framework areas.

Sustainability Advisory Panel

Our Sustainability Advisory Panel brings together an internationally renowned group of experts selected for their skills, expertise and ability to challenge our sustainability agenda. Six external members, Dame Anne Salmond, Sir Rob Fenwick, Dr Susanne Becken, Dr Suzi Kerr, Professor Tim Jackson and Chair Sir Jonathon Porritt are joined by our Chief Executive and Chief Strategy, Networks and Alliances Officers.

The Panel and other company representatives meet twice a year to discuss progress, identify emerging issues and develop responses. The Panel are also consulted on issues identified outside of the regular meetings.

Sustainability Framework

Manaakitanga Our people

Air New Zealanders
Communities



Kaitiakitanga Our place

Carbon
Nature & Science



Ōhanga Ora Our economy

Tourism
Trade & Enterprise



Our material issues for 2019

By continually assessing which issues are most material to our operations, the environment, our customers and other stakeholders, Air New Zealand is better able to mitigate risk and harness opportunities. Our material issues inform our strategic priorities, sustainability approach and reporting.

We engage with a wide range of stakeholders internally and externally to understand what is important to them.¹ We listen to feedback from our employees, customers, investors, suppliers, industry partners and communities. We receive input and guidance from throughout the organisation — from our Board of Directors and Executive to our passionate employees sharing their aspirations for change.

Our Sustainability Executive Steering Group regularly reviews the risks identified in our Enterprise Risk Process and annual and long-term planning cycles, while the Sustainability Advisory Panel provide a vital external reality check.

In this report we focus on the following issues:

- 01 Engaging Air New Zealanders
- 02 Tackling climate change & carbon
- 03 Supporting New Zealand through sustainable tourism
- 04 Working with our suppliers
- 05 Reducing waste & plastic

¹Read more about how we engage with our stakeholders at airnewzealand.co.nz/stakeholders

01 Engaging Air New Zealanders

As an airline, we distinguish ourselves through the personal connections our people make with customers each day. Our customers choose to fly with us because they know they will be greeted at the airport and the aircraft door with a warm smile and a welcoming kia ora.

They trust they are getting on a well-maintained aircraft with a crew that will get them safely to their destination. And when things go wrong and disruptions happen, they rely on our customer care teams truly caring and helping to get them moving again.

To deliver on this we need to attract and retain the best people and ensure they have the right leadership, training and support to perform their roles to the highest standard. Collectively, passionate and inspired Air New Zealanders are our greatest strength.

We are consistently ranked as one of New Zealand's most attractive employers, taking the top spot in the annual Randstad Employer Brand Research Awards a record six times. This success is highlighted when it comes to recruitment. In 2019 we received 40,470 job applications — more than three times the number of our total workforce.

We work hard to ensure the perception of Air New Zealand as a great employer meets the reality of the employee experience once on board. Your Voice, our bi-annual employee engagement survey, helps us identify what's working well and what we need to improve. Our 2018 engagement score was 71 percent¹ which places us in the top quartile of organisations in Australia and New Zealand.

MĀORI & PASIFIKA IN MANAGEMENT

Proportion of Māori & Pasifika in management positions throughout the organisation in 2019²

13%
2018



15%
2019

SPLIT OF ALL EMPLOYEES



FEMALE SENIOR LEADERSHIP

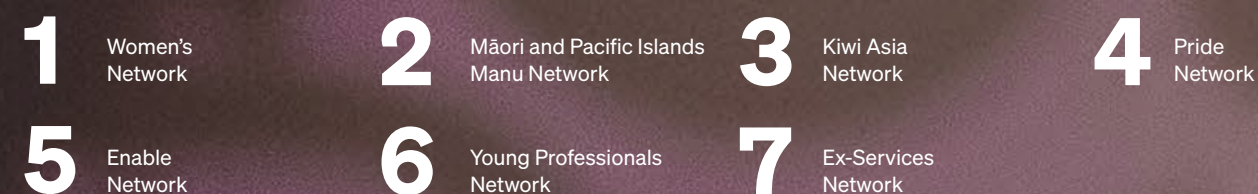


EMPLOYEE ASSISTANCE PROGRAMME (EAP) CASES

9.3% average utilisation rate - 2019¹



EMPLOYEE NETWORKS IN OPERATION



DIVERSITY & INCLUSION

External accreditation ticks received since 1 July 2018

ACCESSIBILITY ✓ GENDER ✓ RAINBOW ✓

¹ Your Voice employee engagement survey conducted bi-annually using Aon global engagement methodology. Engagement score increased by 2 percentage points from 2016 to 2018 ² Based on available ethnicity data in our internal Human Resources management system

¹ EAP Association guidelines indicate that a utilisation rate over 6 percent is an indication EAP is being used as a proactive wellbeing tool



01

Embracing diversity

Our vision is to create a diverse workforce, proudly representative of Aotearoa, a place where Air New Zealanders can be themselves and thrive. With more than 200 different ethnicities calling Aotearoa home, New Zealand is a culturally diverse country and getting more so all the time.

Reflecting the country's rich diversity is what sets us apart as an airline, leading to a stronger connection with our breadth of customers and in turn driving better business results.

We were proud to be awarded the inaugural Diversity & Inclusion Team Award at the 2019 International Air Transport Association (IATA) Annual General Meeting. The award recognised Air New Zealand as leading the way for diversity and inclusion in the global aviation industry.

We have seven active employee networks, each sponsored by a member of the Executive, which connect, support and give voice to all employees. These employee networks are a driving force in creating an inclusive workplace and have been instrumental in Air New Zealand receiving the Gender, Rainbow and Accessibility Tick accreditations, which provide independent validation that people of all genders, sexual identity and abilities respectively are accepted and valued in our workplace.

In 2018 we introduced an unconscious knowledge and bias awareness programme to help employees understand how personal bias affects decision-making. This programme has been immensely popular, and so far 733 employees have completed the training. By June 2019, 63 percent of our Senior Leadership Team had completed the programme, on track to meet our target of 80 percent by 2020.

We have enhanced our people policies to better reflect an inclusive and fair workplace and to strengthen our position as an employer of choice. For example, we have significantly enhanced our Parental Leave package, acknowledging the importance of this stage in our people's lives and providing greater financial security for new parents.

We have seven active employee networks, each sponsored by a member of the Executive, which connect, support and give voice to all employees.

Related to this, we actively promote flexible working arrangements where possible, giving people greater control in how they structure their work and personal life. Working with the White Ribbon Trust, we are also taking a strong stand against domestic abuse with a new initiative that includes training, internal and external support options, and up to 15 days' paid leave.

PHOTO: Air New Zealand employees farewell the All Blacks with a haka before their flight to Japan

01

Gender balance

We see gender diversity at all levels as a business imperative. It's good for culture, innovation, customer connections and the bottom line. Regardless of whether on the ground or in the air, we're working hard to create a culture that empowers, attracts, recognises, develops and engages women.

In the last year our Executive Team has been strengthened by the addition of two exceptional leaders: Carrie Hurihanganui, who re-joined the airline in July 2018 as Chief Ground Operations Officer, and in May 2019 Jennifer Sepull took up the role of Chief Digital Officer. At the end of the 2019 financial year, 43 percent of the Air New Zealand Board were female.

The proportion of women in our Senior Leadership Team increased from 39 percent in 2018 to 44 percent in 2019. This compares favourably to the 43 percent of women across our entire employee base. Twenty women are participating in our internal Women in Leadership programme in 2019, designed to accelerate the development of our top female talent. And we're seeing results — since its inception in 2016, 18 participants having been promoted and 13 have moved laterally into new roles. By November 2019, 69 women will have completed the programme.

Through our ongoing partnership with Global Women and its Champions for Change initiative, we have increased external female development opportunities aimed at mid-manager level. In the past year, two of our high-potential leaders have become members of the International Women's Forum Fellows Program, gaining customised training in partnership with the Harvard Business School and INSEAD.

Air New Zealand publishes an annual Gender Equity Pay Gap Report and in 2019 males were paid 0.46 percent more than females in roles with similar complexity and responsibility, compared to 0.41 percent more in the 2018 financial year. This gap and the change since last year are driven by differences in tenure, experience and performance. We continue to critically examine our processes and policies to ensure they promote equity.

CASE STUDY

International Women in Engineering Day

Three employee-led Air New Zealand groups are making it their business to increase the number of women participating in STEM¹ careers in aviation. Women Inspiring the Next Generation of Pilots, Women in Engineering and Women in Digital are working alongside schools and community groups to promote career pathways for women in aviation.

The networks host groups of young women at Air New Zealand to experience a day in the life of a pilot, engineer or a member of our Digital team. They also participate in programmes such as Shadowtech, providing leadership shadowing and work experience for female digital students in partnership with the Manukau Institute of Technology, and events such as the Classic Fighters Airshow in Blenheim and Wings over Wairarapa in Masterton.



PHOTO: Our Engineering team hosted around 40 female high school students to celebrate International Women in Engineering Day in June

¹STEM is a curriculum based on four disciplines — Science, Technology, Engineering and Mathematics

Developing Māori & Pasifika leaders

We are committed to greater diversity of thought at leadership level. Māori and Pasifika employees make up 18 percent of our employees and 15 percent of our leaders.¹ Our target to increase Māori and Pasifika talent into leadership roles to 20 percent by 2022 will be driven by a series of recently introduced initiatives.

This year we have partnered with Mike Moka and his Indigenous Growth organisation to jointly create and deliver Mango Pare, a new innovative learning programme to develop leaders through indigenous

The Mango Pare is the traditional Māori symbol of strength & courage, tenacity of life, unrelenting determination, vigour and wealth.

values. The initiative will see our aspiring Māori and Pasifika leaders gain the skills, knowledge and belief to take on leadership opportunities. It also instills in our people a cultural diversity which flows into their work practices at Air New Zealand. The first group of 16 leaders and aspiring leaders started their Mango Pare journey in July 2019.

The Manu Network is led by Māori and Pasifika employees to showcase and celebrate Polynesian language and cultures and provide support for Māori and Pacific Islanders to learn, be inspired and grow.

For those starting their career, our partnership with the TupuToa internship scheme creates a talent pipeline for young Māori and Pasifika superstars. We've partnered with TupuToa since 2016, committing to taking on 25 interns by 2020. Already 21 have come through our doors. We recently committed to another three years with the programme, with a stronger focus on converting internships to permanent roles.

Our next focus on ensuring diversity of thought at a leadership level is among our Asian employees, who make up a significant proportion of our total employment base.

Sharing Tikanga Māori

We want all Air New Zealanders to be comfortable and capable of sharing Māori language and culture with the world, and to be true ambassadors for Aotearoa. We share a range of te reo and tikanga² Māori resources across our organisation and have developed a mobile app so our people and customers have access to cultural education and language resources wherever they go. Customers can also engage with te reo through our Inflight Entertainment system and kiosks.

We have partnered with Te Matatini, New Zealand's premier kapa haka competition to jointly develop and showcase the festival to a wide audience. In June we held Hakamania, an internal event encouraging Air New Zealanders to engage with Māori culture and language. Teams from across the business, including entries from Australia and London, competed to perform the best haka.

This year saw another 373 employees participate in Te Ara Nui, the marae-based graduation ceremony for new cabin crew and ground employees of all cultures to celebrate, with their whānau, the completion of their training.



PANEL VOICE

Dame Anne Salmond
Sustainability Advisory Panelist

When I joined Air New Zealand's Sustainability Advisory Panel five years ago and began having conversations about cultural diversity, I felt there was genuine commitment to change but also a long way to walk — or fly — in this case.

What started with the Koru on the tail of the aircraft and a sense of appreciation for the beauty of the language has now evolved into a much deeper and more integrated approach across all aspects of Tikanga Māori. The partnership with Ngati Porou is a great example of this, involving mutual learning and capacity-building as well as commercial interests.

On the sustainability front there's a huge amount to learn from the Māori philosophy of Kaitiakitanga and the strong sense of kinship

and guardianship Māori have for the natural environment. I think there's more room for movement and I see a real appetite for that in the organisation.

The aspiration to get more Māori and Pasifika into leadership roles is being supported by new approaches to leadership training and talent acquisition. Involvement with Te Matatini and Hakamania, and the growing number of internal events being held on marae help to signal that diversity is truly welcomed and Air New Zealand employees can be themselves at work.

I admire the experimental spirit of Air New Zealand and the innovation that comes from this and I look forward to seeing the positive outcomes on their workforce and wider community.

¹Based on available ethnicity data in our internal Human Resources management system ²Tikanga: Māori customs and traditional values



01

Building a strong learning culture

The coming wave of automation presents a skills gap which we need to urgently close to better equip our people for the future of work.

To build tomorrow's leaders at Air New Zealand, we have identified core future-focused capabilities that are being integrated into our leadership programmes. We are also transforming from predominantly class-based or event learning to a more personalised and flexible learning style where employees can choose how, where and when they learn.

We have invested in two key digital learning platforms to ignite continuous learning as

a key feature of the employee experience, and to help us accelerate upskilling of the entire workforce. Workday Learning gives employees the ability to learn on a phone or tablet, not just in the classroom, and LinkedIn Learning provides access to a digital library of thousands of global, expert-led online courses across a wide range of topics.

We have also transitioned from paper-based exams to digital E-Exams through an external provider. This efficient solution ensures we meet our stringent regulatory compliance requirements and is projected to save 5,000 hours processing paper exams and 25,000 pieces of paper a year.

Building key life skills in our people is another core priority and has seen us launch Project Mana this year. A pilot programme with Literacy Aotearoa and our airport teams,

it aims to improve literacy levels and develop knowledge and skills to help employees realise their full social, cultural, economic and career potential. The first round of Project Mana participants from Auckland Airport graduated with qualifications in Business Communication, Computer Skills, Maths, Effective Writing Skills and Verbal Communication. With the continued support of Literacy Aotearoa we plan to roll this initiative out to other airport teams in New Zealand.

This year we signed up to the Prime Minister's Business Advisory Council Future of Work Skills Pledge, committing to double our training/reskilling hours by 2025 and to report annually on our progress.

Protecting our people’s wellbeing

Supporting the health, safety and wellbeing of our people is a critical part of being a good employer. With more than 12,500 Air New Zealanders working in a variety of roles across our business, a systematic approach to identifying and minimising risk to our employees’ health and wellbeing is critical.

Operational challenges experienced by the airline in the past year further highlight the importance of this responsibility. To support our people through the disruptions associated with the Rolls-Royce engine issues, we implemented a People Resilience team which hosted monthly check-in calls for leaders to assess any impact on resourcing, absence or wellbeing issues. Any additional support was implemented immediately or escalated to the Executive for action.

We were proud to take overall honours at the New Zealand Workplace Health and Safety Awards this year, winning the WorkSafe New Zealand/ACC Best Overall Contribution to ‘improving workplace health and safety in New Zealand’. Our process to elect 293 Health and Safety representatives across our entire network was recognised by the New Zealand Safety Blackwoods’ ‘best initiative’ award to encourage worker involvement in health and safety.

Reducing injuries

There was a continued reduction in total recordable rate of injuries¹ from 11.2 in 2018 to 10.3 in 2019. Most reported injuries were the result of manual handling activities, slips, trips and falls, and contact with objects. The majority of these occurred while handling baggage, special handling, stowing cabin bags and during meal service.

Our long-term focus in this area is to implement ‘safety in design principles’ to eliminate or reduce manual handling risks. For example, installing bag drop conveyors at check-in means customers can safely and easily upload their bags, reducing the risk of handling injuries for employees and customers. We have installed self-service bag drops at Auckland Domestic, Wellington, Napier, New Plymouth, Invercargill, Dunedin and Christchurch Airports.

We are also addressing fitness for work through targeted High Performance Engagement² initiatives and the roll out of our Safe Teams manual handling training programme. The trial of vacuum-assisted bag lifting technology at Christchurch Airport shows promise as a future game-changer in reducing manual handling injuries.

Employee Assistance Programme

All Air New Zealand employees and their immediate families have free access to our Employee Assistance Programme (EAP).

EAP is an independent, confidential, professional support service available 24/7 to help them deal with issues or events in their lives. There were 1,157 EAP cases in the past year, up from 924 in the 2018 financial year. We have actively promoted the programme over the last year to ensure our people are aware of the different ways they can use it. We provided onsite EAP counselling in Nelson during the February wildfires when some of our families were evacuated from their homes and in Christchurch in March to support many employees and families in the aftermath of the mosque attacks.

TOTAL RECORDABLE RATE OF INJURIES (TRR)¹

Target TRR of less than 10 by end/FY20.



¹ Based on injuries (medical treatment and lost time incidents) x 1,000,000 / actual hours worked
² An interest-based approach to solving business challenges and opportunities by involving those people closest to the issues or opportunities

01

Community engagement

Airpoints™ for Schools

With the Airpoints™ for Schools programme we team up with Airpoints™ members to give Kiwi kids an opportunity to take flights for educational travel experiences.

Airpoints Dollar™ donations from Airpoints members, matched by Air New Zealand, help schools with their flight costs, giving aspiring young leaders the opportunity to gain knowledge and inspiration to reach their potential. This year 164 students from 10 schools with outstanding environmental, cultural, social and educational goals were selected for international and domestic travel. Six students from Whangarei's He Matariki Teen Parent School flew to explore the capital city and visit Parliament, Te Papa and Victoria University. Hatea-A-Rangi, a decile two school in Tokomaru Bay, gave 25 students the chance to travel to Rarotonga to connect with their Cook Island heritage and perform at the Te Maeva Nui Festival, and Hedgehope School in Southland sent 30 students to Russell to learn more about New Zealand culture and the history of the Treaty of Waitangi.

Koru Care flights

We have a longstanding relationship with Koru Care New Zealand, who are best known for taking groups of children with major health issues to magical overseas destinations. In the past year, Air New Zealanders helped with five Koru Care flights, flying 66 seriously ill children and their guardians to dream holidays at Disneyland California and Australia's Gold Coast.

Greenteam in the community

Passionate employees are engaged employees. We encourage Air New Zealanders to be active in their communities, participating in programmes and causes they care deeply about.

Our Greenteam is a network of more than 2,000 employees across New Zealand and around our international network who can volunteer to take part in projects that protect and conserve our natural environment. This year Greenteamers and their families

have cleaned up beaches and rivers, planted native trees, and assisted the Department of Conservation with the release of Pāteke on the Milford Track, trapping predators in the Abel Tasman and surveying seabird numbers around Kapiti Island.

We set a target last year to increase the number of employees who participate in community programmes. In the last year 497 employees took part in a Greenteam activity, a big increase from 276 the previous year.



CO₂ Tackling climate change & carbon

Climate change is without doubt the biggest risk our industry has faced.

As an airline, we are already seeing the impact of climate change in New Zealand, with increasingly volatile weather patterns and severe events such as cyclones and storms affecting flights and preventing customers from getting to where they need to go.

These weather events are no longer rare occurrences — they are happening more regularly and have become a fact of life for our operational teams which are constantly having to juggle schedules, customers and aircraft as a result.

The aviation industry contributes between two and four percent of global emissions. Air New Zealand emits around 3.5 million tonnes of carbon dioxide annually, which makes us one of the country's largest carbon emitters. Our domestic

air operations account for about 0.7 percent of New Zealand's total emissions.^{1 2}

The growth of the global aviation industry has created enormous economic and social good — it connects people and cultures, enables international trade and enterprise, and boosts tourism and local economies. What is clear is we now need to grow in a different way.

While we are delivering such benefits and working to minimise our carbon emissions, until aviation biofuels are readily available in New Zealand or there are significant technology breakthroughs such as electric aircraft, we are unlikely to deliver further significant carbon emissions reductions through our own operations.

In 2019 our carbon footprint (greenhouse gas emissions) increased by just over 5 percent. This was primarily due to network growth of four percent and fleet substitution challenges triggered by the Rolls-Royce engine issues.³

Our carbon strategy is governed by our Sustainability Executive Steering Group with regular reporting to the Air New Zealand Board on carbon emissions and our regulatory obligations.

Air New Zealand is a founding member of the Climate Leaders Coalition (CLC), a group of more than 100 organisations in New Zealand that work together to take action on climate change. By joining the CLC, Air New Zealand has committed to taking climate action in accordance with the CLC's Climate Change Statement.⁴

In August 2019 Air New Zealand became one of the first New Zealand companies to sign up as a supporter of the Task Force on Climate-related Financial Disclosures (TCFD), joining over 800 other organisations globally committed to implementing and improving climate-related disclosures. We will be reporting against the TCFD recommendations from the 2020 financial year.

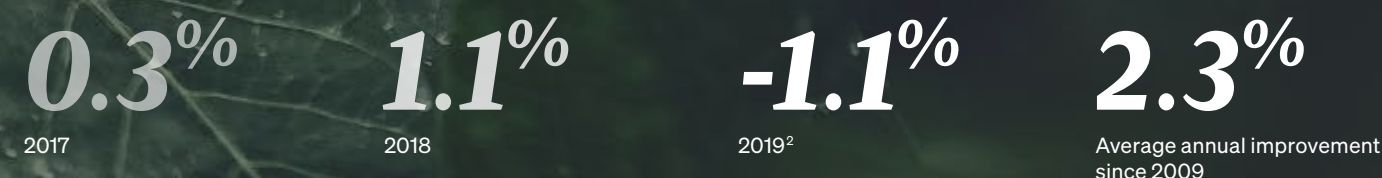
TOTAL TONNES CO₂-e SAVED THROUGH CARBON REDUCTION PROGRAMME¹



FLEET AGE IN YEARS (SEAT-WEIGHTED)



FUEL EFFICIENCY IMPROVEMENT



Average annual improvement in aviation fuel efficiency (improvement vs previous year)

FLYNEUTRAL



Number of customer journeys voluntarily offset through FlyNeutral³

GREENHOUSE GAS INVENTORY⁵

Total operational emissions scope	GHG emissions sources	Tonnes CO ₂ -e 2017	Tonnes CO ₂ -e 2018	Tonnes CO ₂ -e 2019
Scope 1	Aviation Fuel, LPG, Natural Gas, Ground Diesel, Ground Bio Diesel, Ground Petrol	3,197,011	3,296,085	3,468,712
Scope 2	Electricity	2,624	3,044	3,098
Totals		3,199,635	3,299,129	3,471,810 ⁶
Biomass (wood pellets)		998	638	725

¹ Based on 2017 data. Sources: Air New Zealand's Greenhouse Gas Inventory and the Ministry for the Environment's 1990-2017 New Zealand's Greenhouse Gas Inventory ² In calendar year 2018 Air New Zealand's domestic emissions covered by the NZETS were 621,078 tonnes, with a surrender obligation of 517,563 tonnes. One hundred percent of emissions have a surrender obligation in calendar year 2019 ³ In 2019, at times up to four aircraft were unavailable for use as a result of the uncontrollable Rolls-Royce engine issues. To provide operational surety, two Boeing 777-200 and one Boeing 777-300 aircraft were leased. Depending on flight route and duration, the leased aircraft typically used 20 to 26 percent more fuel than the aircraft they replaced ⁴ More details available at www.climateleaderscoalition.org.nz/action ⁵ In 2019, the New Zealand Ministry for the Environment released a new set of greenhouse gas emissions factors for organisational reporting including, for the first time, an emissions factor for aviation fuel. Air New Zealand has adopted this figure to remain consistent with national greenhouse gas inventory guidance, a process which has included updating our baseline inventory and inventories for financial years 2016 to 2018 ⁶ One tonne difference between the Total 2019 emissions on this table and the Greenhouse Gas Inventory Report is due to rounding

¹ Total savings compared to the prior year ² In 2019, at times up to four aircraft were unavailable for use as a result of the uncontrollable Rolls-Royce engine issues. To provide operational surety, two Boeing 777-200 and one Boeing 777-300 aircraft were leased. Depending on flight route and duration, the leased aircraft typically used 20 to 26 percent more fuel than the aircraft they replaced ³ Journeys partially or fully offset through Air New Zealand online booking engines; excludes corporate offsetting and offsetting made post-booking

Reducing our carbon footprint in the air...

We have instigated a number of fuel savings measures that have helped us improve efficiency by more than 20 percent since 2009. We are also focused on reducing fuel use and emissions by investing in a modern, fuel-efficient fleet that will drive future savings.

In May we announced our commitment to purchase eight Boeing 787-10 Dreamliner aircraft powered by GE Aviation’s GEnx-1B engines. The first of these highly fuel efficient aircraft will join our fleet in the 2023 financial year.

These long-haul aircraft will replace our fleet of eight Boeing 777-200 aircraft, which will be phased out by around the middle of the next decade. These aircraft are expected to be up to 25 percent more fuel efficient than those they are replacing and have the potential to save 190,000 tonnes of CO₂-e emissions per year.

To the end of the 2019 financial year, we had taken delivery of five A321NEO and three A320NEO aircraft. New generation engines, fuel efficient Sharklet wingtip devices and, on the A321NEO, more seats, mean these aircraft are collectively expected to help deliver fuel savings of at least 15 percent compared with the aircraft they are replacing.

Improving efficiency through flight operations

Last year we implemented more efficient departure climb profiles on our Boeing 777 and Boeing 787-9 aircraft, which has resulted in CO₂-e savings of 1,815 tonnes and 575 tonnes of fuel saved.

Approach-path efficiencies have also progressed. In December 2018 we implemented new approaches into Christchurch across our jet fleet to reduce the distance flown, allowing for continuous low-powered descents and decreasing the amount of fuel required. In the past 12 months these approaches have saved more than 150 tonnes of fuel and 473 tonnes of CO₂-e. We are currently trialling similar approaches into Wellington and plan to have these in place from September 2019.

Over the past year we have focused on removing further unnecessary weight from our domestic jet aircraft and have saved nearly 200 tonnes of fuel and 631 tonnes of CO₂-e. This includes carrying less potable water on each flight, meaning we top up more frequently to meet the specific needs of individual flights.

Exploring biofuel production

While there has been lots of testing of aviation biofuel production globally, in Australasia large scale and practical volumes of aviation biofuel remain some way from being a commercial reality, particularly in the absence of clear policy incentives to encourage production.

We know a future biofuel solution is necessary. The big challenge is being able to sustainably produce a viable aviation biofuel option at the scale required to meet aviation industry supply needs. We joined with Z Energy, Refining NZ, SCION and Auckland International Airport to investigate how we could transition aviation fuel into biofuel and whether setting up an aviation biofuel plant in New Zealand could work. The capital investment would be significant and it has not been achieved anywhere in the world without substantial government support to establish production and thereafter ensure fuel pricing remains economically viable.

Hybrid and electric aircraft: flying into the future

We are working with aircraft manufacturers to explore the role new propulsion technologies could play in the future of regional aircraft. Hybrid electric aircraft are expected to enter the market in the next decade. Depending on when these technologies become available for larger turboprop aircraft, we believe these could be a viable option for our regional network.

We have also partnered with Zephyr Airworks, the operator of Cora, the world’s first autonomous air taxi. The agreements with both partners signal our commitment to embracing new technologies that will make life easier for our customers, as well as understanding the potential of cleaner energy solutions for travel in the near future. Regulatory support will be critical to attracting these new technologies to New Zealand and enabling their uptake.





02

...and on the ground. Electrifying our ground fleet

We've converted 83 percent of our on-road light vehicles to electric.¹ We have a target that all our specialist airport ground service equipment, including aircraft tugs, loaders and golf carts, are 100 percent electric where viable options exist. Currently 62 percent of our New Zealand-based ground service equipment is powered by electricity, and we will convert 92 percent of this equipment to electric by the end of 2020.

Increasing our use of ground power to save fuel

Two years ago we moved to using electricity to power aircraft while at the gate whenever available at Auckland International Airport, and a roll out to Wellington International Airport and Christchurch International Airport quickly followed. Traditionally our aircraft have been powered by an Auxiliary Power Unit (APU) while on the ground that consumes jet fuel and generates carbon dioxide emissions. We estimated we would save more than 6,000 tonnes of CO₂-e annually by switching the APU off and connecting to a renewable power source, and we've exceeded expectations. This financial year we saved 2,637 tonnes of fuel, generating 8,322 tonnes of CO₂-e savings.

Further afield, we recently began plugging into ground power at our newest US destination, Chicago O'Hare International Airport, as well as at Sydney Airport in Australia for our wide-body aircraft. We will begin reporting on the carbon savings from these ports over the coming financial year. An extension of the existing initiative aimed at increasing carbon savings is in progress at Auckland International Airport. The aim is to further reduce APU use by utilising ground power in conjunction with external electrically powered air-conditioning units.

¹Refers to on-road light vehicles where electric options exist

Meeting regulatory obligations

We participate in the New Zealand Emissions Trading Scheme. In the 2019 calendar year, Air New Zealand has an obligation to report greenhouse gas emissions generated from fuel use on all domestic flights and then purchase and surrender to the Government an equal number of New Zealand Units to match those emissions.

For emissions in international airspace, we participate in the Carbon Offset and Reduction Scheme for International Aviation (CORSIA). Governed by the International Civil Aviation Organization, CORSIA sets the global framework to measure, report and cancel offset units for international aviation emissions. The monitoring phase commenced this year and requires us to report emissions from international aviation. Along with other global participants we will begin to offset emissions associated with growth beyond 2020.

We also support the industry's targets of 1.5 percent annual average fuel-efficiency improvement (2009-2020), carbon-neutral growth from 2020 and halving 2005 emissions by 2050.

Drylandcarbon

In March 2019 Air New Zealand entered into a limited liability partnership with Contact Energy, Genesis Energy and Z Energy to form Drylandcarbon One Limited Partnership (Drylandcarbon), which will see the four companies invest in the establishment of a geographically diversified forest portfolio to sequester carbon and deliver New Zealand Units (NZUs).

Drylandcarbon is specifically targeting marginal, unproductive and often erosion-prone land for conversion to sustainable forestry for carbon farming.

Although the primary objective is to produce a stable supply of forestry-generated NZUs to support the partners meeting their annual requirements under the New Zealand Emissions Trading Scheme, given the potential size of the portfolio the partnership is well placed to make a real contribution to New Zealand's broader emission reduction objectives.

Supporting the Zero Carbon Bill

We are supportive of, and submitted on, the Government's Zero Carbon Bill. We want to see the Government work in partnership with sectors that have limited emissions reduction options to explore complementary policy measures that could support lower-emission investments and industry innovation.

We would particularly welcome engagement and development of specific policies within the aviation sector to support low-emission technology solutions.

Aviation biofuels have the potential to enable significant carbon emission abatement. Incentivising development of local sustainable aviation biofuels for scalable and cost-effective supply would be of direct benefit to New Zealand and would reduce aviation emissions. Policy to facilitate a smooth transition to lower-emission, hybrid or fully electric aircraft will also be required in the short-to-medium term.

A stable and well-planned low-emission transition has the potential to traverse election cycles and certainty would assist corporate New Zealand to invest in a lower-emissions future.



PANEL VOICE

Dr Suzi Kerr
Sustainability Advisory Panelist

Forestry

Forestry remains an important part of New Zealand's short-term response and Air New Zealand's engagement with landowners and stakeholders to drive afforestation has been valuable in moving those efforts in a more professional and efficient direction. Focusing on new forests rather than purchasing units generated from forests that already exist but may not have previously been entered in the ETS is a more credible approach. The other environmental effects of the forests that are created will need to be carefully considered.

Zero Carbon Bill

The Zero Carbon Bill will lay the foundation for New Zealand's low-emission economy, setting high-level goals and establishing the Climate Change Commission to guide New Zealand's low-emissions transformation.

While progress on the Zero Carbon Bill is critical and promising, as always the devil is in the detail. The Climate Change Commission will need to have an appropriate structure as well as sufficient and stable resourcing to enable it to build the capability required to provide credible advice and strong

engagement with key players. The Commission will need a constitutional structure and relationship that maintains democratic control, but requires the Government to release its reports in a timely manner, take recommendations from the Commission seriously and respond to recommendations publicly if they choose not to follow them. The relationship between the Commission and Government must continue to depoliticise the process of New Zealand's low-emissions transformation.

FlyNeutral — Helping our customers voluntarily offset carbon emissions

With growing awareness of the effects of climate change, we know many of our customers are committed to living in a more sustainable way. FlyNeutral is one way for customers to do their bit alongside us to minimise the impact of air travel on the planet.

When customers choose to offset the carbon from their flights, the money collected goes to carefully chosen projects which provide permanent, verified and sustainable emission reductions. These projects generate emissions reduction units, which are purchased and then cancelled from circulation permanently.

Through FlyNeutral and with the assistance of Permanent Forests NZ, we support permanent native forestry projects across New Zealand, from Northland to the Chatham Islands and from Wellington City Council's Outer Green Belt to Hinewai Reserve on the Banks Peninsula. These projects are certified under the New Zealand Government's Forest Sink Initiative. We also support sustainable energy projects in countries we fly to, including those in the Pacific region.

As well as absorbing carbon from the atmosphere, native forestry projects offer many benefits to the surrounding communities. Chatham Islands Mayor Alfred Preece has set aside a large part

or fully offset more than 183,600 journeys, up from just over 130,200 in the previous year. We have also seen a rise in the number of corporate and government customers joining our FlyNeutral programme, albeit in

In the past year, retail customers partially or fully offset more than 183,600 journeys, up from 130,000 in the previous year.

of his land for reforestation and it's become a habitat to encourage back some of the unique plants and birdlife of the Chatham Islands and return that part of the island to how it was pre-settlement. Alfred's native forestry project is one of six permanent native forestry projects in New Zealand supported through FlyNeutral. This year the programme reached a significant milestone — together with our customers we have purchased more than \$1 million worth of carbon offsets from permanent New Zealand native forestry projects.

Since integrating the offsetting functionality into the booking flow in late 2016 and introducing offsetting through our US, United Kingdom, Canadian and Australian websites this year, we've seen a stronger uptake rate — from less than 100 bookings a month to more than 15,000 journeys per month. In the past year, retail customers partially

lower numbers than we would have hoped, and we continue to encourage individual retail customers and businesses to join us in understanding and offsetting their emissions. As well as encouraging our customers to offset their carbon dioxide emissions through FlyNeutral, we offset all carbon dioxide emissions associated with employees flying for work around our network. In the last year this amounted to more than 11,500 tonnes of CO₂-e reduced or removed from the atmosphere.



PANEL VOICE

Prof Tim Jackson
Sustainability Advisory Panelist

When you're living in the middle of a vast ocean 2,000 km from the nearest country, the last thing you want to hear about is 'flygskam'. Translated literally it means 'flying shame' and it's the name of the Swedish anti-flying movement that led to an 8 percent fall in domestic plane journeys within Sweden during the first four months of 2019 alone. The movement argues that the climate change implications of flying around the world are now so severe that people should be ashamed of doing it. Tough gig for a Kiwi.

Carbon from flying represents only two to four percent of global emissions, so it's tempting to believe this movement will never really take off (so to speak). But that is to miss the point. Emissions

could grow three- or four-fold by 2050 if nothing is done. And in any case, flygskam is about fairness. One return flight from Auckland to London accounts for about four tonnes of carbon dioxide; that's 10 times larger than the entire annual carbon footprint of the average Bangladeshi. Flying must either find a way to go fossil-free or else there must be fewer air miles factored into the business plan, rather than more and more each year. Waiting for it all to blow over is really not an option, which is why Air New Zealand's world-leading Carbon Reduction Programme is so vital.

The flygskam movement came from a letter written in 2017 signed by opera singer Malena Ernman, who happens to be... Greta Thunberg's mum. It was Greta herself who

made it all famous. Just a year ago, she was a lone schoolgirl sitting outside the Swedish Parliament with a handwritten placard. Six months later she had inspired a million and a half students from 112 countries to join her school strike for the climate. This (northern) summer she sailed across the Atlantic to get to the UN climate change conference. Not flying. There is a simplicity to any message when it comes from the mouths of children. The house is on fire, says Greta. The time for talking is over. It's time to act on climate change. That's a massive challenge for any airline, whichever hemisphere you're in. But it's a challenge that Air New Zealand is already well placed to take on.

03 Supporting New Zealand through sustainable tourism

Tourism is vital to New Zealand's economy, contributing more than \$39 billion¹ annually and providing jobs for almost one in seven working New Zealanders.

Air New Zealand's success and New Zealand's prosperity are inextricably linked. We all benefit from a healthy tourism industry, but equally we need to make sure that it is truly sustainable. The benefits must

be felt across New Zealand and not just in the main centres. The peaks and troughs of high and low seasons need to be balanced to ensure year-round employment and business stability. Growth in demand must be matched by quality infrastructure and our natural and cultural resources must be protected and enhanced. Ensuring the right balance between the social and economic benefits of tourism and the environmental impact is a challenge that the New Zealand tourism industry needs to collectively address.

These are big asks. Fortunately, we have strong partners including Central Government, Tourism New Zealand, Tourism Industry Aotearoa, Qualmark, iwi, the Department of Conservation and Regional Tourism Organisations, all working together to deliver a more sustainable tourism industry for Aotearoa.

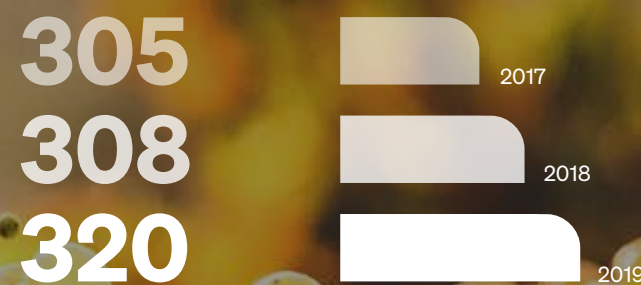
We also acknowledge there is a tension between network growth and carbon emissions, which is something Air New Zealand and the aviation industry still need to solve.



NUMBER OF PASSENGERS FLOWN ON REGIONAL NETWORK



FLIGHTS PER DAY ON REGIONAL NETWORK



Average number of flights per day

TRAVELLING DURING SHOULDER SEASON¹

Proportion of international visitors on Air New Zealand travelling during shoulder season relative to peak



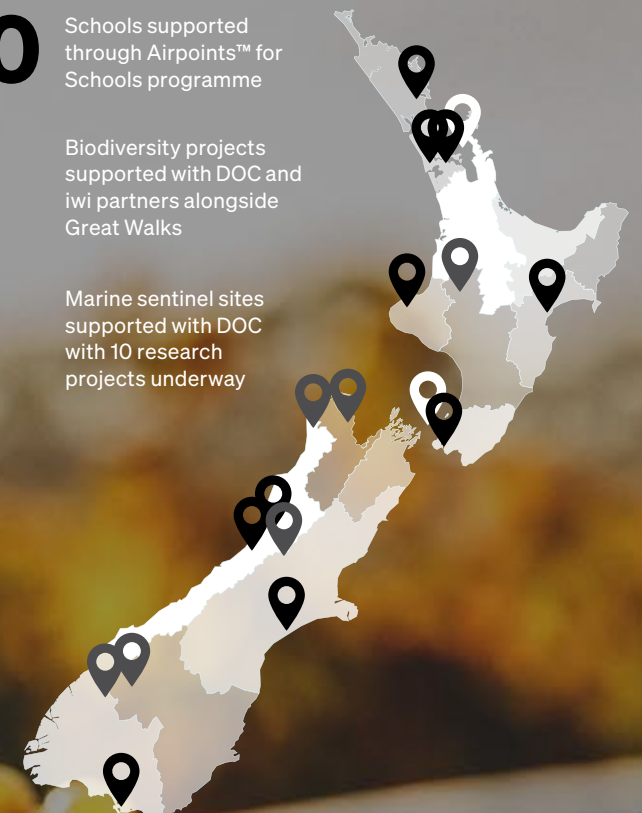
FURRY AND FEATHERED FRIENDS TRANSPORTED FOR DOC

405 threatened creatures and conservation dogs relocated including:



COMMUNITY ACTIVITIES

- 10** Schools supported through Airpoints™ for Schools programme
- 6** Biodiversity projects supported with DOC and iwi partners alongside Great Walks
- 2** Marine sentinel sites supported with DOC with 10 research projects underway



¹ Tourism Satellite Account 2018, Statistics New Zealand

¹ Inbound shoulder season (April to November) arrivals on Air New Zealand; Source: Statistics New Zealand, International Visitors ² To ensure comparability between years, previous years' results have been updated using the same approach as 2019

Working together to promote New Zealand to the world

Air New Zealand plays a pivotal role in the success of New Zealand's tourism industry and, similarly, the tourism industry's performance is an important factor in our commercial success. Together with our alliance partners we fly about 45 percent of all international visitors to our shores.

Alongside our colleagues at Tourism New Zealand (TNZ), we also invest heavily in marketing New Zealand to prospective visitors in offshore markets. Together with TNZ we have recommitted to a marketing partnership worth up to \$20 million annually to promote New Zealand offshore. The joint activity will target potential visitors from Australia, China, North and South America, Japan, Singapore, the United Kingdom and Europe.

We are working together to increase the economic value of tourism, ensuring our visitors enjoy memorable experiences and promoting travel throughout the country, often in the shoulder seasons, so that all of New Zealand gets to enjoy the economic benefits tourism brings. This is the sixth consecutive year TNZ and Air New Zealand have coordinated their international market development and promotion, taking the total joint investment to more than \$100 million.

Tourism New Zealand and Air New Zealand are also premium sponsors of TRENZ, an annual industry event which brings together about 300 tourism operators with international travel and tourism buyers and media from established and emerging tourism markets. The event, held this year in Rotorua, directly helps to grow New Zealand's \$39 billion tourism industry.

Supporting New Zealand exporters

ExportNZ, in partnership with Air New Zealand Cargo, is helping to unlock Kiwi business potential on the world stage. Its Excelerate100 programme assists ambitious, motivated firms with global growth aspirations to access new export markets.

Air New Zealand Cargo is a platinum partner of the programme, which provides a combination of group learning and mentoring support, for exporters, by exporters. Senior leaders share their experiences and provide practical advice and perspectives on how to grow an export business in a strategic way.

Part of our Cargo strategy is to help perishable product exporters get their products to customers in the best possible condition. To do so, we have recently purchased more than 500 new insulated thermal containers compatible with our Boeing and Airbus aircraft. These containers ensure chilled products stay colder and fresher for longer and enable shipping to markets with hotter climates.

New routes bringing new visitors to our shores

Air New Zealand added Chicago and Taipei to its international network in November 2018 and will begin flying to Seoul in November 2019.

We're seeing strong customer demand for our Chicago route, our fifth mainland North American port. It's not just attractive to travellers from New Zealand, but significant numbers of American visitors from the Chicago area and beyond are flying on this new route. We expect the route to contribute significantly to the New Zealand economy, and our regions will also benefit as we know around 37 percent¹ of spending by US visitors to New Zealand occurs outside the main centres.

The Taipei route is also performing well and has seen visitors to New Zealand increase by 24 percent² since we started flying. Most of these visitors are holiday-makers, many of whom visit regional ports when in New Zealand, as well as the main cities.

Seoul is a densely populated city with more than 10 million residents and inbound leisure travel from South Korea to New Zealand has grown significantly in recent years, presenting an important tourism growth opportunity for the airline and the New Zealand tourism economy. The new service will more conveniently connect the estimated 40,000 Koreans living in New Zealand with friends and family in their home country.

¹ Monthly Regional Tourism estimates from the Ministry of Business, Innovation and Environment for July 2018 to June 2019. Main centres for the purpose of this estimate are Auckland, Wellington, Christchurch and Dunedin ² Visitor arrivals from November 2018 to April 2019 compared to the corresponding period a year earlier (data only available until April 2019); Source: Statistics New Zealand

03

Showcasing the best of regional New Zealand, all year round

We want to see all New Zealand regions benefit from sustainable tourism growth and we are committed to working with councils, regional tourism offices, airports, chambers of commerce and iwi to build demand for regional New Zealand.

With a slowdown in inbound tourism growth, we need to do more than ever to encourage Kiwis to visit this great country and support regional tourism. Growing visitor numbers outside of peak periods is an industry focus to take the pressure off tourism infrastructure at the busiest times of the year.

Our direct service between Invercargill and Auckland started on 25 August 2019. We worked closely with Invercargill Airport and

our community partners to make the service a reality, signalling our ongoing support for Southland. It will mean the region is more connected to New Zealand's most populous city and largest airport, will bring more visitors to the region, and makes it easier for business travellers to get to and from Southland.

Prior to the new service commencing, Air New Zealand, Great South (formerly known as Venture Southland) and key Southland stakeholders launched the 'Find yourself speechless in Southland' campaign to showcase all that's on offer in the region.

At the other end of the country, we launched a joint campaign with the Bay of Islands Marketing Group and Northland Inc. to attract visitors to the Northland region outside of the peak summer months. Activities such as mountain biking around Waitangi, kayaking around Haruru Falls, exploring the caves of Motuarohia Island, and sampling some of the fine local cuisine were highlighted.

Destination marketing campaign 'Christchurch. Explore something new.' was launched in May 2019 to inspire and encourage New Zealanders to visit Christchurch during spring. The campaign focused on some of the beautiful locations and great new culinary destinations in and around Christchurch.

More broadly, our domestic marketing campaigns have stimulated leisure demand by encouraging Kiwis to explore the country, specifically encouraging shoulder season travel. Our retail campaigns have promoted fares to regional destinations, and we have undertaken awareness activity in partnership with Dunedin Airport, Nelson Airport, Wellington Regional Destination Agency, Destination Rotorua and Tourism Bay of Plenty.



03

Supporting tourism and development in the regions

This year we entered a long-term partnership with Queenstown Resort College's (QRC) Tai Tokerau Paihia campus, which aims to build a tourism talent pipeline and career pathways for young people, including those from underprivileged backgrounds. It focuses on youth in Tairāwhiti Gisborne, Te Tai Tokerau, South Auckland, the Bay of Plenty and the South Island.

Air New Zealanders will have the opportunity to share their career journeys, expertise and leadership with the College's tutors and students. The top student from each graduation class will receive an Air New Zealand award and we will offer scholarship support, opportunities for paid internships

and where possible jobs for some graduates. In July 2019 the first College intern started a nine-month placement at Air New Zealand.

By promoting tourism as a career, and pathways into tourism, the partnership addresses two key challenges: a high youth

unemployment rate in some regions, and a skills shortage in the tourism sector. Tourism is New Zealand's number one export earner and we need to invest in future leaders with the drive and skills to deliver its continued success. A thriving, sustainable tourism industry means a more prosperous country for everyone.

PHOTO: Queenstown Resort College's (QRC) Tai Tokerau Paihia Campus, 2019

Working alongside stakeholders in Tairāwhiti Gisborne

We continue to work alongside Activate Tairāwhiti and tourism stakeholders to boost tourism in Tairāwhiti Gisborne.

Two Māori cultural tourism offerings, Maunga Hikurangi Experience and the Tairāwhiti Waka Hourua (double-hull sailing waka), deliver an authentic cultural experience for the region's visitors. Both have received Qualmark Gold accreditation in their first year of operation, recognising their high level of professionalism, sustainability practices and customer-centric approach. This is an outstanding achievement so early on in their development and operation.

Getting the word out about these two new experiences, as well as Tairāwhiti Gisborne as a 'must visit' tourism destination, remains a key priority, and we are developing a plan of partnership marketing activity to stimulate visitation outside of the peak summer months.

Giving Kiwi youth a voice and inspiring a new generation of storytellers

Earlier this year, we signed a long-term partnership agreement with the National Geographic Society. As part of this agreement, over the next two years we will run Photo Camps in five different New Zealand communities.

At these camps, young people, including at-risk and underprivileged teens, will learn how to use photography to tell their own stories, explore the world around them and develop deep connections with others. With National Geographic photographers as their mentors, they are challenged to consider the difficult issues they face in their own lives, whether economic, environmental or social. Through presentations in their own communities and public exhibitions that reach millions of viewers, the students will share their perspective on these important issues.

Since 2003, National Geographic has run more than 80 photo camps in over 20 countries. The first New Zealand camp will be held in Murupara in the Bay of Plenty.

PHOTO: Pou on Maunga Hikurangi. Image belongs to Te Runanganui O Ngati Porou

Tourism's role in protecting our environment

In our most popular tourist locations, increasing visitor numbers are placing greater demands and pressure on the natural environment that New Zealand is famous for. The tourism industry has an important role to play in helping protect the environment and our precious native flora and fauna for future generations.

Bringing birdsong back to our iconic Great Walks

Our partnership with the Department of Conservation (DOC) as its National Partner for Conservation is helping to protect and restore biodiversity within some of New Zealand's most spectacular environments alongside the Great Walks network.

We have supported over 31,000 hectares of sustained pest control aiding the return of native birdsong to these special places. These biodiversity projects cover many of the well-known Great Walks that New Zealand has become famous for including the Milford Track, Routeburn Track and Heaphy Track.

Our latest commitment with DOC is to fund a four-year \$400,000 project on the Paparoa Track Great Walk on the South Island's West Coast that will assist the reintroduction and establishment of whio into the area while increasing knowledge of the biodiversity in the Paparoa Range.

The Paparoa Track, a 55km walk due to open in December 2019, has been built for mountain-bikers and walkers and is expected to draw thousands of international and New Zealand visitors annually, providing significant economic support to the local community. This track will provide access into remote back-country areas, creating a unique opportunity to increase the protection and management of biodiversity surrounding the area.

Encouraging responsible tourism

In November 2018 we joined six other New Zealand organisations to launch Tiaki — Care for New Zealand, an initiative that encourages international and domestic travellers to experience New Zealand in a way that keeps everyone safe, protects our environment, respects our culture and takes care of the country for future generations.

It is built on the notion that travellers have both rights and responsibilities while travelling around Aotearoa.

We promote the content through our inflight entertainment screens, in Kia Ora magazine and on our websites. Tiaki means to care and protect in te reo Māori.



Flying endangered species

Our partnership with DOC means you may sometimes find yourself on a flight with a very precious passenger. In April this year we translocated our 3,000th wildlife passenger, a rare Okarito rowi kiwi chick named Caedance. We have partnered with DOC since 2012 to transport some of the country's most threatened wildlife to new homes, as well as the conservation dogs who help monitor them. New Zealand has nearly 4,000 threatened species, and they need more help to ensure they have a brighter future.



PANEL VOICE

Dr Susanne Becken
Sustainability Advisory Panelist

Air New Zealand's place at the heart of New Zealand's tourism industry is unusual in a global context. When I look at other countries, I can't think of another example where the national carrier plays such a leadership role. Airlines are often the biggest single player in a country's tourism sector. By bringing their scale, professionalism and expertise to the table they can move the dial considerably more than smaller players acting individually. In this regard Air New Zealand is leading the way.

The Tiaki Promise launched last year by a coalition of tourism industry partners, including Air New Zealand, iwi, and the public sector, showed what this collaborative approach could yield.

Tiaki brings sustainability out from the back-of-house, behind-the-scenes efforts of individual industry players to harness the energy of the whole industry and, importantly, asks visitors to play their role.

The time seems right for this initiative; it hits public sentiment both in terms of visitors wanting to do the right thing and destinations wanting responsible tourism that adds value to their communities. It's a fantastic framework to build from and Air New Zealand now has an opportunity to use its channels and influence to provide tangible advice and options to travellers on how to be responsible visitors in New Zealand. This is what I'll be looking out for in the coming year.

04 Working with our suppliers

Our considerable scale gives us the opportunity to advance our sustainability agenda, but the size and complexity of our supply chain means we simply can't do it alone.

Our suppliers are an integral part of how we will successfully drive sustainability across our business and contribute to a more environmentally sound and fairer New Zealand.

That's why we have sharpened our focus on strong supplier partnerships based on shared values and objectives. If our suppliers don't understand why we are on this journey and share our commitments, our global supply chains will never reach their true potential. We are working to gain more visibility and assurance across all our supplier interactions.

We also work with New Zealand iwi and regional and sustainable producers to build their capability to supply into corporate supply chains and to give them a platform for driving demand for their products and services at home and around the world. Helping these suppliers showcase their products to our customers and employees is something we are really proud of.

BOTTLES OF NEW ZEALAND WINE SERVED

963,232



SUPPLY AND DEMAND

1.1B

Over \$1.1 billion spend across our global supply chain in 2019¹



4,000

More than 4,000 suppliers



NUMBER OF MEALS SERVED

6.3M

Meals served globally

1.6M

New Zealand beef and lamb dishes enjoyed

24

Food preparation locations

NGATI POROU FISHERIES

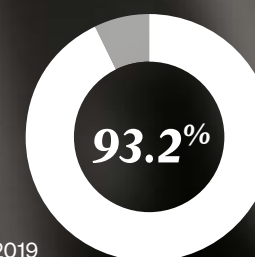
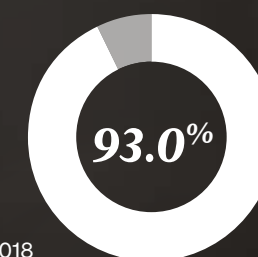
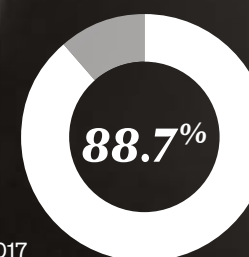
45,000+

The airline prepared more than 45,000 appetisers featuring Ngati Porou's Ahia™ smoked fish



OUR SUPPLIER CODE OF CONDUCT

Percentage of suppliers (by spend²) providing positive assurance of our Supplier Code of Conduct



SUPPLIER AWARDS

Tūhono Award (Supreme)
Flight Interiors



Operational Excellence
Michelin Australia

Innovation
Flight Interiors

Regional Partnership
JNP Aviation

Customer Commitment or Impact
Concentrix

Sustainability & Ethical Practices
Ecoware

Best International Partnership
ST Engineering Aerospace

Best New Zealand Partnership
Villa Maria

¹Excludes fuel, airport fees, taxes and labour ²Excludes fuel, airport fees, taxes and labour. Where supply agreements are not in place and supplier spend is less than \$150,000, Air New Zealand's purchase order terms and conditions are used to apply the Supplier Code of Conduct

04

Our approach

To be a sustainable business, we must take responsibility for what we purchase, the way our products and services are used and how waste is disposed of. Our sustainable supply chain strategy and execution plan is governed by an Executive Steering Group and led by a Sustainable Supply Chain Working Group to ensure effective focus and management of our sustainability initiatives.

Our Supplier Code of Conduct, based on the United Nations Global Compact principles, sets out our minimum expectations of suppliers for labour, human rights, the environment and ethical business. We have achieved positive assurance from suppliers representing 93.2 percent of procurement spend¹ that they meet this code.

We are continuously improving our processes but recognise we still have much to do. This year we incorporated options for the inclusion of sustainability considerations across our procurement lifecycle, from how we request proposals to how we measure and track supplier performance. Further embedding these within our teams' practices is something we will be focusing on in the coming year. We have also improved our supply agreement template to cover how we work with our suppliers when either of us believe the code is not being met.

Food and beverage sourcing is a particular focus. Our catering partners continue to work with us to understand and implement requirements for sourcing sustainable food products and proteins. This includes

standards in relation to the origin, quality and traceability of proteins, horticultural practices for fruit and vegetables, and products that contain only sustainable palm oil. We have partnered with caterers to ensure animal welfare standards are in place, certification of proteins sourced in New Zealand, and the identification of provenance through palm oil audits.

Our offshore catering supply chain is particularly complex, and in collaboration with our offshore caterers, discrete programmes of work are underway to identify and report on their sourcing practices.

Having a base of more than 4,000 suppliers comes with challenges. This coming year we will be introducing digital tools to enable and support a deeper understanding of Air New Zealand's supply chain risk and drive increased compliance with our sustainability standards. In addition to broadening supply chain compliance with Air New Zealand's Supplier Code of Conduct, we are working proactively with our strategic suppliers to ensure both parties' sustainability goals are progressed through joint activity.

04

Recognising our suppliers

Changing the status quo requires innovation and we rely on our suppliers' industry expertise to bring Air New Zealand's sustainability initiatives to life. This year we launched Air New Zealand's Tūhono Supplier Awards with a formal awards and dinner event in August. Tūhono is te reo for 'standing together'.

The aim of the Awards was to recognise and celebrate suppliers whose performance and relationship with us over the past year have made a strong and sustainable contribution to the airline's strategic objectives. It was also an opportunity to highlight the importance of our supply chain to achieve sustainability outcomes such as waste reduction and supply chain traceability.

Ecoware was the winner of the Sustainability & Ethical Practices Award. They are pioneers and experts in low-impact, compostable packaging and have been instrumental in

enabling us to develop and implement low-impact alternatives to many of our inflight single-use plastic products.

The Awards were a fantastic way to celebrate our suppliers' contributions to our business and the work we've done together in partnership.

¹ Excludes fuel, airport fees, taxes and labour. Where supply agreements are not in place and supplier spend is less than \$150,000, Air New Zealand's purchase order terms and conditions are used to apply the Supplier Code of Conduct

A taste of New Zealand

We have an opportunity to showcase the best of the nation's regions to our customers. We are the largest server of wine in New Zealand and, apart from the champagne and port served in our Business Premier™ cabin, we only serve New Zealand wine.

This includes a selection of the best wines from around the country, including Māori and regional wineries. Through our continued partnership with Villa Maria wineries we collaborate on projects to support shared sustainability goals, such as waste minimisation.

We also support New Zealand wine growers through our relationship with the Fine Wines of New Zealand programme. We support events that showcase the best wines the country has to offer and we help wineries facilitate export opportunities. Our own wine consultants work with the programme's experts to ensure quality wine is served on our flights and in our lounges.

We have been working closely with iwi and businesses to showcase more premium, homegrown product in our inflight menus.

Through our partnership with Tairāwhiti Gisborne and Ngati Porou, we are now serving sustainably caught fish from the region on some of our international flights. And during July, we shook up cocktail hour offering alcohol-free spirits from boutique Kiwi distillery Ecology and Co on flights between San Francisco and Auckland.

In our lounges, we serve certified organic and Fairtrade coffee from Hummingbird and continue to work with local businesses such as Loaf Handcrafted Breads to have their products integrated into selected lounge menus. We've also showcased around 60 different products such as licorice from Levin-based RJ's Licorice, Bottled by the Sun juice from New Zealand's only solar-powered juicer, the Chia Sisters, and lobster from iwi producer Port Nicholson Fisheries.

Last Christmas we treated our 11,500 New Zealand-based employees with a regional sustainability themed gift, with products from a number of up-and-coming regional and Māori producers. The size of the order as well as the considerable exposure to a wide range of potential purchasers gave these local producers a well-deserved boost.

“The positive impact on our business has been overwhelming with a massive increase in online sales, emails and personal visits to our outlet in Gisborne and the Gisborne Farmers Market from visiting Air New Zealand employees. Also, Air New Zealand employees from several regions in New Zealand are now regular online purchasers.

Our business has grown as a result and the experience has better prepared us for future large orders.”

Vanessa Hayes,
General Manager
Torere Macadamias Ltd

CASE STUDY



Ngati Porou partnership

Our partnership with Ngati Porou aims to generate further economic and social growth in Tairāwhiti Gisborne. We saw an opportunity to build a sustainable, self-reliant tourism region together and mutual value in being able to procure regional products.

Since September 2018 we have been serving Ngati Porou Fisheries Ahia™ smoked moki as a menu option in our Business Premier™ and Premium Economy cabins on some North American, Tasman and Pacific Islands services. And when Christmas came around at Air New Zealand, all of our employees received a pot of Ngati Porou Tihi Honey in their regional-themed Christmas gift box.

We are proud to be working together to showcase authentic New Zealand products to our customers and employees.



PARTNER VOICE

Brett Johnston
Ngati Porou Holding Company Limited

Air New Zealand and Ngati Porou Holding Company met for first the time in 2016 and we took the time get to know each other, understand how each other operates and get comfortable working together.

There is a significant opportunity for the provinces, including iwi, to partner with our national carrier. Our partnership with Air New Zealand has fast-tracked opportunities to showcase our produce to whole new markets.

We have clear and honest conversations with Air New Zealand to make sure everyone is aligned on decisions and actions. Air New Zealand and LSG Sky Chefs' strict standards for food safety and security have set a new benchmark for our business.

Our burgeoning partnership with Air New Zealand is a model for other iwi and regional producers to emulate. It's great to be working with such an iconic business that shares our passion for sustainability and regional wellbeing.

05 Reducing waste & plastic

We continue to see the phenomenal rise of consumer awareness and concern around single-use plastic products and the impact of waste on the environment. Our people are also pushing for change.

Of course, great customer experience and sustainability are not mutually exclusive. Increasingly our customers expect us to deliver the unique service we're known for while taking a leadership position around issues such as waste and plastic — after all, they are doing their bit to reduce waste and plastic in their lives. It's a challenge we must rise to if we are to ensure our future social licence to operate.

Unlike businesses that operate on the ground, we cannot simply return to using heavier,

reusable materials, as extra weight added to an aircraft has a flow-on effect for fuel use and carbon emissions. Therefore, we need to be highly strategic about who we purchase from and what we purchase to ensure it meets customer, regulatory and sustainability expectations.

International flights are also subject to strict Customs and biosecurity standards, adding a degree of complexity to how we handle all international inflight waste.

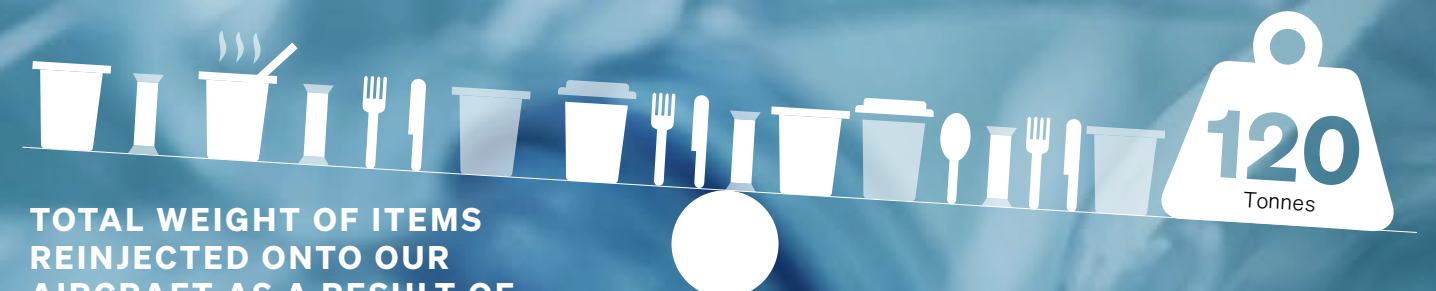
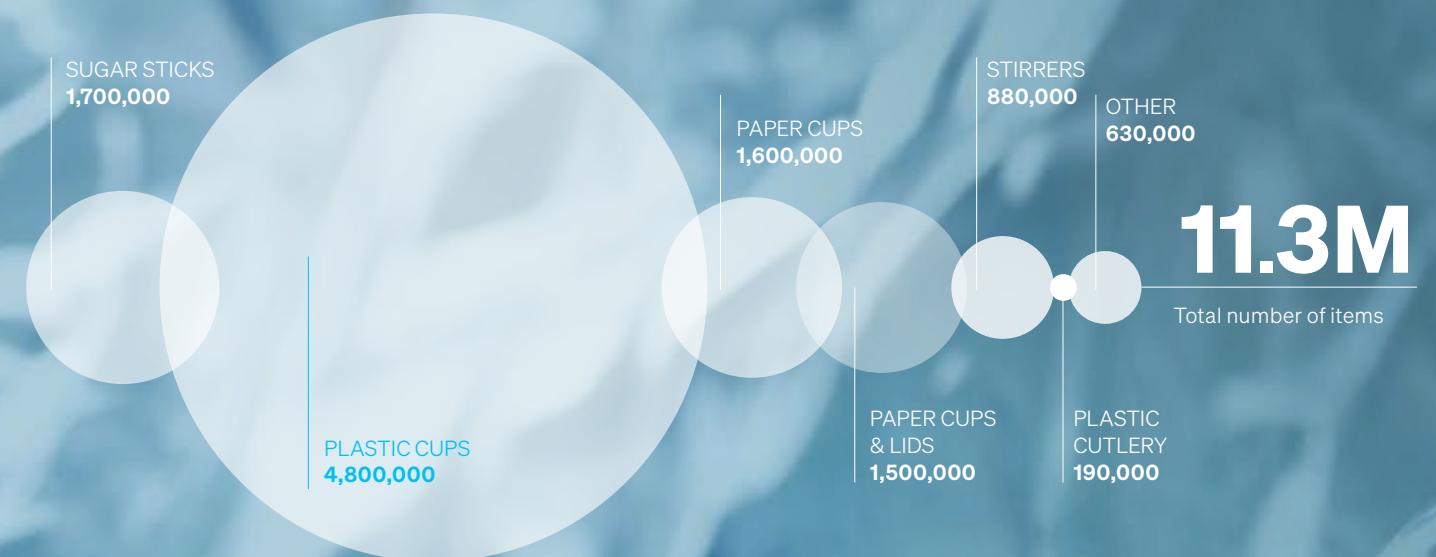
SINGLE-USE PLASTIC

Number of single-use plastic items being eliminated from Air New Zealand's waste stream or replaced by lower-impact alternatives¹



PROJECT GREEN

Items recovered in 2019 financial year from international flights arriving at Auckland Airport and reinjected onto our aircraft (diverted from disposal)



TOTAL WEIGHT OF ITEMS REINJECTED ONTO OUR AIRCRAFT AS A RESULT OF PROJECT GREEN IN THE 2019 FINANCIAL YEAR

¹ Estimated annualised number of products that will be replaced, for those products where replacement commenced or was committed to in the 2019 financial year

Plastic, not so fantastic

By the end of October 2019, all directly procured, single-use plastic items used on domestic flights will have been switched to lower-impact alternatives¹, and we will have rolled out recyclable water cups and coffee cups made from plants across our global network, marking the completion of the first phase of our plastic reduction strategy.

Our initial commitment made in October 2018 was to transition 24 million single-use plastic items to lower-impact alternatives over the next 12 months. By the end of October 2019, we will have far exceeded this, expanding the scope of the project to transition 55 million single-use plastic items across our global inflight network and ground locations including lounges, offices and workshop locations.

We've permanently withdrawn single-use plastic water bottles from Business Premier and Premium Economy cabins on Tasman and Pacific Islands services under five hours, as well as from our Works Deluxe offering on these flights. This is expected to divert more than 460,000 bottles from landfill annually and reduce carbon emissions by more than 300 tonnes per year by reducing weight on the aircraft.

Individual plastic sauce packets have also been removed from Business Premier cabins on mainland North America and Hong Kong services, and these will be eliminated entirely from our global network by the end of October 2019. Customers will instead be served sauce in reusable dishes which is expected to prevent around 200,000 plastic packets going to landfill each year.

CASE STUDY



Ecoware

One of our key milestones this year was devising a strategy to reduce single-use plastic use across the business. To do this, we worked closely with product suppliers and our waste management provider to ensure new products coming into the business could be composted or recycled in existing New Zealand facilities.

Ecoware was one supplier we closely collaborated with, developing a fully compostable, bespoke cheese tray that is used on Koru Hour flights on domestic routes.

“It's been great working with Air New Zealand as we commence the war on plastic by substituting single-use plastic products used on board with products which can be reused or composted. We've been honoured to partner with them over the course of the last 12 months to design and manufacture custom plant-based packaging which is unique, fit for purpose, and certified compostable.”

Alex Magaraggia
Co-Founder & Director,
Ecoware

¹ Directly procured items are those which Air New Zealand buys directly from suppliers (food trays, bags, cups etc). This excludes plastic packaging/ wrappers that food items come in

Re-evaluating our waste targets

New Zealand faces challenges when it comes to waste, in particular a lack of composting and recycling infrastructure. This is not a problem we can solve on our own. A change in New Zealand's waste infrastructure is required before we, and the country, can take our waste reduction efforts to new heights.

At present we're focused on reducing the amount of waste and plastic packaging we purchase at source, so we are less reliant on having the appropriate end-of-life facilities in place. The coming year will see a renewed focus on working closely with our pool of 4,000 suppliers to drive changes in the packaging of products, including some customer-favourite inflight products.

Recycling, composting and waste diversion constraints as well as data integrity challenges mean we have not achieved our waste reduction targets in the 2019 financial year and we are re-evaluating the targets for the next year and beyond. The types of products we can divert from landfill through recycling systems have decreased significantly. Previously we were able to recycle seven types of plastic in existing

New Zealand facilities - now we can recycle two. There is also limited infrastructure, particularly in regional New Zealand, for composting and diverting waste from landfill. As a result, we're investigating the types of products we purchase to make sure these can be processed in existing New Zealand waste facilities.

Alongside these challenges, there is more we can do to change our own behaviour — from reducing single-use product use at our ground sites to using the appropriate bins. We are currently collecting further data and developing revised targets in conjunction with our new waste management partner. This data will be externally audited and we plan to announce new targets by the end of 2019.

EMPLOYEE VOICE



Tautalaaso Sonny Mataia Travel Centre Consultant in Samoa

This year more than 600 Air New Zealanders took part in our employee-led Plastic Free July campaign. Our people took the challenge to reduce their usage of single-use plastic very seriously and were able to win some great prizes as a result. One of the most impressive examples was our team based in Samoa, which arranged a fully catered meal to celebrate Matariki in traditional style using zero plastics.

We based our Plastic Free July efforts around the way our people lived before plastics consumption was introduced to Samoa. We emulated the way our ancestors ate, so we wove coconut leaves into placemats and used taro leaves as plates. Coconuts were split in two and used as bowls and cups. We used a Kava bowl to put our food in.

These bowls are made from wood and can last up to 30 years, unlike a plastic takeaway bowl that is used for a few minutes and then takes centuries to break down in landfill. We decided to tie this in with Matariki because we felt that Matariki is a cultural celebration for our Māori brothers and sisters and we wanted to celebrate that as well as bring a bit of Samoan flavour to the celebration.

05

Working with partners to reduce waste

Project Green continues to deliver

One of our major international waste diversion projects is the Project Green initiative, launched in conjunction with the Ministry for Primary Industries and our catering partner LSG Sky Chefs in July 2017.

In the 2018 financial year, 40 types of inflight products were reclassified so they can be reused on future flights if they are removed from the aircraft sealed and untouched. Products include cans of soft drink, packets of cookies, boxes of tea, packets of coffee and sugar sachets. To date we have reinjected more than 280 tonnes of product into our network and recycled more than 302 tonnes of glass. This is equivalent to the weight of 13 Airbus A320NEO aircraft.

In July 2019 we rolled out Project Green in Wellington and Christchurch, followed by

Queenstown in August. We're also excited to have introduced the initiative to our operation in Los Angeles, our largest offshore catering port, in conjunction with our partner LSG Sky Chefs. This is the first time Project Green has been implemented outside of New Zealand.

Based on trials in the four new ports, we expect to divert around 111 tonnes of product from landfill annually. We are also able to save costs which we can reinvest on other sustainable supply chain initiatives, with less product waste going to landfill. Carrying only what we need reduces weight on the aircraft and helps to reduce fuel burn and carbon emissions.

We plan to roll out Project Green in San Francisco, Chicago and Houston over the next 12 months.

Working with our new waste management partner

As we step up our focus on waste, this year we switched waste management contractors which has led to new ways of working together.

Waste Management NZ Limited will take co-responsibility for delivering on our public waste targets and are providing full-time, in-house resource to work with us on minimising waste at source. Together we are looking at the entire process holistically, from production through procurement to end-of-life.

PHOTO: Image courtesy of Getty



EMPLOYEE VOICE

Dan Watkins
Ramp team member, Auckland Domestic Airport

I work in the Ramp team at Auckland Airport — we're responsible for loading and unloading cargo and baggage from aircraft on arrival and before departure.

Earlier this year several members of the team and I identified a surplus of magazines were being delivered but not loaded onto aircraft each month and were subsequently being thrown away. This was creating a lot of unnecessary waste, so I got in touch with the Sustainability team to share my concerns.

As a result, the number of magazines printed was reduced by around 2,000 copies each month. Reducing the print run has resulted in around 10,800 kilograms less magazines per year being circulated.

I'm really happy with the outcome, which has saved on waste and cost for the company. And it's been a great lesson in speaking up when something doesn't seem right — I'm one of around 12,500 employees globally, and it's a reminder that responsibility for making changes sits with every one of us.



PANEL VOICE

Sir Rob Fenwick
Sustainability Advisory Panelist

Plastic refuses to leave centre stage in the world's war on waste. In the Ministry for the Environment's public surveys, it remains a top environmental concern for New Zealanders. That's not surprising when we read plastic is now detectable in fresh polar snow! The global battle to minimise use of plastic raises numerous threats and opportunities for Air New Zealand which, like other businesses, has evolved alongside a highly innovative and useful plastic industry.

For a start we must take a proactive, as opposed to reactive, approach to

the waste dilemma. Start with purchasing and consuming less wasteful products — simply generate less waste in the first place. Passengers expect change and Air New Zealand has started by making changes in its procurement approach. To enable full resource recovery, such as for compostable organics, the airline will need to create new partnerships.

Engaging a new waste management partner in New Zealand presents opportunities to collaborate around new targets, develop industry standards on reusable materials

and advocate for the significant shifts to national waste policy which are required alongside behavioural change.

On a final note — Air New Zealand's inaugural Tūhono Supplier Awards recently illustrated the multiples of influence that lie within the airline's huge supply chain. It is waiting to be tapped into. Customers and suppliers ultimately want to preserve the world's stock of natural capital as much as we do. It will happen quickly with a bit of leadership from private and public sectors.

Sustainability Dashboard

Air New Zealanders

Target	Baseline Year	2017	2018	2019	Status
Increase representation of Māori and Pasifika in Management positions thorough the organisation to 20% by 2022	13% (FY18)	_____	13%	15.4%	<div></div>
Recordable rate of injuries ¹ reducing by 15% year-on-year resulting in a rate of less than 10 by end FY20 (against FY17)	Recordable rate of injuries of 15.22 (FY17)	Recordable rate of injuries of 15.22 and 288 employee injuries (15% decrease from FY16)	Recordable rate of injuries of 11.20 and 215 employee injuries (26% decrease from FY17)	Recordable rate of injuries of 10.30 and 179 employee injuries (32% decrease from FY17)	<div></div>
90% execution of Critical Risk Management Plans with controls tested by end FY20	25% of CRM Plans in place with controls tested (based on Critical Risks Gap Analysis) (FY17)	New target in FY18	All critical risks and controls were registered in the Enterprise Risk Register	All critical risks and controls are registered in the Enterprise Risk Register	<div></div>
Achieve an average Flourishing Scale score of 45 or better by end FY20 against FY17 ²	Establishing baseline in FY17	47.8	47.0	47.0	<div></div>
75% employee engagement by end FY20 (Engagement survey sent out bi-annually. The last survey was in 2018. The next survey will be in 2020) ³	67% (FY14)	69% (FY16)	71%	71% (FY18)	<div></div>
50% Senior Leadership Team (SLT) female by end FY20	16% (Jan 2013)	39%	39%	44%	<div></div>
70% of our SLT alumni attain Executive level, Non-Executive Director or SLT roles in organisations with New Zealand Interests	86%	_____	86%	75%	<div></div>
Increase proportion of employees who participate in community programmes	_____	New target in FY18	276 employees participated in community programmes	497 employees participated in community programmes	<div></div>

Our communities

Target	Baseline Year	2017	2018	2019	Status
Impactful projects implemented in East Coast (Tairāwhiti) and Northland (Te Tai Tokerau) to drive social and economic benefit by end FY19	_____	New in FY18 Initial activities underway	<ul style="list-style-type: none">Product development project implemented to support capability to bring three cultural tourism products to market (Mount Hikurangi, Waka Hourua and Chardonnay Express)Air New Zealand and Ngati Porou partnership agreement signedScoping of measurement framework commenced (to measure social, economic and environmental progress in region)¹	<ul style="list-style-type: none">Product development project implemented in Tairāwhiti which supported launch of two cultural tourism products (Mount Hikurangi and Waka Hourua). Both tourism experiences received Qualmark Gold accreditationStrategic partnership with Queenstown Resort College's Paihia campus launched to support youth in regional New Zealand meet their potential by fostering clear pathways into study and employmentNgati Porou smoked fish on board Tasman and Pacific Island flights	<div></div>
Community activities implemented in every New Zealand region Air New Zealand flies to (20 ports)	_____	Airpoints™ for Schools with 10 schools selected in FY17	<ul style="list-style-type: none">Activities implemented in 18 portsAirpoints™ for Schools covered off all but 7 portsTwo ports were not delivered to — Blenheim and Hokitika	<ul style="list-style-type: none">Significant community activity throughout the regions with the involvement of Koru Care Dreamliner flightAirpoints™ for schools in 10 schools, located across 8 ports	<div></div>
Full compliance with ICAO noise standards for aircraft fleet	_____	No notified noise breaches in FY17 Achieved full compliance with ICAO noise standards	No notified noise breaches in FY18 Achieved full compliance with ICAO noise standards	No notified noise breaches in FY19 Achieved full compliance with ICAO noise standards	<div></div>
Red Cross supported to respond to all disasters in New Zealand and the South Pacific	_____	Air New Zealand not called upon for response in FY17	Cargo provided support to MFAT, Red Cross, and UNICEF during Cyclone Gita in Tonga 17 tonnes of humanitarian relief including, but not limited to, the following items: <ul style="list-style-type: none">- Blankets- Jerry Cans- Kitchen Sets- Solar Lamps- Mosquito Nets- Shelter Tool Kits- Tarpaulins- Generators	Members of Air New Zealand's Special Assistance Team (SAT) were deployed to assist Air New Zealanders and their family and friends affected by the Christchurch Mosque attack victims	<div></div>

✕

 NOT ACHIEVED SOME PROGRESS IN PROGRESS SIGNIFICANT PROGRESS ACHIEVED

1 Based on TRR rate: injuries (medical treatment and lost time incidents) x 1,000,000/actual hours worked **2** The Flourishing Scale is designed to assess an individual's psychological resources and strengths and their ability to live life with purpose and happiness **3** Your Voice employee engagement survey conducted on bi-annual basis using Aon global engagement methodology

✕

 NOT ACHIEVED SOME PROGRESS IN PROGRESS SIGNIFICANT PROGRESS ACHIEVED

1 In FY19 target was adapted to focus approach on the East Coast to have maximum impact

Sustainability Dashboard

Carbon

Target	Baseline Year	2017	2018	2019	Status
Increase number of customer journeys offset voluntarily	FY18	N/A (New in FY18)	130,282	183,624	<div></div>
1.5% average annual improvement in aviation fuel efficiency (2009-2020) ¹	0.93t CO ₂ -e per revenue tonne kilometre (FY09)	0.3% improvement compared to FY16 20% improvement compared to FY09 (2.5% average annual improvement)	1.1% improvement compared to FY17 21.4% improvement compared to FY09 (2.4% average annual improvement)	1.1% degradation compared to FY18 20.3% improvement compared to FY09 (2.0% average annual improvement)	<div></div>
Carbon Reduction Programme implemented in line with IATA audit recommendations		Lightweight LD3 Unit Load Devices saved 1,128,014kgs of fuel or 3,553 tonnes CO ₂ -e (new ground power procedures confirmed at Auckland and Christchurch)	The Carbon Reduction Programme saved 3,633,950kg of fuel or 11,468t CO ₂ -e. This is comprised of the following initiatives: Acceleration altitude 415,936kg fuel (1,310t CO ₂ -e), Ground Power 2,015,000kg fuel (6,367t CO ₂ -e), Lightweight LD3 Unit Load Devices 1,128,014kg fuel (3,553t CO ₂ -e) and RNP(AR) approaches in Christchurch 75,000kg fuel (237t CO ₂ -e)	The Carbon Reduction Programme saved 4,780,000kg of fuel or 15,105t CO ₂ -e. This is comprised of the following initiatives: Acceleration altitude 574,600kg fuel (1,816t CO ₂ -e), Ground Power 2,637,000kg fuel (8,334t CO ₂ -e), Lightweight LD3 Unit Load Devices 1,219,000kg fuel (3,852t CO ₂ -e), RNP(AR) approaches in Christchurch 152,000kg fuel (480t CO ₂ -e), and 197,000kg fuel (623t CO ₂ -e) from on-board weight reduction	<div></div>
5% annual reduction in electricity use against 2011 baseline	56,210,433 kWh (FY11)	8.8% reduction compared to FY16 43% reduction compared to FY11	0% reduction compared to FY17 ² 43% reduction compared to FY11	6.5% reduction compared to FY18 46% reduction compared to FY11	<div></div>
100% electric vehicles in light ground fleet (where feasible) ³ by end FY19	0% (FY15)	100% Electric Vehicles where feasible ³	Complete data for entire light vehicle fleet not available for 2018	83% Electric Vehicles where feasible 44% of full fleet are Electric Vehicles ⁴	<div></div>
60% electric Ground Service Equipment (where feasible) ³ by end FY19 (92% by end FY20)	32% (FY15)	50.7%	51.5%	62.1%	<div></div>
Sustainable Building Guidelines implemented across Property and Infrastructure portfolio by end FY19 with 20% of new lease agreements qualifying as green leases by end FY19	25% (FY18)	N/A (New in FY18)	25.0%	8.3%	<div></div>
82% diversion from landfill at Auckland ground sites by end FY19 (zero waste to landfill by end FY20) ⁵	65% (FY15)	76.8%	73.4%	75.0%	<div></div>
75% diversion from landfill at non-Auckland ground sites by end FY19 ⁵	71.80% (FY17)	71.8%	68.3%	68.2%	<div></div>
50% international inflight dry waste diverted from landfill at Auckland by end FY19	49.60% (FY17)	49.6%	46.2%	43.0%	<div></div>
50% of domestic jet inflight waste diverted from landfill by end FY19 ⁵	28.80% (FY17)	28.8%	37.1%	39.6%	<div></div>

NOT ACHIEVED SOME PROGRESS IN PROGRESS SIGNIFICANT PROGRESS ACHIEVED

1 IATA industry target **2** Going forward future gains in electricity reduction will be incremental as our energy reduction program has reached the point where major reductions and easy wins have been achieved. We will continue to focus on maintaining achieved reductions **3** Where feasible refers to availability of electric models for operational requirements **4** In 2019 we decided to publish the proportion of EVs, relative to the full light vehicle fleet, in order to increase transparency around Electrification of our light vehicle fleet **5** Claim relates to the specific locations/sites that the waste contractor services directly

Nature and Science

Target	Baseline Year	2017	2018	2019	Status
Support six biodiversity projects with DOC and iwi partners on New Zealand Great Walks to end 2020	Projects active on three Great Walks (Lake Waikaremoana on hold), species transfer programme fully supported (FY16)	Projects active on four Great Walks: Whanganui River Journey, Abel Tasman Coastal Track, Heaphy Track and Milford Track (Lake Waikaremoana in development). Species transfer programme fully supported	Projects active on five Great Walks: Whanganui River Journey, Abel Tasman Coastal Track, Heaphy Track, Milford Track and Routeburn Track (Lake Waikaremoana on hold). Species transfer programme fully supported	Projects active on six Great Walks: Whanganui River Journey, Abel Tasman Coastal Track, Heaphy Track, Milford Track, Paparoa Track and Routeburn Track (Lake Waikaremoana on hold). Species transfer programme fully supported	<div></div>
Antarctic Ecosystems Project delivered by December 2019	First year of Antarctic Ecosystems project completed in FY17 by NZARI scientists	First year of Antarctic Ecosystems project completed in FY17 by NZARI scientists	Second year of Antarctic Ecosystem projects completed in FY18 by NZARI scientists	Third year of Antarctic Ecosystem project completed in FY19 by NZARI Scientists. Projects reported relate to those completed by December 2018	<div></div>
Maintain zero environmental non-compliances	Zero environmental non-compliances as at end FY15	Zero environmental non-compliances as at end FY17 ¹	Zero environmental non-compliances as at end FY18	One environmental non-compliance: underground fuel tanks (at Auckland Engineering & Maintenance) failed to meet HSWA (Hazardous Substances Regulations) A compliant above-ground tank will be operational by the end of 2019	<div></div>
IEnvA stage 2 certification via IATA (Core activities-Flight Operations & Corporate by end FY19)		Maintained stage 1 IEnvA certification in FY17	IEnvA stage 2 certification achieved	IEnvA stage 2 certification achieved	<div></div>
FY19 Target: IEnvA recertification via IATA with scope extended to include all activities ²					<div></div>

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1 There were seven minor environmental non-compliances in FY17. These were all quickly resolved and did not result in any sanctions or fines for non-compliance from the relevant councils **2** The IEnvA stage 2 certificate is only for the large domestic airports Auckland, Wellington and Christchurch and not any other ports

Sustainability Dashboard

Tourism

Target	Baseline Year	2017	2018	2019	Status
Increase proportion of international visitors on Air New Zealand travelling during shoulder season relative to peak ¹	_____	45.7% [*]	48.4%	47.8%	⊗
Promote Tourism New Zealand's Qualmark certification and certified organisations	_____	_____	Achieved Qualmark Gold Award Investigating opportunities to promote Qualmark organisations through Air New Zealand channels	A project is in development that would enable Air New Zealand to promote and sell Qualmark activities	🔄

Trade and Enterprise

Target	Baseline Year	2017	2018	2019	Status
100% of suppliers providing positive assurance of our Supplier Code of Conduct by 2020	0% (FY15) New Code of Conduct launched	Suppliers representing 88.7% of our spend ¹ provided positive assurance	Suppliers representing 93.0% of our spend ¹ provided positive assurance	Suppliers representing 93.2% of our spend ¹ provided positive assurance	🔄
Increase annual volume of New Zealand exports on Air New Zealand	42,000 tonnes (FY17)	42,000 tonnes	41,000 tonnes	38,600 tonnes	⊗

⊗ NOT ACHIEVED 🔄 SOME PROGRESS 🔄 IN PROGRESS 🔄 SIGNIFICANT PROGRESS 🟢 ACHIEVED

¹ Inbound shoulder season (April to November) arrivals on Air New Zealand Source: Statistics New Zealand, International Visitors ^{*} To ensure comparability between years', previous year's results have been updated using the same approach as the current year

⊗ NOT ACHIEVED 🔄 SOME PROGRESS 🔄 IN PROGRESS 🔄 SIGNIFICANT PROGRESS 🟢 ACHIEVED

¹ This excludes fuel airport fees, aircraft, taxes, labour. Where supply agreements are not in place, Air New Zealand's purchase order terms and conditions are used to apply the Supplier Code of Conduct where the supplier spend is below \$150,000



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