



A STAR ALLIANCE MEMBER The Star Alliance member logo, which is a cluster of ten small, five-pointed stars of varying sizes.

# Sustainability

2017

# Sustainability

2017

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# The Year in Review



**SUPREME AWARD WINNER**  
AT MĀORI LANGUAGE AWARDS 2016 FOR EFFORTS TO INCREASE USAGE OF TE REO



ANTARCTICA THREE YEAR CLIMATE SCIENCE PROJECT **COMMENCED**



**INVESTED MORE THAN \$10M TO MARKET NEW ZEALAND** ACROSS BOTH INTERNATIONAL AND DOMESTIC MARKETS WITH TOURISM NEW ZEALAND AND OTHER INDUSTRY PARTNERS, WITH A FOCUS ON REGIONAL AND SEASONAL DISPERSAL



COLLABORATION WITH ACTIVATE TAIRĀWHITI AND NGĀTI POROU ON **EAST COAST REGIONAL DEVELOPMENT OPPORTUNITIES**



**LIGHT VEHICLE FLEET TRANSITIONED TO ELECTRIC OPTIONS**



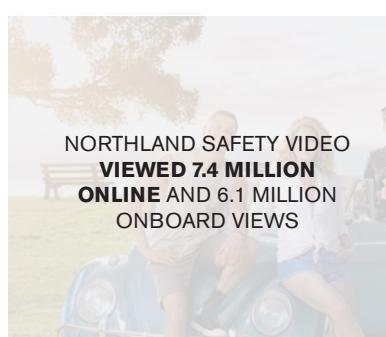
**A 2017 TOP 3 CORPORATE SOCIAL RESPONSIBILITY ORGANISATION** IN NEW ZEALAND FOR EMBEDDING SUSTAINABILITY MANAGEMENT CAPABILITIES



**CARBON OFFSETTING AND REDUCTION SCHEME** FOR INTERNATIONAL AVIATION AGREED BY GLOBAL REGULATORS AND INDUSTRY



CHAMPIONED POLICY LEADING TO NEW **\$102M TOURISM INFRASTRUCTURE FUND** IN 2017 GOVERNMENT BUDGET



NORTHLAND SAFETY VIDEO **VIEWED 7.4 MILLION ONLINE** AND 6.1 MILLION ONBOARD VIEWS



**40,000 CUSTOMER JOURNEYS VOLUNTARILY OFFSET, SUPPORTING PERMANENT NATIVE FORESTRY IN NEW ZEALAND**



SUPPLIERS REPRESENTING 89% OF SPEND HAVE PROVIDED **POSITIVE ASSURANCE OF SUPPLIER CODE OF CONDUCT**



**39% FEMALE ON SENIOR LEADERSHIP TEAM** AND DIVERSITY AWARDS NEW ZEALAND 2017 EMPOWERMENT AWARD WINNER FOR INNOVATIVE RESPONSES TO EMPOWERING WOMEN IN THE WORKPLACE



**NEW BIODIVERSITY PROJECTS LAUNCHED** WITH DEPARTMENT OF CONSERVATION AND IWI ON THREE GREAT WALKS



**SUPREME AWARD WINNER** SUSTAINABLE BUSINESS NETWORK'S NZI GREATEST CONTRIBUTION TO A SUSTAINABLE NEW ZEALAND AWARD



**INCLUDED IN FTSE4GOOD GLOBAL INDEX** FOR ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE AND DISCLOSURE



# From the Sustainability Advisory Panel Chair

Kia ora,

Air New Zealand is setting out to do something rather different from most airlines. First, to take stock of all the many sustainability challenges that face us, both locally and globally, objectively assessing the existing data on a wide range of environmental, social and economic issues. Nothing new there. But Air New Zealand is then intent on working out an appropriate course of action for addressing each and every one of those challenges, however inconvenient a process that might be.

And it's doing all this with a degree of transparency (and openness to external scrutiny) that for most airlines would induce a chronic attack of the heebie-jeebies. Airlines tend to 'share' both performance data and their particular problems on a strictly 'need to know' basis.

There is a lot to commend Air New Zealand's strategy. For those who argue that aviation represents a uniquely unacceptable part of our carbon-intensive lifestyles, Air New Zealand's success (more flights, more passengers, more freight) will be seen as very problematic.

And the truth of it is that we shouldn't turn away from that uncompromising analysis: the hard-edged physical reality of accelerating climate change tells us that there's absolutely no way emissions from aviation can keep on growing indefinitely into the future, especially when the carbon footprint of every other aspect of our lives is simultaneously being driven down and down. And that's the dilemma for anyone who cares passionately about addressing the multiple threats of climate change: either stop flying altogether (the logical but

somewhat unworldly idealist's position), or fly as little and as discriminately and responsibly as possible (the often uncomfortable pragmatist's position).

By definition, all of us on Air New Zealand's Advisory Panel are in that pragmatist's camp, and have to be prepared to justify that to those critics who see such 'pragmatism' as a rather shabby euphemism for hypocrisy and double standards.

It's right and proper that we should have to account for ourselves as Advisors to one of the world's most influential airlines, punching, as it does, way above its weight in terms of relative size. We have to be our own 'critical friends' before we can act as critical friends to Air New Zealand.

In that role, our job is to make sure that Air New Zealand is being 'the best it can be', not just on managing its total carbon footprint (by far and away its most significant impact, and where good progress continues to be made on efficiency improvements, in the air and on the ground), but in terms of its wider role as a critical player in New Zealand's economy and in so many of its cities, towns and rural areas. If you have a chance to dig down into the wealth of information presented here in this digital report, or even just to dip into some of those aspects you're most interested in, you'll begin to see why we cherish our role as external advisors to this particular airline. The overarching sustainability framework (first adopted three years ago) lays out very clearly the full extent of

the work that's being done, demonstrating how those multiple sustainability challenges are now being met.

Just one example here. A couple of years ago, the Panel was given its first presentation on Air New Zealand's approach to Māori culture (internally and externally) as Aotearoa's national airline. I'm sure our Air New Zealand colleagues will not mind me saying that we were somewhat luke-warm in our response – it all seemed a bit formulaic and 'follower-driven' rather than 'leader-driven'.

Check out that section [here](#), and although it's clear that this is a company that still finds itself on a challenging journey, you simply have to be impressed (delighted even) at the profound changes that have been put in place since that time. This is now a real leadership story, at every level, across the entire company.

And the same kind of picture emerges regarding Air New Zealand's work on its biodiversity commitments (where it is now a key player, alongside the Department of Conservation, in pursuing New Zealand's wonderfully ambitious 'predator-free' strategy), its increasingly important interventions in the economy of some of New Zealand's less prosperous regions and communities, as well as its support for more and more New Zealand businesses through strategic partnerships and proactive procurement. Not surprisingly, Air New Zealanders have responded enthusiastically to this growing record of achievement, and feel real pride in what their company is now setting out to do.

And so they should. However, there's one big challenge (alongside the carbon challenge) that still needs a lot more thought and engagement on the part of Air New Zealand. And that's tourism itself.

The Panel is now pushing much harder on this, as the negative impacts of ever-larger numbers of visitors to New Zealand become more visible and more controversial. This is of course a global issue, but New Zealand faces unique challenges in coping with 'honeypot overkill' and in managing growth far more effectively. In some instances, it may need to start thinking, even now, not just of managing but of limiting growth.

It's a fair bet that this will be very high on the Panel's agenda for the coming year!

Ngā mihi,

Sir Jonathon Porritt  
Chair, Air New Zealand  
Sustainability Advisory Panel



# Welcome from the Chief Executive Officer

Kia ora,

This year an increasing number of our customers, employees, prospective employees, and investors, have raised questions about our sustainability performance and intentions. We welcome more critique and know that transparency of performance is necessary if we're to grow trust and create the kind of future that we can feel proud about. I know that Kiwis don't want a society driven by short-term gains – we've seen the OECD comment that we've hit our environmental limits, and statistics on regional inequality and housing supply are not ones to be proud of – so we must find a better way forward.

Our sustainability agenda aligns with our company-wide purpose to supercharge New Zealand's success – socially, environmentally and economically – and looking back over the past year, one of things I'm most proud of is the way that Air New Zealanders at all levels of our organisation continue to embrace our agenda. From our cabin crew and airports teams championing better waste management practices, through to strategy and corporate finance assisting us to build stronger business cases for New Zealand-based aviation biofuel. Enabling our people to get behind and be part of our sustainability agenda is critical.

There's no doubt that the aviation industry faces its share of sustainability challenges – and many players are not embracing sustainability to the extent we do. By

far, the most material challenge is carbon emissions. In the past year, the International Civil Aviation Organization negotiations led to agreement on a future global market based measure for international aviation carbon emissions, to meet the industry goal of carbon neutral growth from 2020.

We supported New Zealand's inclusion, as the success of the agreement relies on broad participation from all players. We also acknowledge that in order to meet the Paris Climate Agreement goals and the aviation industry's long term target of halving 2005 emissions by 2050, we must find low-carbon alternative fuels soon, and make significant technology advancements. Closer to home, we are committed to pursuing carbon offsetting options that can slow the flows of carbon emissions to the atmosphere and also generate co-benefits for New Zealand. In this vein, we supported research aimed at encouraging native afforestation and have worked with a range of forestry, NGO and government representatives to drive this agenda.

Separately, it's encouraging to see so many more customers in the past year opt to use new functionality in our online booking system to voluntarily offset the carbon emissions associated with their flights. Tourism continues to be the biggest export earner for New Zealand, contributing over \$12.9 billion to New Zealand's total GDP. Sustainable development of the industry is

vital to ensure that social and environmental challenges are properly balanced alongside economic drivers.

Following industry collaboration in the past year, it was promising to see \$102m pledged as part of a Tourism Infrastructure Fund in the 2017 Government Budget, so that some of New Zealand's most iconic regional sites receive necessary funding and support to sustain them for Kiwis and visitors alike. We also know there is much work to be done to encourage all industry players to put sustainability at the heart of what they are about. New Zealand's '100% Pure' promise needs to be our reality, and it won't be without greater and concerted effort.

My thanks to the Air New Zealand Board, as well as Sir Jonathon Porritt and our Sustainability Advisory Panel for their expertise, guidance and provocation as we have continued to develop and prioritise initiatives within our sustainability strategy. The Panel last year challenged us to consider further key performance indicators, and we've worked with them, Forum for the Future, and stakeholders company-wide to better articulate the targets and indicators that we will deliver to in coming years. We are committed to fulfilling our responsibility as a signatory of the United Nations Global Compact, and our 2017 communication on progress can be found in this report.

I'm immensely proud of what we've achieved this year but mindful that we must continue to work with partners, government, customers and our people to raise our level of collective sustainability ambition to solve for the big issues.

Ngā mihi,

A handwritten signature in black ink, appearing to read "C. Luxon".

Christopher Luxon,  
Chief Executive Officer,  
Air New Zealand

Welcome from the Chief Executive Officer

# Highlights from the past year

Better embracing Māori cultural fluency within our uniquely New Zealand company.

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Reaching 39 percent women on our Senior Leadership Team, matching the proportion of our total workforce, up from 13 percent in January 2013, and continuing to roll out a range of initiatives to encourage a more diverse and inclusive workforce.

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Completing our transition to a corporate electric vehicle fleet, and encouraging other New Zealand corporates to do the same.

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Continuing to support the Department of Conservation and iwi partners to both promote visitation on, and bring back native birdlife to, New Zealand's signature Great Walks. This has included three new biodiversity projects being launched in 2017.

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Creating the first regional Safety Video in Northland, to showcasing its phenomenal cultural and environmental value, and continuing to support off-peak season tourism opportunities throughout regional New Zealand in collaboration with industry partners.

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Integrating our sustainability team within our strategy division at Air New Zealand, in recognition of the part we see sustainability playing in our future success and direction as a company.

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Being recognised as the supreme winner in the Sustainable Business Network's 2016 Awards as the 'NZI Greatest Contribution to a Sustainable New Zealand' award recipient.

# Company Profile

Air New Zealand provides air passenger and cargo transport services within New Zealand, as well as to and from Australia, the Pacific Islands, Asia, North and South America and the United Kingdom. Air New Zealand encompasses business units providing engineering and ground handling services. Subsidiaries include two regional airlines and extend to booking systems, travel wholesaling and retailing services. Air New Zealand is a publicly listed company on the New Zealand and Australian stock exchanges, with the New Zealand government being the majority shareholder (holding 52 percent of shares).

**11,800**

AIR NEW ZEALAND EMPLOYEES  
BASED GLOBALLY

OVER  
**3,000**

DOMESTIC FLIGHTS  
EACH WEEK

**\$5.1b**

IN OPERATING REVENUE  
FOR FY17

**6.3%**

CAPACITY GROWTH ACROSS OUR  
NETWORK IN FY17

**\$122m**

DIVIDEND DECLARED TO THE NEW ZEALAND  
GOVERNMENT IN FY17

**\$145m**

INCOME TAX IN NEW ZEALAND AND  
OFFSHORE JURISDICTIONS

**\$527m**

EARNINGS BEFORE TAXATION  
IN FY17

**42,000**

TONNES OF GOODS EXPORTED  
FROM NEW ZEALAND

**21**

DOMESTIC  
DESTINATIONS

**30**

INTERNATIONAL  
DESTINATIONS

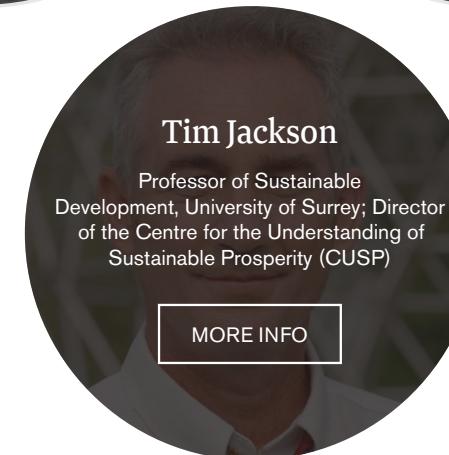
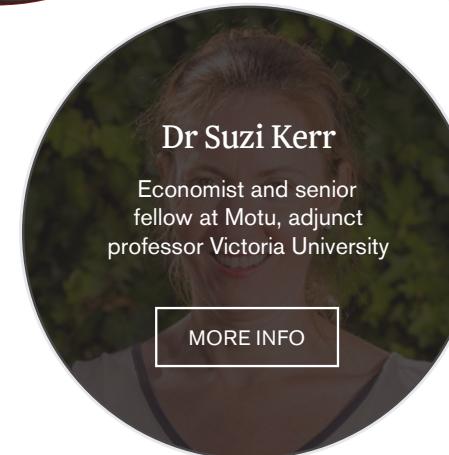
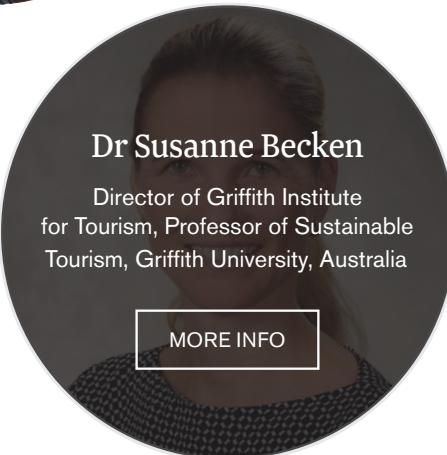
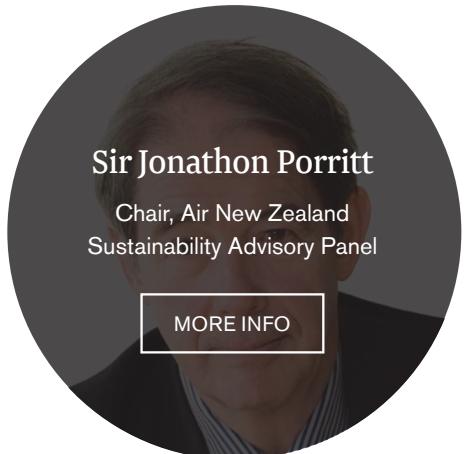
**\$1.2b**

SPEND WITH NEW  
ZEALAND SUPPLIERS\*

\*This includes local suppliers and fuel.

# Our Sustainability Advisory Panel

The Sustainability Advisory Panel has seven external members, selected from a range of expertise areas to shape and inform our pioneering sustainability agenda. This year we farewelled entrepreneur Derek Handley and international biofuels expert Suzanne Hunt who have served on the panel since its inception. We are delighted to welcome Dr Suzi Kerr and Professor Tim Jackson.





Our Sustainability Advisory Panel

# Sir Jonathon Porritt

(United Kingdom)

**Founder Director of Forum for the Future; Chair,  
Air New Zealand Sustainability Advisory Panel and thought leader**

Sir Jonathon Porritt, co-founder of Forum for the Future is an eminent writer, broadcaster and commentator on sustainable development. Established in 1996, Forum for the Future is the UK's leading sustainable development not-for-profit, with a growing presence in the United States, India, Hong Kong, Singapore and Malaysia.

He is the former director of Friends of the Earth and co-chair of the Green Party. As chairman of the UK Sustainable Development Commission until 2009, he spent nine years providing high level advice to government ministers.

Jonathon was installed as Chancellor of Keele University in 2012, and is also visiting professor at Loughborough University and UCL. Recent books are Capitalism as if the World Matters (2007) and The World we Made (2013). Jonathon received a CBE in 2000 for services to environmental protection.



Our Sustainability Advisory Panel

# Dame Anne Salmond

(New Zealand)

## New Zealand anthropologist and writer

Dame Anne Salmond is a New Zealand anthropologist and historian best known for her writings on New Zealand history, her study of Māori culture, and her efforts to improve intercultural understanding. In 2013, Dame Anne was named the Kiwibank New Zealander of the Year and also won the Royal Society of New Zealand Rutherford Medal.

Dame Anne has served as Chairwoman of the New Zealand Historic Places Trust Board. She is the only New Zealander to have been elected to both the British Academy and the National Academy of Sciences in the United States.

Her latest book, *Tears for Rangi: Experiments across Worlds* (2017), as been described by reviewers as 'a landmark work' and 'a masterpiece'.



Our Sustainability Advisory Panel

# Sir Rob Fenwick

(New Zealand)

**KNZH, KstJ (New Zealand), entrepreneur, director, conservationist**

Sir Rob Fenwick is the first New Zealander knighted for services to both business and conservation.

He founded the country's first commercial composting business, Living Earth. He co-founded the New Zealand Business Council for Sustainable Development, as well as Predator Free New Zealand and The Kiwi Trust. Sir Rob also chairs the New Zealand Antarctic Research Institute and Sustainable Seas, a national science challenge. The Fenwick Ice Piedmont in Antarctica is named for him.

He is a founding member of the Air New Zealand Environment Trust, and director of Ngāti Whātua ō Orakei's commercial holdings. Sir Rob has an honorary doctorate in natural resources from Lincoln University, was the 2015 Sir Peter Blake medallist and was inducted to the New Zealand Business Hall of Fame in 2016.



Our Sustainability Advisory Panel

# Brian Pearce

(Switzerland)

**Chief Economist, IATA**

Brian Pearce is IATA's Chief Economist. The role of his team is to analyse the economic and policy landscape facing the airline industry, to provide credible economic analysis to guide and support IATA's advocacy work.

An economist with over 35 years of international experience in several industries, he is also a Visiting Professor at Cranfield University's Department of Air Transport and a member of IATA's senior leadership team. He has been on panels of expert advisers for the UK Airports Commission, the UK Department for Transport and ICAO.

He was formerly director of the Centre for Sustainable Investment at the think-tank Forum for the Future, head of global economic research at the investment bank SBC Warburg in Tokyo and then London, and was Chief Economist at Ernst & Young's economic forecasting consultancy.



Our Sustainability Advisory Panel

# Dr Susanne Becken

(Australia)

**Director of Griffith Institute for Tourism and Professor of Sustainable Tourism, Griffith University, Australia**

Susanne is a globally recognised expert in the field of sustainable tourism, in particular climate change, resource management, resilience, and environmental behaviour.

Her published research is widely cited by academics around the world and has also influenced government policy and industry practice. Susanne acted as a contributing author to the Fourth and Fifth Assessment Reports of the Intergovernmental Panel on Climate Change, represented Asia-Pacific on the World Meteorological Organisation's Expert Team on Climate and Tourism, and was part of the Queensland Great Barrier Reef Water Sciences Ministerial Taskforce.

She is now contributing to the Sustainability and Social Responsibility committee at the Pacific Asia Travel Association. Susanne has undertaken consultancy work for a range of Government organisations, the United Nations and industry and contributes to linking academic theory with sustainable business and tourism management.



Our Sustainability Advisory Panel

# Dr Suzi Kerr

(New Zealand)

**Economist and senior fellow at Motu, adjunct  
Professor Victoria University**

Suzi Kerr is a Senior Fellow at Motu Economic and Public Policy Research Trust and an adjunct professor at Victoria University. Her current research on domestic and international climate change policy focuses on emissions pricing and land use. She also leads work on climate change impacts and adaptation in New Zealand.

She has previously worked on economic instruments for managing water quality, fisheries and air quality and run policy dialogue processes in the lead up to the establishment of New Zealand's emissions trading system, agricultural greenhouse gas emissions and New Zealand's Low Emissions Future. She currently leads the Deep South National Science Challenge Impacts and Implications programme.

She holds a PhD in economics from Harvard University and won the NZIER Economics Award in 2010.



Our Sustainability Advisory Panel

# Professor Tim Jackson

(United Kingdom)

**Professor of Sustainable Development, University of Surrey;  
Director of the Centre for the Understanding of Sustainable  
Prosperity (CUSP) funded by the Economic and Social  
Research Council (ESRC)**

Tim Jackson is Director of the Centre for the Understanding of Sustainable Prosperity (CUSP) and Professor of Sustainable Development at the University of Surrey in the UK. CUSP builds on Tim's vision over three decades to explore the moral, social, political and economic dimensions of prosperity on a finite planet. He's advised numerous governments and UN agencies on sustainability.

Between 2004 and 2011, Tim was Economics Commissioner on the UK Sustainable Development Commission, where his work culminated in the publication of his controversial book *Prosperity without Growth* (Routledge 2017). In 2016, he was awarded the Hillary Laureate for exceptional international leadership. In addition to his academic work, Tim is an award-winning dramatist with numerous radio-writing credits for the BBC.



# Sustainability Framework

SUSTAINABILITY  
FRAMEWORK

SUSTAINABILITY LEAD  
TARGETS & ACTIVITIES

# Sustainability Framework

## Our Company Purpose

Supercharging New Zealand's success socially, environmentally and economically.

	Challenges	Aspirations	2030 Goals	UNSDG's
<b>Our People</b>	<b>Air New Zealanders</b>  <p>New Zealand workplaces are not as reflective of the diversity of New Zealand society as they should be, particularly at the most senior levels, and as a result miss opportunities to strengthen company culture and achievements. New Zealand's health and safety record is very poor, compared to other OECD countries.</p>	<p>Air New Zealand is a global employer of choice and an inclusive and equitable place to work, helping 'raise the bar' for progressive workplace practices across New Zealand.</p>	<p>Air New Zealand is a global benchmark organisation for its employee engagement, grounded in its distinct employee experience that ensures safety and fosters high performance, innovation, community involvement, diversity and inclusion.</p>	
<b>Our Place</b>	<b>Communities</b>  <p>New Zealand communities are developing at increasingly uneven rates, with some struggling to maintain cohesion, resilience, and prosperity.</p>	<p>New Zealand communities are thriving economically, culturally, socially and environmentally, with New Zealand businesses helping to address current disparities in per capita income and opportunity.</p>	<p>Air New Zealand is recognised as the most influential exponent of strategic community investment in New Zealand, helping build cohesive, resilient and sustainable communities across the country.</p>	
<b>Our Economy</b>	<b>Carbon</b>  <p>The world must hold the increase in the global average temperature to well below 2°C above pre-industrial levels by peaking global greenhouse gas emissions as soon as possible, or face a potentially irreversible threat to human societies and the planet. Global aviation contributes at least 2% of global emissions, and rising.</p>	<p>New Zealand transitions to an ultra-low carbon economy, on a pathway consistent with the world achieving net zero emissions by 2050.</p>	<p>Air New Zealand has stabilised emissions through carbon neutral growth post 2020, in a way that simultaneously drives significant environmental, social and economic benefits.</p>	
	<b>Nature &amp; Science</b>  <p>Rates of resource use and ecosystem degradation in New Zealand are increasing, and negatively impacting New Zealand's ability to sustain its economic and societal wellbeing.</p>	<p>New Zealand's ecosystems and biodiversity are restored and protected for future generations.</p>	<p>Air New Zealand has enabled world-leading conservation and climate science, engaging in long term strategic partnerships to help protect New Zealand's precious natural capital.</p>	
	<b>Tourism</b>  <p>New Zealand is at risk of losing value from a growing tourism market, due to infrastructure underinvestment, degrading natural environments, and workforce limitations, which in some cases is leading to negative community sentiment towards tourism.</p>	<p>Sustainability is at the heart of New Zealand's tourism value proposition, ensuring that New Zealand's 100% Pure brand position is fully aligned with national sustainability performance.</p>	<p>Air New Zealand has played a pivotal role in the New Zealand tourism sector delivering economic prosperity while enhancing natural and cultural resources, and providing outstanding experiences for visitors and New Zealanders alike.</p>	
	<b>Trade &amp; Enterprise</b>  <p>A geographically isolated economy, New Zealand must transition from commodity-led exports to a more diverse economy via high value and service-oriented products.</p>	<p>New Zealand businesses are cost-effectively connected to global markets, with a reputation worldwide for premium environmental, social and health and safety standards.</p>	<p>Air New Zealand has enabled the distribution and promotion of sustainable products and services around the globe, and has developed a world-class supply chain to support sustainable New Zealand businesses of all sizes.</p>	

# Lead Targets and Activities

**Our Purpose**  
Supercharging New Zealand's success socially, environmentally and economically.

Our People

	2030 Goals	Lead Targets	Activities (what we're doing)
Air New Zealanders	Air New Zealand is a global benchmark organisation for its employee engagement, grounded in its distinct employee experience that ensures safety and fosters high performance, innovation, community involvement, diversity and inclusion.	Increase proportion of Māori in leadership positions throughout our organisation Reported rate of injuries reducing by 15% year on year resulting in a rate of less than 10 by end FY20 (against FY17) <sup>1</sup> 90% execution of Critical Risk Management Plans with controls tested by end FY20 72% employee engagement by end FY18 (75% by end FY20) 40% Senior Leadership Team female by end FY20 70% of our Senior Leadership Team alumni attain Executive level or Non-Executive Director or SLT roles in organisations with New Zealand interests  Increase proportion of employees participating in community programmes	Advance Māori throughout our organisation* People Safety (Health, Safety & Wellbeing) Employee Engagement Diversity and Inclusion Talent Incubator Employee participation in sustainability
Communities	Air New Zealand is recognised as the most influential exponent of strategic community investment in New Zealand, helping build cohesive, resilient and sustainable communities across the country.	Impactful projects implemented in Northland and East Coast to drive social and economic benefit by end FY18  Community activities implemented in every New Zealand region Air New Zealand flies to  Full compliance with ICAO noise standards for aircraft fleet  Red Cross supported to respond to all disasters in New Zealand and the South Pacific	Supercharge the regions* Charitable Programmes and Community Investment Airpoints™ for Schools National air connectivity Aircraft Noise Disaster Relief
Carbon	Air New Zealand has stabilised emissions through carbon neutral growth post 2020, in a way that simultaneously drives significant environmental, social and economic benefits.	Contribute to development of carbon offsetting projects with sustainability co-benefits to New Zealand by end FY19  1.5% average annual improvement in aviation fuel efficiency (2009-2020)  100% electric light vehicle ground fleet (where feasible) by end FY17 55% electric Ground Service Equipment (where feasible) by end FY18 (100% by end FY20)  85% diversion from landfill at Auckland ground sites by end 2018 (zero waste by end FY20)  75% diversion from landfill at non-Auckland ground sites by end FY18  Sustainable Building Guidelines applied to Property and Infrastructure initiatives by end FY18	Aviation carbon reduction* Low Carbon Stationary Energy Low Carbon Ground Transport Waste management Property and infrastructure
Nature & Science	Air New Zealand has enabled world-leading conservation and climate science, engaging in long term strategic partnerships to help protect New Zealand's precious natural capital.	Support six biodiversity projects with DOC and iwi partners on NZ Great Walks to end FY20  Antarctic Ecosystems Project delivered by December 2018  Maintain zero environmental non-compliances IEnvA stage 2 certification completed via IATA (Core activities - Flight Operations & Corporate) by end FY18	DOC partnership* Antarctica New Zealand partnership Environmental compliance
Tourism	Air New Zealand has played a pivotal role in the New Zealand tourism sector delivering economic prosperity while enhancing natural and cultural resources, and providing outstanding experiences for visitors and New Zealanders alike.	Increase proportion of international visitors on Air New Zealand travelling during shoulder season relative to peak <sup>2</sup>  Support partnerships with Tourism NZ to promote destination NZ, with a focus on regional and seasonal dispersal	Sustainable Tourism* Destination promotion World class events
Trade & Enterprise	Air New Zealand has enabled the distribution and promotion of sustainable products and services around the globe, and has developed a world-class supply chain to support sustainable New Zealand businesses of all sizes.	100% positive assurance of Supplier Code of Conduct from all suppliers by end FY20  Increase annual volume of New Zealand exports on Air New Zealand network	Sustainable Sourcing* Global air connectivity Cargo Services Economic contribution

\* Key projects.

<sup>1</sup> In FY17 we refreshed our People Safety strategy and revised our target and baseline to a 15% year on year reduction resulting in a rate of less than 10 by end FY20 (against FY17)

<sup>2</sup> Defined as April to November for international visitors inbound to New Zealand.

# Our People

MANAAKITANGA



# Air New Zealanders

WHY THIS MATTERS

ADVANCE MĀORI

HEALTH, SAFETY &  
WELLBEING

EMPLOYEE  
ENGAGEMENT

DIVERSITY &  
INCLUSION

TALENT INCUBATOR

PARTICIPATION IN  
SUSTAINABILITY

# Why This Matters

Our goal is to be a global benchmark organisation for our employee engagement. Grounded in our distinct employee experience that ensures safety and fosters high performance, innovation, community involvement, diversity and inclusion.

Air New Zealand measures its corporate performance against three interdependent metrics: commercial performance, customer satisfaction, and employee engagement.

With close to 11,800 employees in New Zealand and Australia, the Pacific, Asia, the Americas and the United Kingdom we know an engaged internal culture is critical to achieving superior commercial outcomes and outstanding customer satisfaction. It also makes Air New Zealand the kind of place people want to work.

This year, Air New Zealand again won the award for Most Attractive Employer

at the annual New Zealand Randstad Awards. But we know there is more that we can do. As a nation, New Zealand workplaces generally are not as reflective of the diversity of New Zealand society as they should be, particularly at the most senior levels. This is not just a matter of gender or ethnic diversity – generational dynamics are changing too, with Air New Zealand's workforce predicted to be made up of 50 percent millennials (Generation Y) by 2020.

A further challenge is that New Zealand's health and safety record is also very poor, compared to other OECD countries.

With the nature of New Zealand society and work changing more rapidly, the changing face of customers and a younger workforce, all businesses need to respond.

We have already set targets for the proportion of women on our senior leadership team, employee engagement levels, and reported rate of injuries.

For 2018, we are introducing a fuller set of targets and metrics to help us proactively predict safety performance. We have also committed to establish metrics for ethnic diversity, talent development, and employee participation in our sustainability agenda.

# Advance Māori

In 2017 we increased our focus on making Māori culture and practices a core part of our organisation's identity, reflecting our role as the national airline of Aotearoa New Zealand.

We acknowledge we have not always embraced this as fully as we could, and we have been active this year in promoting greater cultural understanding. This strategy is overseen by representatives from our People, Strategy, Sustainability and Government and Industry Affairs teams. We continue to provide executive coaching to members of the Senior Leadership Team to develop greater Māori cultural fluency and incorporate this in meeting practice. Some leaders will also become teachers for Māori Language Week. We have also advanced the use of te reo and tikanga on formal occasions.

To further embed Māori culture and practices, we worked with prominent Māori scholar Chellie Spiller to integrate concepts of traditional wayfinding leadership into our middle management training, Mahi Rangatira.

Read more in the [Diversity and Inclusion](#) section about how we are strengthening our approach to attracting and developing Māori at Air New Zealand.

In 2016 we launched the Air New Zealand Tohu Reo pin, which recognises fluent Māori speakers. Seven Air New

Zealanders interfacing with our customers now wear the pin, with a further 11 ready to be assessed. We have extended the provenance of Tohu Reo to become a national symbol for te reo speakers, and already ASB, Auckland Council, the Department of Conservation, Te Puia, and Vodafone have identified speakers to wear the pin.

Our ongoing work to promote and enable te reo was recognised at the Māori Language Awards in November 2016 when we won the supreme award.

We built on the Māori content featured in our inflight entertainment and this year introduced bilingual answers to our in-flight quiz on domestic routes. We are now exploring bilingual signage opportunities on aircraft and in airports. At Auckland, we revised the Air New Zealand haka used to welcome VIPs and have been encouraging haka participation by more employees.

In August 2017 we signed a letter of intent with Ngāti Porou, agreeing to support projects on biodiversity, knowledge sharing, tourism development and procurement options.

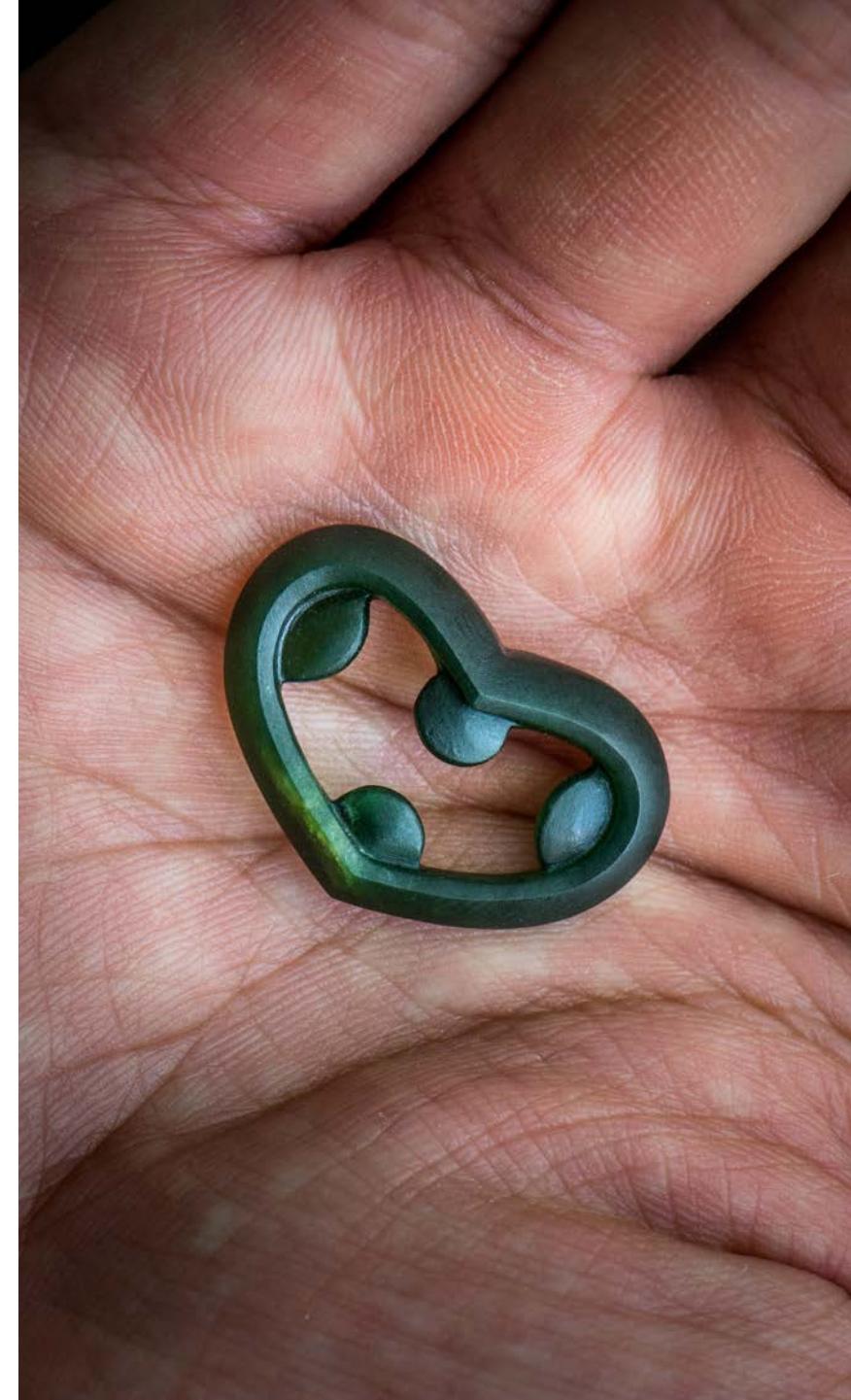
## Our strategic approach to cultural development in 2017

Create an environment where Māori culture and values are embraced, so that Air New Zealand is considered an employer of choice by Māori.

Develop our customer experience to showcase New Zealand's unique cultural heritage.

Develop deeper relationships with external partners to grow value for us both.

Build an internal culture of inclusivity for all Air New Zealanders and use this diversity.





# Health, Safety & Wellbeing

Our People Safety Framework was strengthened this year with a charter for safety, health and engagement between Air New Zealand and our unionised workforce, which covers 66 percent of our employees.

A cornerstone of the charter is a commitment to High Performance Engagement (HPE) – a process which involves those closest to the risks addressing them. This is a significant boost to our efforts to shift employee mindset around safety – from a company-only, to a shared responsibility. The People Safety team play the role of enablers, coaches and facilitators of safety, supporting leaders and employees to improve safety.

The people safety metrics now focus on indicators that help us to predict safety performance. We achieved our lag target of reducing Total Recordable Rate (TRR) Events by 15 percent in 2017 compared to 2016, and also monitor our critical risks, safety leadership, and engagement and management of corrective actions. Replacing a top-down system with a horizontal view across the business means for example, Air New Zealanders based at different airport sites engage with each other on site safety.

Employees are observing near misses, learning from those and mitigating to prevent recurrence. Our people are using two new mobile apps to record more than 6000 behavioural safety

observations. These data will establish a baseline for 2018 targets. Air New Zealand was nominated as a finalist in the 2017 SafeGuard New Zealand Workplace Health and Safety Awards. We are now benchmarking our systems and processes against the award winner, the Department of Corrections.

This year we also launched our approach to employee wellbeing, supported by a dedicated wellbeing team of seven people. The Me, We, Us strategy for individual employees, managers, and organisation-wide enablers encompasses both physical health as well as a range of other stressors such as financial wellbeing.

Our new online Wellbeing Hub, providing free wellbeing assessment and resources for employees, has been accessed by nearly 2,500 Air New Zealanders since its launch in October 2016. We worked with the New Zealand Airline Pilots Association to establish a Peer Assistance Network of pilots who confidentially assist colleagues when they need support. Workshops have also helped managers understand how they can influence the wellbeing of their people.

# Sustainability Framework Target

Reported rate of injuries\* reducing by 15% year on year resulting in a rate of less than 10 by end FY20 against FY17

## Baseline year

Reported rate of injuries of 15.22 (FY17)\*\*

## 2016

Reported rate of injuries of 17.94  
(18% increase from FY15)

## 2017

Reported rate of injuries of 15.22 and 288 employee injuries  
(15% decrease from FY16)

## Status

Achieved

\*Based on TRFIR rate: Injuries (medical treatment and lost time incidents) x 1,000,000 / actual hours worked.

\*\*In FY17 we refreshed our People Safety strategy and revised our target and baseline to a 15% year on year reduction and a rate of less than 10 by end FY20 against FY17 baseline.

# Employee Engagement

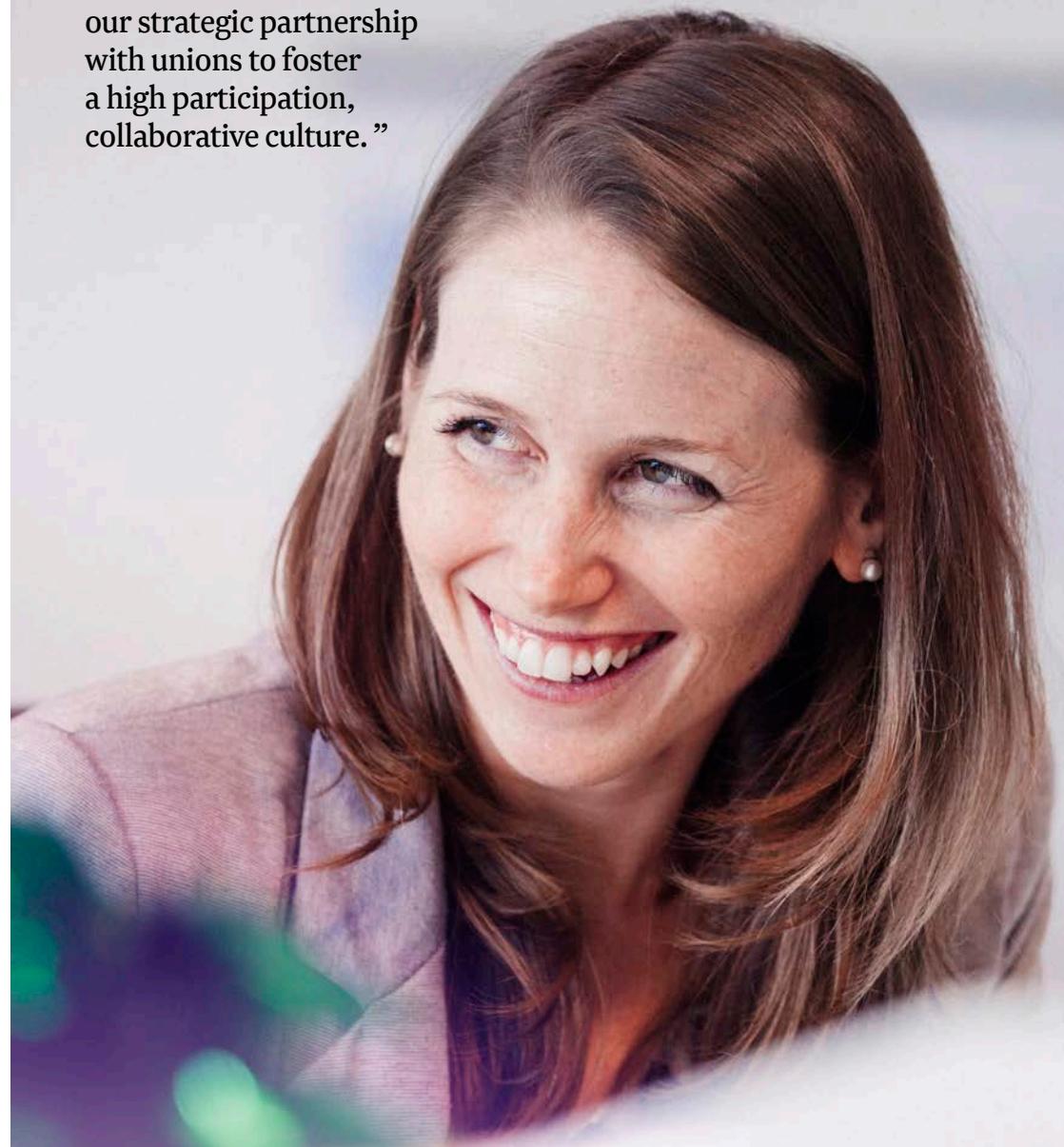
Employee engagement is one of the three key metrics used by the company to measure performance. In May 2017, Air New Zealand won the Randstad Award for most attractive employer in New Zealand and we continue to seek new ways to be a better employer.

Our target is that 75 percent of employees report being engaged with Air New Zealand by 2020. This year, we applied aspects of our successful customer experience model to our employee experience. Our aim is to make life at Air New Zealand more personal, collaborative and meaningful, to "surprise and delight" our people in the same way we do for our customers.

To drive this fresh approach to employee experience, senior leaders from across the organisation formed an Employee Experience Coalition, which meets monthly. The Coalition rolled out our new HR information system, Workday, in July 2017. Other projects include embedding more flexible work practices, refreshing staff travel privileges and a strategy to create more effective collaborative work environments.

We continue to invest in our strategic partnership with unions representing Air New Zealand members, using High Performance Engagement to foster a high participation, collaborative culture. This formal agreement includes governance processes, interest-based problem solving and collaborative decision making. Employees' engagement in interest-based problem solving is followed up with meaningful changes to terms and conditions and arrangements for our employees. Examples include the ratification of the Airports Remuneration and Reward collective employment agreement with our airport employees and E tū and AMEA unions, and the formation of the Safety and Health Engagement and Participation Steering Committee to drive employee participation in health, safety and wellbeing.

" We continue to invest in our strategic partnership with unions to foster a high participation, collaborative culture."



# Sustainability Framework Target

75% employee engagement by end FY20

**Baseline year**

67% (FY14)

**2016**

69%

**2017**

69% (FY16)\*

**Status**  
In Progress

\*Your Voice employee engagement survey conducted on bi-annual basis



# Diversity & Inclusion

We have made significant gains in 2017 in gender diversity across all our business units. Since 2013 when targets were first set, female representation has increased year on year across many levels.

We have a target of 40 percent women on the Senior Leadership Team (SLT) by 2020, We reached 30 percent (of 81 people) by 2016, which matches the proportion of women in our company and 39 percent (of 87 people) in 2017. This year, we are publishing our first [Gender Pay Report](#).

We are fully committed to the advancement of our female workforce, and have a number of initiatives in place. This includes our Women in Leadership (WIL) programme (launched in 2015) and other talent and development programmes.

The WIL development programme builds a strong pipeline of female talent ready to move into senior leadership roles. Since July 2016, ten women have been promoted into SLT roles, and a further five have moved into more senior roles within the SLT.

We sponsored places for 35 delegates at the World Women Conference in March 2017 and since 2014 have sponsored two high potential senior women leaders per year to attend the prestigious International Women's Forum Fellows programme, delivered in partnership with Harvard Business School and INSEAD.

Our employee Women's Network has also been highly active since its launch in 2014 with workshops, speaker meetings and conferences.

Since the establishment of the Women's Network in 2015, more than 1300 Air New Zealand women have attended network events.

Currently seven percent of our pilots are women, and an internal working group, which includes several female pilots, has been established to look at how to attract, support and empower more female pilots to Air New Zealand. Aspiring young female pilots are mentored through a programme in partnership with Walsh Flying School.

We also sponsor external support partners such as Global Women and Professionelle to ensure a diverse range of best practice development opportunities, and work with AMP's Women in Leadership Pathway programme. We share our annual data on ethnicity and gender with Global Women's Champions for Change workstream, a first for New Zealand organisations. This will give us valuable insight into how we compare to the other 43 partner organisations, and provide significant benchmarks to inform our future strategy.

In 2017, we focused on making inclusivity and cultural fluency a key part of all our leadership touchpoints. This included our new middle manager development programme, Mahi Rangaitira, which includes a Māori/Pasifika leadership philosophy as the base for the programme, with a module focused on inclusive leadership and coaching diverse teams.

# Sustainability Framework Target

40% Senior Leadership Team female by end FY20

Baseline year	2016	2017
16% (Jan 2013)	30%	39%

**Status**  
Significant progress



“Diversity is being invited to the party, and inclusion is being asked to dance.”

## Diversity & Inclusion - continued

Given our international reach and our position as the national carrier of New Zealand, cultural fluency is a core capability we aspire to for all Air New Zealanders. We now include cultural experiences and information during induction processes.

Cultural fluency in Māori protocols is a core requirement for our senior leaders. We provide personalised coaching on te reo and cultural protocols for our Executive Team and piloted a residential Māori fluency wananga for key leaders in partnership with the Department of Conservation. We are committed to widening the delivery of these wananga across the SLT in the coming year.

In 2018, we will expand our internal talent identification targets, from gender, to include

cultural diversity at more senior leadership levels. To achieve this, we need to have a well-developed diverse pipeline of talent from which to draw.

We are a principal sponsor of Global Women/Champions for Change's TupuToa – Māori and Pasifika Corporate Pathways Programme. TupuToa is an internship programme to promote and encourage young Māori and Pasifika into corporate careers.

In the 2016 launch year we welcomed three interns and have since extended their employment with us for the remainder of their tertiary studies.

Two of the interns were selected to join the Ministry of Business Innovation and Employment Procurement Graduate programme, the most well respected programme of its nature in

New Zealand. For 2018, we intend to triple the number of TupuToa interns we welcome into Air New Zealand. We are committed to increasing the proportion of Māori in leadership positions within our organisation. To achieve this, we seek to further develop our mid-level Māori talent, using a similar approach to the Women in Leadership programme. This starts with identifying Māori through our annual talent cycle as having the potential to be promoted into senior roles. The programme will incorporate Māori leadership values to grow a collaborative culture across our organisation.

Our four employee networks also play a role in supporting gender, ethnic and generational diversity in our workforce, promoting community and increasing visibility: Women's Network, Young Professionals, Manu (Māori and Pasifika) and

Pride (LGBTQI). The Asian employee network will launch in 2018. Employee network activity in the past year included celebrating Diwali, Chinese New Year, the Pasifika festival, Auckland Pride Parade, International Women's Day, Matariki and Māori Language week as well as sending delegates to the One Young World summit and providing a mentor matching service for young females.

Our previous Human Resource information systems have made it challenging to record diversity metrics. In 2018, a new HR information system will be in place, which provides better baseline data. Capturing this information will enable diversity to be front of mind when making key employee decisions, and allow us to track the impact of initiatives and clarify our focus.



# Talent Incubator

Our main focus this year has been developing Māhi Rangatira, a leadership development programme for middle managers.

The programme focuses on in-role development and is facilitated by the Senior Leadership Team. Leaders are brought together in cross-functional groups to tackle everyday leadership challenges. In 2017, 54 of 490 leaders will have commenced the programme. In early 2017 we also refreshed our frontline leadership programme Leadership EveryDay.

In November 2016, we again delivered our intensive three-day Accelerated Development Centre to those in our talent pool. A 'lite' version for emerging leaders was also piloted but has since been discontinued to focus resources on the comprehensive version.

To support the ongoing learning and development of all our staff, we introduced S4K (Search 4 Knowledge) an online library which provides employees with monthly and weekly emails containing the latest global thinking in leadership and business, including free MOOCs (Massive Online Open Courses).

We updated our leadership app with tools such as how to have a difficult conversation, and giving feedback and coaching. In 2018, we plan to provide more ways of delivering digital learning to all employees.

For cabin crew we hosted two Leadership and Customer Connection programmes. Our crew are the employees our customers most connect with every day, so this programme emphasises the important role crew play and shares best practice service stories. This programme will be rolled out to our other customer-facing employees in 2018.

We use a variety of measurement tools to check the effectiveness of our programmes and to measure leadership capability uplift. Our leadership programmes use a tailored 360 review, to help us assess programme effectiveness. We also use online surveys and insights from our engagement survey, manager effectiveness reports and performance ratings.

# Participation in Sustainability

We are aware that the support and participation of Air New Zealanders is the key to successfully embedding a sustainability agenda.

We are looking at how we raise participation both on and off the job. From this year sustainability training is included in induction material for all new employees. Increasingly, our commitment to sustainability is seen by prospective Air New Zealanders, particularly those of the millennial generation (currently 33 percent of our workforce) as an attractive part of working with us.

The past year has seen a push from cabin crew for greater participation in sustainability. As a result a Crew Sustainability Council is being established in 2018. Its role is yet to be fully determined but will likely be focused on achieving both operational sustainability outcomes and community-focused impacts.

For many years, we have enabled a company-wide Greenteam. The current focus for the Greenteam is supporting the Nature and Science part of our sustainability framework, by providing muscle on the ground for conservation activities with partners like the Department of Conservation for activities such as native bird relocations, or at Mangarara Station in Hawkes Bay where the team has a grove of native bush which it tends regularly.

We launched a Sydney-based Greenteam this year, and one is still planned for Los Angeles. In 2017, more than 200 employees and about 100 family members participated in 18 Greenteam events across the country.



“ The past year has seen a push from cabin crew for greater participation in sustainability. As a result a Crew Sustainability Council is being established in 2018.”



## Our People

MANAAKITANGA



# Communities

WHY THIS MATTERS

SUPERCHARGE  
THE REGIONS

CHARITABLE  
PROGRAMMES &  
COMMUNITY INVESTMENT

AIRPOINTS™  
FOR SCHOOLS

NATIONAL AIR  
CONNECTIVITY

AIRCRAFT NOISE

DISASTER RELIEF

# Why This Matters

**Our goal is that Air New Zealand is recognised as the most influential exponent of strategic community investment in New Zealand, helping build cohesive, resilient and sustainable communities across the country.**

As an airline providing services to 21 domestic destinations across New Zealand, connecting people is at the heart of what we do.

We recognise that in our geographically long and relatively lightly populated country, air transport connectivity is critical to helping communities thrive, and we continue to target capacity increases on both national and regional routes. However, we also know that New Zealand communities

are developing at increasingly uneven rates, with some struggling to maintain cohesion, resilience and prosperity.

This phenomenon is not unique to New Zealand, but as New Zealand's national carrier, we feel we – alongside other New Zealand businesses – have a role to play in addressing current disparities in per capita income and opportunity.

We already undertake a significant programme of activity in the regions,

including destination brand development and trade familiarisations, conservation volunteering, Airpoints™ for Schools, and disaster relief when required.

This year, we have introduced a new focus area for our Sustainability programme - 'Supercharge the Regions' - to increase the positive impact we can create by directing our efforts toward a particular region. We are committed to measuring and reporting this impact in 2018.

# Opinion: How do we tackle regional inequality?

New Zealand Economist **Shamubeel Eaqub** asks if smaller towns can survive in the face of trends that favour the big centres.

## What is regional inequality and what drives it?

Regional inequality arises because economies are moving in different directions and the kinds of industries and skills that are in demand are better suited to urban centres, not the provinces. Older industries, like manufacturing are in decline. Transport is better, so businesses are coalescing into single locations. The main reason for inequality is technology, plus a little bit of globalisation.

## Why is regional prosperity important for New Zealand's success?

Because a lot of our physical capital and opportunities are in the provinces – particularly exporting primary products and tourism. We want New Zealand to be successful. That means using the resources we have responsibly to make our country better off.

But the growth of our economy is not necessarily spilling over to job opportunities everywhere. In many of our provinces job prospects are limited and incomes low, even if parts of the economy are doing well.

We want to make sure our economic success leads to shared opportunities for Kiwis living everywhere, not just the cities. Otherwise, we

will also see the kinds of social division that has led to so much political instability in the US and UK recently. That kind of instability makes it difficult to pursue considered policies that can work over a long period of time.

## Are any regions globally doing a good job at addressing regional inequality?

Everyone is trying but no one is perfect. In places like Germany, they have significant regional transfers along with local autonomy, to make local choices of development. Some pursue growth, others quality of life. Others have special economic zones to bolster trade and activity in particular industries or sectors.

Not all approaches work. Regional development is a complex and difficult area. It requires experimentation and learning from past experience and experience of others.

## What is happening in New Zealand to tackle this challenge?

Regional development was pretty sexy in the 1960s and 70s but increasingly has not been that popular. We're not doing a great deal, there's a bit around transport and some big investments in things like irrigation. My impression is that

we may be looking at the wrong things. We have to be more holistic in our approach.

## What is the role of business in addressing regional inequality?

There's a big role for business to play, they see a perspective that others don't, they need their customers and staff to be successful too, because without them they're nothing.

For a long time, business has taken the attitude that "we're in the business of doing our own business and everything else will be taken care of by the markets or government". It's probably quite alien to what we would have seen in the past when business leaders were integral to social cohesion.

## How much can regional tourism do to help advance regional economies?

Tourism is not a panacea, there are no panaceas in regional development. But one of the nice things about tourism is that it accesses what's already there - labour, the natural capital, attractions – and starts to create job opportunities. As long as we use that catalyst from tourism to invest in people and give them access to education and training and help local businesses to keep growing, it is relatively easy to move the needle a little.



## Shamubeel Eaqub

Previously the principal economist at the New Zealand Institute of Economic Research.

Shamubeel is an experienced economist, financial analyst and author. He has worked in various banks and consultancies in New Zealand and Australia.

He currently balances a portfolio of activities: consulting through Sense Partners, a boutique economic consultancy; various governance and advisory roles for charities, SMEs and CCOs; columnist for Fairfax and the Sunday Star Times.

He holds a BCOM(Hons) in Economics from Lincoln University and is also a Chartered Financial Analyst. He has authored several books – the most recent are Generation Rent and Growing Apart.

Shamubeel lives in Auckland with wife, Selena, and son, Haydn.

# Supercharge the Regions

Air New Zealand recognises as a connector of communities and a major contributor to the tourism industry, we are in a unique position to help our regions achieve greater economic and social prosperity.

While New Zealand's economy is in good health overall, growth is uneven across the regions, with escalating social consequences for some communities.

In the past year, we have advanced a number of opportunities based on initiatives generated from regional stakeholders and complementary to central government's Regional Growth Studies and corresponding Economic Action Plans. Air New Zealand contributes by sharing our tourism and marketing expertise to support

and promote local tourism attractions, events, business development and investment. For example, as a major transporter of fresh high value New Zealand produce, we can link fledgling producers to domestic and international markets. Local partnerships underpin our work to develop new regional events and initiatives, and to align stakeholders on projects with the most potential to deliver tangible results for their region. In Gisborne, we have signed a Memorandum of Understanding with economic development agency Activate Tairāwhiti, and

other local stakeholders to develop a unique destination proposition for the Tairāwhiti Gisborne region. Every action has measurable outcomes such as visitor growth, increased bed nights, average spend per visitor and the number of new employment opportunities created.

In Northland we worked closely with local tourism operators, council and stakeholders to create our **Summer of Safety** inflight safety video, filmed in 10 locations across the Bay of Islands and the Far North. We complemented this with

travel features in Kia Ora magazine and supported a Tourism New Zealand marketing campaign promoting Northland to visitors from Melbourne. Early figures indicate an increase in visits and visitor spend in the region.

We have also partnered with the Department of Conservation and worked with local stakeholders to help unlock the tourism potential of the Whanganui river on a biodiversity project centered around predator eradication.

# Charitable Programmes & Community Investment

Our main community charity partners remain Koru Care, Starship Foundation, the Attitude Awards and Kiwis for kiwi, all long-standing relationships with a strong focus on youth, disability and the environment.

## TARGETS

Including our work with our long-standing partners, in 2017 we provided local community support in excess of \$400,000 across more than 75 charities and organisations. This includes an ongoing partnership with the Blind Foundation Guide Dogs to provide free transport for dogs to their new homes.

As well as assisting those in need, our charitable programmes are an important way to drive workplace engagement and connect our employees with their sustainability commitments, and the communities in which we operate.

This year in addition to our formal Greenteam programme detailed

elsewhere in this report, we have improved our internal promotion of charity and community events that employees can participate in, with a focus on regional charitable activities to engage remote employees. While social enterprise Eat My Lunch is not an official charity partner, Eat My Lunch is a preferred catering supplier for corporate lunches, and in 2017 this resulted in close to 13,000 lunches being donated to children who would otherwise go without.

This was complemented by nearly 200 employees in Auckland and Wellington volunteering at early morning shifts to help prepare lunches for children who go to school without one.



# Disaster Relief

When the Kaikoura earthquake devastated the region and closed roads in November 2016, we provided cargo handling services, flying in everything from emergency packs to pet supplies for those in need.

These supplies were flown to Christchurch and then transported via road. We also supported a fundraising concert in Kaikoura and donated flights to support the rebuild of the Waiau school and community pool.

After Edgecumbe's April flood, we provided air tickets as prizes for a local development board fundraising event. Post-flood, road access to Edgecumbe was restored faster than anticipated, which obviated the need for more extensive relief. In the South Pacific region we were not called upon by the Red Cross anywhere near the extent we have been in recent times. We routinely contribute excess baggage waivers for educational and medical supplies to Fiji and other Pacific Islands to support communities and services there.

Air New Zealand's Special Assistance Team, is trained to provide humanitarian response to emergency events with immediate and practical support. We trained more than 300 employees in WebEOC, our internal emergency management system, and collaborated with the Westpac Helicopter Trust and Auckland Council to share our approach.

# Sustainability Framework Target

## Community programmes implemented

**Baseline year**

n/a

**2016**

Airpoints™ for Schools  
and Inspiring Voices  
implemented

**2017**

Continued Airpoints  
for Schools, Inspiring Voices  
discontinued in 2017

**Status**  
Significant progress



# Airpoints™ for Schools

In its second year, the Airpoints™ for Schools programme built on its successful launch. More schools applied, and more Airpoints™ members donated more Airpoints Dollars™ to schools.

Awareness of the programme among Airpoints™ members reached 40 percent, which translated into increased member donations, with \$80,000 Airpoints Dollars™ raised in record time. An estimated 1,000 Air New Zealand employees also supported the fundraising initiatives.

Ten schools from the Far North, Auckland, Tauranga, Te Puke, Paeroa, Gisborne, the West Coast, North Otago and Invercargill will embark on their journeys in the coming months. Trips include Te Kura Kaupā Māori ā Rohe o Māngere from Auckland flying to Gisborne to compete in the National Primary Schools Kapa Haka competition, and Otamarākau School in Bay of Plenty travelling to Queenstown for a tourism and careers leadership camp. This year we will create a post-flight survey for schools, to assess the impact on students, gather insights, and learn how this programme can be improved in coming years.

# National Air Connectivity

A new domestic schedule this year has improved connectivity between the regions and the main centres, growing regional capacity by more than 250,000 seats, or 5.1 percent compared to 2016.

As the only carrier operating 50-seat aircraft to Kerikeri/Bay of Islands, Whangarei, Hamilton, Tauranga, Taupo, Rotorua, Gisborne, Paraparaumu/Kapiti Coast, Blenheim, Timaru, Hokitika and Invercargill we are a vital connector of regional communities.

In October 2016, we streamlined our regional schedules to offer more consistent departure times across the week. These changes have led to better on-time performance and improved customer convenience.

We have invested in 15 new 68-seat ATR 72-600 turbo-prop aircraft, with a further 14 on order, to bring our total turbo-prop fleet to 52 by 2020. Some of these aircraft will replace our older fleet of ATR 72-500 aircraft, while others will

enable growth across our network. In August 2016 we retired the last of our 19-seat Beech 1900D aircraft fleet and now operate 50-seat Q300 aircraft between regional centres. The roll out of larger aircraft on regional routes has increased capacity on the same frequency of flights.

Demand for domestic routes grew overall in 2017, more than 25 percent on the Auckland-Queenstown and Auckland-Dunedin routes. In the past year, an adjustment to the Auckland-Whangarei schedule proved unsuccessful. Stakeholders have let us know their needs and flight schedule adjustments are being made.

This year we opened larger lounges in Hamilton, Queenstown and Palmerston North, and one in Wellington for regional travellers, increasing customer satisfaction scores.

“This year we opened larger lounges in Hamilton, Queenstown and Palmerston North, and one in Wellington for regional travellers.”





# Aircraft Noise

We seek to reduce noise impact on the communities that we fly in and out of, through investment in new aircraft certified to the latest noise standards, efficient flight operations, informed community consultation and engagement with airports and industry bodies. Management of community noise is a balance between shortened arrival and departure tracks and procedures that add distance but may reduce local noise impacts.

Aircraft noise is a significant matter for our business and the wider aviation industry. We have achieved full compliance with International Civil Aviation Organization noise standards and continue to drive improvements. This year we completed fitting noise-reducing vortex generators to all our A320s.

A focus this year has been working with the Auckland Noise Community Consultative Group on long haul flights departing in the evening. Changing the altitude at which aircraft thrust is cut back from take-off to climb power was reviewed, but there was only minimal noise reduction.

We have since worked with Airways New Zealand to improve departure routes. More North American departures now

track over less densely populated areas, as opposed to central city suburbs.

Air New Zealand's flights into and out of Auckland scheduled from late evening to early morning will now fly tracks that avoid residential areas to reduce community noise impact, at a cost of more distance and extra fuel. Christchurch Airport will also be trialling more efficient approaches which are projected to leave the overall community better off.

These efficient approaches use satellite technology to fly with a highly accurate track, allowing engines to operate at their quietest. Air New Zealand has received no notifications of noise level breaches for global operations during the past three years.



# Sustainability Framework Target

## Zero noise breaches

### Baseline year

n/a

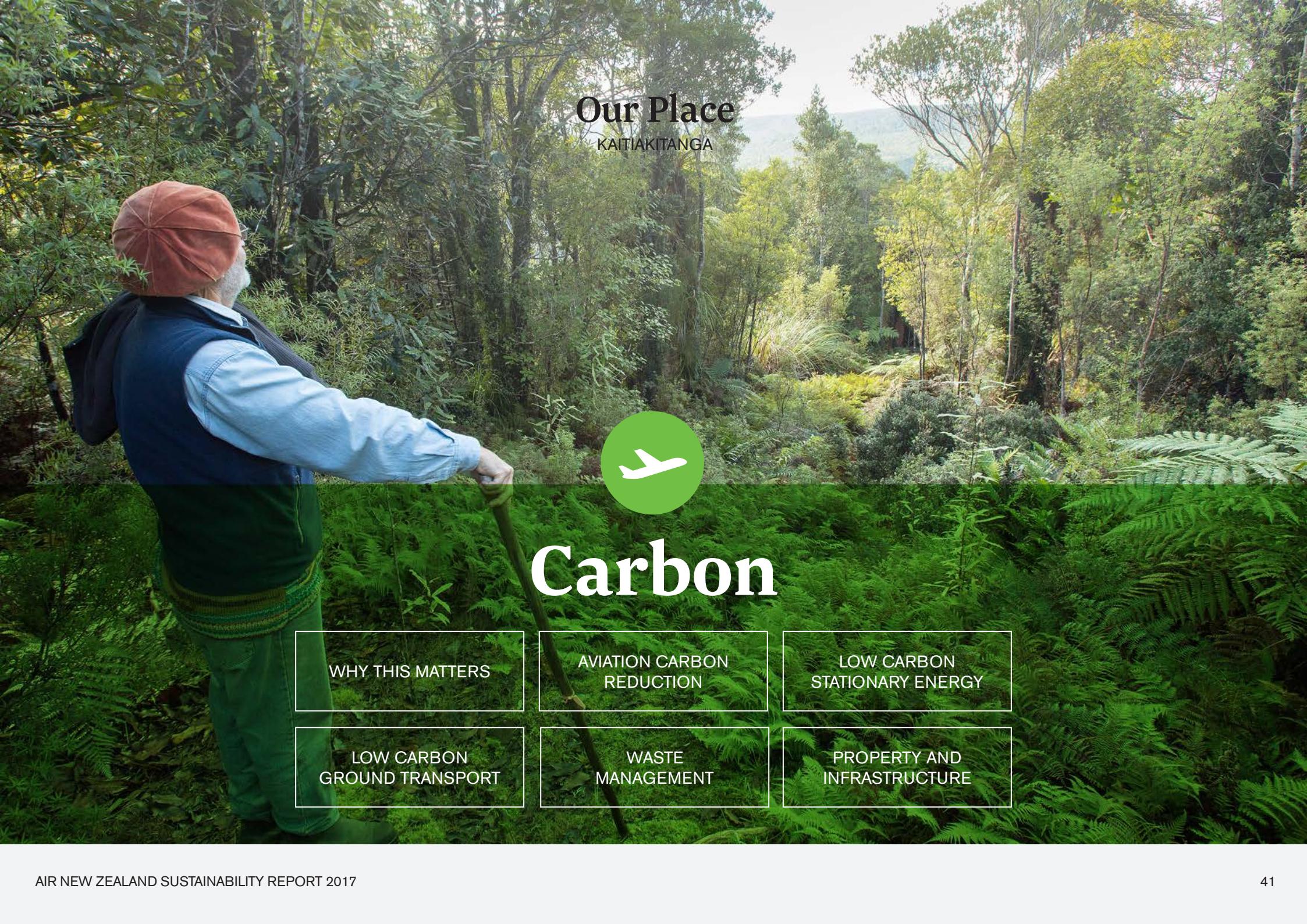
### 2016

No notified noise  
breaches in FY16

### 2017

No notified noise  
breaches in FY17

**Status**  
Achieved



Our Place

KAITIAKITANGA



# Carbon

WHY THIS MATTERS

AVIATION CARBON  
REDUCTION

LOW CARBON  
STATIONARY ENERGY

LOW CARBON  
GROUND TRANSPORT

WASTE  
MANAGEMENT

PROPERTY AND  
INFRASTRUCTURE

# Why This Matters

Our goal is that Air New Zealand stabilise emissions through carbon neutral growth post 2020, in a way that simultaneously drives significant environmental, social and economic benefits.

Air transport is essential to New Zealand's trade, exports, investment and tourism industries and plays a critical role connecting our people to the world, and the world to us.

These social and economic benefits are, however, counterweighed by the aviation industry's significant climate change impact, with the global sector contributing at least 2 percent of global emissions, and rising.

Air New Zealand's own growth trajectory reflects this tension: we emit more than three million tonnes of carbon dioxide into the atmosphere every year and this year our network capacity growth of 6.3 percent has been accompanied by a growth in total carbon emissions of 5.1 percent, despite fuel efficiency continuing to improve. Air New Zealand acknowledges the stark conclusion from the 2015 Paris Agreement,

that the world must hold the increase in the global average temperature to well below 2°C above pre-industrial levels by peaking global greenhouse gas emissions as soon as possible, or face a potentially irreversible threat to human societies and the planet.

Two degrees may not sound significant, but it translates into extreme impacts at the local and regional level.

A 50 degree June heatwave in Arizona, USA saw some airlines ground planes as temperatures breached jet operating limits.

Recognising that the industry significantly impacts, and will be impacted by climate change, in October 2016 the International Civil Aviation Organization (ICAO) reached a historic agreement on a global scheme designed to achieve

carbon neutral growth from 2020, and Air New Zealand supported its adoption.

Embedding our Carbon Reduction Programme and our continuing work to secure high quality carbon offsets and sustainable aviation biofuels form key parts of this response. We are committed to demonstrating carbon leadership in aviation but also for New Zealand. Our aspiration is that New Zealand transitions to an ultra-low carbon economy, on a pathway consistent with the world achieving net zero emissions by 2050.

Our support for industry initiatives to promote the adoption of electric vehicles, the rollout of our Sustainable Building Guidelines, and the introduction of wider-reaching operational electricity and waste targets all contribute to this agenda.

# Opinion: How can we tackle climate change?

Sustainability Advisory Panel member **Dr Suzi Kerr** says that ending carbon emissions is the only way to mitigate climate change.

## What challenges does climate change present to the world?

Until the emissions stop, the climate will keep on changing. That's a particular challenge for airlines because currently there is no technical solution: either we completely offset in the long term, but that's not easy, or we find a solution and can fly without emissions. Or we stop flying. That's a special challenge for New Zealand when we are so far away from the rest of the world, and dependent on tourism. Also, more than a quarter of us were born somewhere else so our families are somewhere else. It's a very personal problem.

## What about the argument that in New Zealand the amount of our carbon emissions is so small it doesn't matter?

It's not about percentages. Everybody needs everybody to act – that's us as well. Because everybody is a tiny fraction of global emissions, nobody has an incentive to do anything on their own!

## Are there solutions in sight?

We're making progress. Relevant technologies have been coming through in the past five to ten years, so it's beginning to seem possible with the combination of that and

politics shifting, but there's still a big gap. The technologies we do have are probably not the full set that we're going to use to achieve the full mitigation. The danger is that people will say 'let's just wait' but we must keep accelerating solutions.

## What can an airline do?

They can improve the efficiency with which they fly. They can encourage policies to get emission reductions more generally and contribute to a broader reduction effort which doesn't have to necessarily be through their jet fuel.

An airline can also provide leadership publicly. We need a culture shift to get people thinking about all the hundreds of small changes in behaviour and technology rather than thinking of silver bullets. Embedding it in how we think.

## What sort of opportunities to mitigate aren't being taken?

Globally, it's around efficiency. There's a huge range of variations in how efficient planes are, and how efficiently schedules are organised and how efficiently planes are handled on the ground. In every business, the really good ones are super-efficient, more profitable and tend to have low emissions.

You need to focus your smart people on those problems to really make progress.

## How effective are carbon offset programmes?

People use offsets to pay people to grow forests. If you get enough people planting forests you can be confident you're getting more forests than you would otherwise [but] at some point we will have planted on all the land we can, and run out. So it's not a permanent solution.

## If the message is so clear, why is it so hard to get any action happening?

It's the "free rider" problem – if I reduce emissions then you benefit and so does everyone else, so we all have a tendency to do too little.

Also, climate change is really existentially scary. It's scary to imagine what kind of world my children are going to be living in.

In a way, we need to allow people to not think about climate change but to think about moving towards a different way of living, changing the economic environment, so that when they make decisions that are favourable to reducing emissions there are no economic barriers.



## Dr Suzi Kerr

Economist and senior fellow at Motu, adjunct professor Victoria University.

Suzi Kerr is a Senior Fellow at Motu Economic and Public Policy Research Trust and an adjunct professor at Victoria University.

Her current research on domestic and international climate change policy focuses on emissions pricing and land use. She also leads work on climate change impacts and adaptation in New Zealand.

She has previously worked on economic instruments for managing water quality, fisheries and air quality and run policy dialogue processes in the lead up to the establishment of New Zealand's emissions trading system, agricultural greenhouse gas emissions and New Zealand's Low Emissions Future. She is currently leads the Deep South National Science Challenge Impacts and Implications programme.

She holds a PhD in economics from Harvard University and won the NZIER Economics Award in 2010.

# Aviation Carbon Reduction

We support the aviation industry's mid and longer term goals of carbon neutral growth from 2020, and halving 2005 emissions levels by 2050.

In 2017, our carbon footprint (greenhouse gas emissions) increased by 5.1 percent, due primarily to Air New Zealand's capacity growth, which increased by 6.3 percent.

We continue to aim for an average annual fuel efficiency improvement of 1.5 percent – approximately 49,000 tonnes of carbon dioxide per annum at current levels.

## A Modern Fleet

One of the most significant ways to reduce emissions is by operating a modern and efficient fleet. We were the first airline to take delivery of the revolutionary 787-9 Dreamliner in 2014 and we retired our last Boeing 767 aircraft from our fleet in March this year.

As at 30 June 2017, our 103 aircraft have an average seat-weighted age of seven years, and we are targeting a slight reduction to 6.9 years by 2020. In the past year three new 787-9 Dreamliner aircraft have entered our fleet and a further four will arrive in the next 18 months.

Over the next four years we plan to invest approximately \$1.5 billion in new and more efficient aircraft.

### OUR AVERAGE AIRCRAFT FLEET AGE (SEAT WEIGHTED IN YEARS)<sup>1</sup>

2014	2015	2016	2017	2020
9.1	7.8	7.5	7.0	6.9 (projected)

<sup>1</sup> Average seat-weighted aircraft age is calculated as: The sum of each aircraft seat multiplied by the age of that seat, divided by total number of seats.

# Sustainability Framework Target

1.5%\* average annual improvement in aviation fuel efficiency (2009 - 2020)

## Baseline year

0.93 tCO<sub>2</sub>-e per revenue tonne kilometre (FY09)

## 2016

2.9% improvement compared to FY15  
20% improvement compared to FY09

## 2017

0.3% improvement compared to FY16  
20% improvement compared to FY09  
(2.5% average annual improvement)

**Status**  
Achieved

\*IATA industry target

## Aviation Carbon Reduction - continued

### Operational Fuel Efficiency Improvements

Our annual fuel efficiency improvement rate in 2017 was lower than previous years, at 0.3 percent, compared to 2.9 percent in 2016. One reason for the lower rate was that fewer new and more fuel efficient aircraft entered the fleet in the past year compared to the previous three. Other factors included a slightly lower load factor, which impacted overall efficiency, measured as emissions per kilometre of weight transported.

Following IATA Fuel Efficiency Audit recommendations in 2016, the highest priority initiative for 2018 will be to reduce use of Auxiliary Power Units (APUs) that power air conditioning, lighting and some maintenance when the aircraft is not flying. By maximising ground power use (where the aircraft attaches to the airbridge/gate to access electricity), carbon emissions from aircraft fuel consumption can be reduced. Integration of this new approach will require continued collaboration with airports, to ensure airport infrastructure enables power and pre-conditioned air at all gates.

Following trials at Christchurch International Airport, this will be standard operating procedure at our three dedicated A320 aircraft gates. Combined with APU initiatives at Auckland International Airport, we estimate reducing more than 2,000 tonnes of carbon emissions in the coming year.

In 2017, we reduced residual weight on some of our aircraft by introducing lighter-weight baggage containers on our Boeing 787 and Boeing 777 aircraft, resulting in an annual saving of 3,553 tonnes of carbon dioxide emissions. In the coming year we will continue to collaborate with Airways New Zealand for new air traffic control to minimise fuel use.

### We are currently evaluating other initiatives to reduce fuel use and carbon emissions including:

Single engine taxiing (to save fuel by using only one engine when taxiing to the gate versus both engines)

Reduced acceleration altitude (enabling aircraft to accelerate to optimum climb speed earlier after take-off)

Reduced flap landing (allowing lower power settings on approach due to less drag)

Idle reverse thrust (enabling lower reverse thrust settings on landing, when conditions allow)

Control check on taxiing (allowing aircraft to taxi to the runway sooner after engine start)

### Domestic Carbon Emissions Policy

Air New Zealand continues to participate in the New Zealand Emissions Trading Scheme (NZETS). Our submission on the NZETS Review in 2016 encouraged a move to full obligations being placed on emitting entities.

Despite being currently reliant on fossil fuels to operate, we consider every part of the economy should be willing to put a price on carbon emissions, which will ultimately drive efficiency and incentivise new technologies.

In the past year, the transitional NZETS obligations were lifted by the New Zealand Government from 50 percent to 67 percent of our domestic emissions.

These NZETS obligations will be met through the surrender of emissions units (this will equate to obligations of approximately 402,000 emissions units in calendar year 2017). We also remain focused on how domestic carbon reductions can be encouraged and commissioned research to explore the barriers to native forestry deriving carbon benefits<sup>1</sup>. To put this in context, since 2006, no native forestry has entered the ETS<sup>2</sup>. In line with our NZETS submission, we want to see more widespread afforestation being encouraged that can also achieve broader biodiversity, soil, waterway and community co-benefits.

1. Kerr, S & Carver T, Facilitating Carbon Offsets from Native Forests, Motu Economic and Public Policy Research, 2017.
2. OIA16-0176: Forestry ETS Data," Response to an Official Information Act request made by Motu Economic and Public Policy Research. Wellington: Ministry for Primary Industries. <http://motu.nz/our-work/environment-and-resources/mission-mitigation/emissions-trading/emissions-trading-scheme-forecasting-data>.



## Aviation Carbon Reduction - continued

### Greenhouse Gas Inventory

Total Operational Emissions Scope	GHG emissions sources	Tonnes CO <sub>2</sub> -e FY15	Tonnes CO <sub>2</sub> -e FY16	Tonnes CO <sub>2</sub> -e FY17
Scope 1: Direct GHG emissions from sources owned or controlled by Air New Zealand	Aviation Fuel, LPG, Natural Gas, Ground Diesel, Ground Bio Diesel, Ground Petrol	3,073,455	3,308,947	3,477,944
Scope 2	Electricity	5,543	3,701	2,624
Totals		3,078,998	3,312,648	3,480,567
Biomass* (Wood Pellets)		880	1,235	998

For more detail on our greenhouse gas emissions, see our 2017 Air New Zealand Greenhouse Gas Inventory Report and a copy of the assurance statement from Deloitte [here](#).

Scope 1: Direct GHG emissions from sources owned or controlled by Air New Zealand.

Scope 2: Indirect GHG emissions associated with the generation of imported electricity.

\*Air New Zealand uses a wood pellet boiler for space heating and engineering processes at its Christchurch site. The GHG Protocol requires organisations to report direct CO<sub>2</sub>-e emissions from biologically sequestered carbon (e.g. CO<sub>2</sub>-e from burning biomass) separately from Scope 1 or Scope 2 emissions.

### International Aviation Carbon Emissions Policy

In October 2016, the International Civil Aviation Organization (ICAO) reached a historic agreement on a global scheme designed to help address the industry's target of carbon neutral growth from 2020, known as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

Air New Zealand was consulted by the New Zealand Government (who is the state party at ICAO), and supported New Zealand's early engagement in the CORSIA. CORSIA will require airlines (including Air New Zealand), to offset growth in emissions above a 2020 baseline. Key terms regarding the integrity of carbon offset types is a continuing discussion topic within ICAO working groups and is something we consider must be robust, for the CORSIA to achieve enhanced environmental outcomes.

### Sustainable Aviation Biofuel

We have been active in our search to replace traditional fossil fuel with sustainable biofuels. With Virgin Australia in 2016, we sought supply of up to 20 million litres of biofuel in Australia and New Zealand from 2020, and undertook further due diligence on potential suppliers in New Zealand.

We have learned large scale and practicable volumes of biofuel remain some way from becoming a commercial reality, particularly with the current price of oil globally, and in the absence of clear policy incentives to encourage production in Australasia.

We are however continuing to explore options for New Zealand manufacture, working with potential technology and fuel supply chain partners.

### Customer Voluntary Carbon Offsetting Opportunities

In the past year we have worked to make it easier for customers to understand and voluntarily offset the emissions associated with their air travel. By offsetting their personal carbon impact they can drive deeper reductions in carbon emissions than what is currently mandated by regulation.

We have introduced a new voluntary carbon offsetting function to our New Zealand online booking engine, so customers can identify the emissions associated with their travel and then purchase certified carbon emissions units equating to their flight's emissions. Customers have opted to offset close to 40,000 journeys since the online function went live in October 2016, purchasing around 10,000 tonnes of carbon emissions units.

Air New Zealand takes no commission from this offering, and all emissions units are cancelled

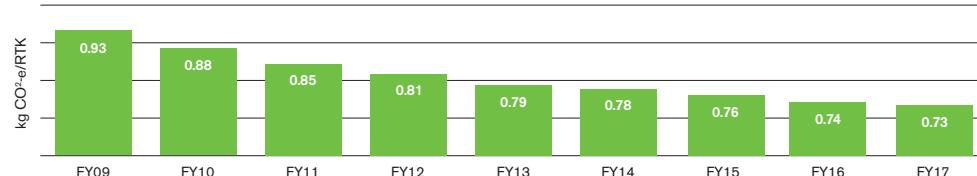
in the New Zealand Emissions Unit Register.

While this is a marked increase on previous uptake rates, we're striving to enhance this further in the coming year by improving awareness of the native forestry projects supported through voluntary offsets.

All voluntary contributions currently support permanent forestry sink initiative projects with the New Zealand Native Forest Restoration Trust. The non-profit trust has purchased over 7,000 hectares of land throughout New Zealand to restore with native trees, and covenants the land in perpetuity via Queen Elizabeth II Trust.

The trust also encourages community activities such as planting and weeding across New Zealand, and in the coming year we will enable Air New Zealand Greenteam planting days with this partner.

### Fuel efficiency: CO<sub>2</sub>-e per Revenue Tonne Kilometre (RTK)\*



\*Revenue Tonne Kilometre (RTK) is a measure of the weight that has been paid for on the aircraft (freight and passengers) multiplied by the number of kilometres transported. Freight values are from Air New Zealand records, and passenger weights are estimated at 100kg per passenger (including checked and carry-on baggage) as recommended by IATA for generating a fuel efficiency target. CO<sub>2</sub>-e emissions are from Air New Zealand's use of aviation fuel over the same time periods.

For more detail on our greenhouse gas emissions, see our 2017 Air New Zealand Greenhouse Gas Inventory Report and a copy of the assurance statement from Deloitte [here](#).

# Low Carbon Stationary Energy

We have been actively reducing our electricity use at our New Zealand sites through a dedicated energy efficiency programme. Our targets for reduced consumption of electricity have been exceeded with an 8.8 percent reduction in 2017.

## TARGETS

We recognise that focusing on a simple reduction target is not necessarily the best measure of performance.

In the coming year we will investigate options to incorporate more photovoltaic (solar power) solutions at our large operational sites. LED has the advantage of a shorter payback time, but solar energy combined with battery storage has the advantage of enabling us to match load consumption, storing energy during the day to use at night when we undertake most of our aircraft maintenance, particularly at our Nelson and Christchurch engineering and maintenance sites.

Some of the ways in which we have achieved our annual target for 2017 include:

- Advancing monitoring and profiling of buildings and typical energy loads. Separate metering double checks consumption data and identifies real time energy saving opportunities.
- Converting to LED lighting as technology became available for LED aircraft hangar lighting.

# Property & Infrastructure

Air New Zealand's property portfolio includes 250 buildings, two thirds of which are in New Zealand and more than 50 at Auckland Airport alone.

Over the past two years Air New Zealand has invested heavily in customer-facing areas at airports and in lounges. Alongside this we are increasing our focus on employee workspaces and the role these have on our employees' experiences every day.

In 2018, we will apply Sustainable Building Guidelines, developed in 2016, across a diverse range of projects and new builds. A strategic objective is to consolidate into campus-style environments with expected benefits including greater collaboration, and a reduction in overall building footprints.

Our sustainable building guidelines include Greenstar ratings and seismic standards. The New Zealand Building Code requires a seismic rating of 34 per cent New Build Standard for existing buildings (100 percent for new). We have set a higher target of 67 per cent for Air New Zealand buildings by 2020.

We have commenced using an integrated design process that involves users in the

solution creation, and we consult with employees and all contractors involved in a project from the beginning. We have set up test labs for agile workspaces and paperless offices, where very few people have their own desk but there are spaces for individuals and teams to create, collaborate, contemplate or concentrate. We believe this approach will enable stronger customer and employee experience and engagement. Although it is currently challenging to measure a return on investment with this approach, one case-study team reported a positive impact on the way members worked together, by reducing hierarchy and encouraging productive collaboration in a team of mostly new employees.

We are also looking at what we call 'hero elements', such as designing staircases that will provide health benefits of people to use the stairs rather than take the lift. We are also using the circular economy concept in our planning. For example, in a recent project on our engineering base, 67 percent of the material used in construction was recycled.

# Sustainability Framework Target

5% annual reduction in electricity use against 2011 baseline

## Baseline year

56,210,433 kWh  
(FY11)

## 2016

15% reduction  
compared to FY15  
  
40% reduction  
compared to FY11

## 2017

8.8% reduction  
compared to FY16  
  
43% reduction  
compared to FY11

**Status**  
Achieved

# Low Carbon Ground Transport

Ground vehicle use represents a very small proportion of our overall carbon footprint, but is an example of the leadership role we can play in advancing a low carbon transition for New Zealand.



## Light vehicles

This year we achieved our 2015 commitment to transition all 76 cars in our light vehicle fleet to electric models (comprising BMW i3, Renault Kangoo and Mitsubishi Outlander PHEV). When we commenced our electric vehicle project, there was no electric alternative for our large vans, but we expect two models on the New Zealand market next year. We are also investigating whether it is operationally feasible to transition these vans to electric options.

As an early adopter for a comprehensive EV fleet we had challenges in the variety of vehicles available, and consequently we acquired a mixed fleet with differing charging specifications. We are retrofitting vehicles to New Zealand Transport Agency Standard chargers. Currently we provide over 45 chargers around New Zealand, including four for Koru club members at Auckland airport and further chargers at our freight and cargo sites.

In 2016, Air New Zealand and Mercury, with support from Westpac, led a corporate EV pledge to encourage uptake of EVs by major New Zealand companies. More than 30 organisations have pledged to transition at least 30 percent of their fleets to electric options by 2019, a commitment of over 1350 EV's on New Zealand roads.

## Ground Service Equipment

In addition to our light vehicle fleet, we have committed to electrify our fleet of ground support equipment (GSE) such as loaders and pushback tugs in airport operational areas. This year we have not markedly increased our level of electric GSEs beyond 50 per cent because of long lead times and delays in acquiring charging infrastructure in collaboration with the airport companies. Our strategy is to transition to 55 percent electric in the coming year. For both our light vehicle and GSE vehicle fleets new GPS systems will also allow data to be collected so we can ensure optimal fleet efficiency.

# Sustainability Framework Targets

100% electric vehicles in light ground fleet (where feasible\*) by end FY17

Baseline year	2016	2017
0% (FY15)	13%	100% (76) light vehicles transitioned to electric

**Status**  
Achieved

\*Where feasible refers to availability of electric models for operational requirements.

55% electric Ground Service Equipment (where feasible\*) by end FY18 (100% by end FY20)

Baseline year	2016	2017
32% (FY15)	50%**	50.7%

**Status**  
Some progress

\*Where feasible refers to availability of electric models for operational requirements

\*\*Re-stated from 45% to 50% to reflect the inclusion of leased GSEs

# Waste Management



With our large operational sites and diverse waste streams, Air New Zealand has struggled to keep up with sustainably managing waste. While good progress has been made on ground waste reductions in past years, the average rate of reduction of landfill diversion rate has slowed and is sitting at 71 percent.

This year we introduced an organic waste collection at our Auckland head office, which helped improved landfill diversion rates by 9 percent at this site (some 13 tonne of organic waste being diverted). Following this result, we will be implementing organic waste collections at other major employee sites in the coming year. We will also be establishing new waste targets for all sites, investigating new technology opportunities, and focusing on improved internal communications to enable information sharing so that employees can play their part in driving a culture of waste minimisation.

Inflight waste continues to present the biggest challenge, and is top of mind for both crew and customers, who are often used to more sustainable waste practices in their own homes than they see on our flights. New waste management infrastructure is now enabling our wax coated inflight coffee cups to be recycled in certain parts of New Zealand and in response we have tested coffee cup recycling on our domestic services. A trial on our services to Dunedin

showed we can double the current inflight recycling rate and remove cups out of the landfill waste stream. We estimate rolling this out across our domestic fleet will allow us to recycle 6.5 tonnes of café cups, plastic glasses and water bottles per year, and we will make this standard operating procedure next year.

One of the biggest obstacles to inflight waste implementation is that many of the places we fly to around New Zealand have different waste regimes, which require crew to work in different ways depending on their final port. Standardising reporting, systems and processes for working with regional ports will be a focus in the coming year.

For international waste arriving at Auckland, 49 percent of dry (cabin) waste is now recycled rather than going to landfill. Following collaboration with our major caterer LSG Skychefs and the Ministry for Primary Industries, some 40 untouched and unopened inflight products that were previously sent to landfill, are now being retrieved and put back into circulation.

Recycling of non-biosecurity risk packaging is also occurring. In the coming year, we will be measuring volumes of landfill diversion achieved by this collaborative project. We have also continued recycling uniforms and furniture that is no longer right for our purposes but can be most useful to non-profit groups. Approximately five tonnes of uniforms avoided disposal in landfill in the past year, and we estimate that over 500 pieces of furniture were distributed to not for profit groups across Auckland and Fiji.

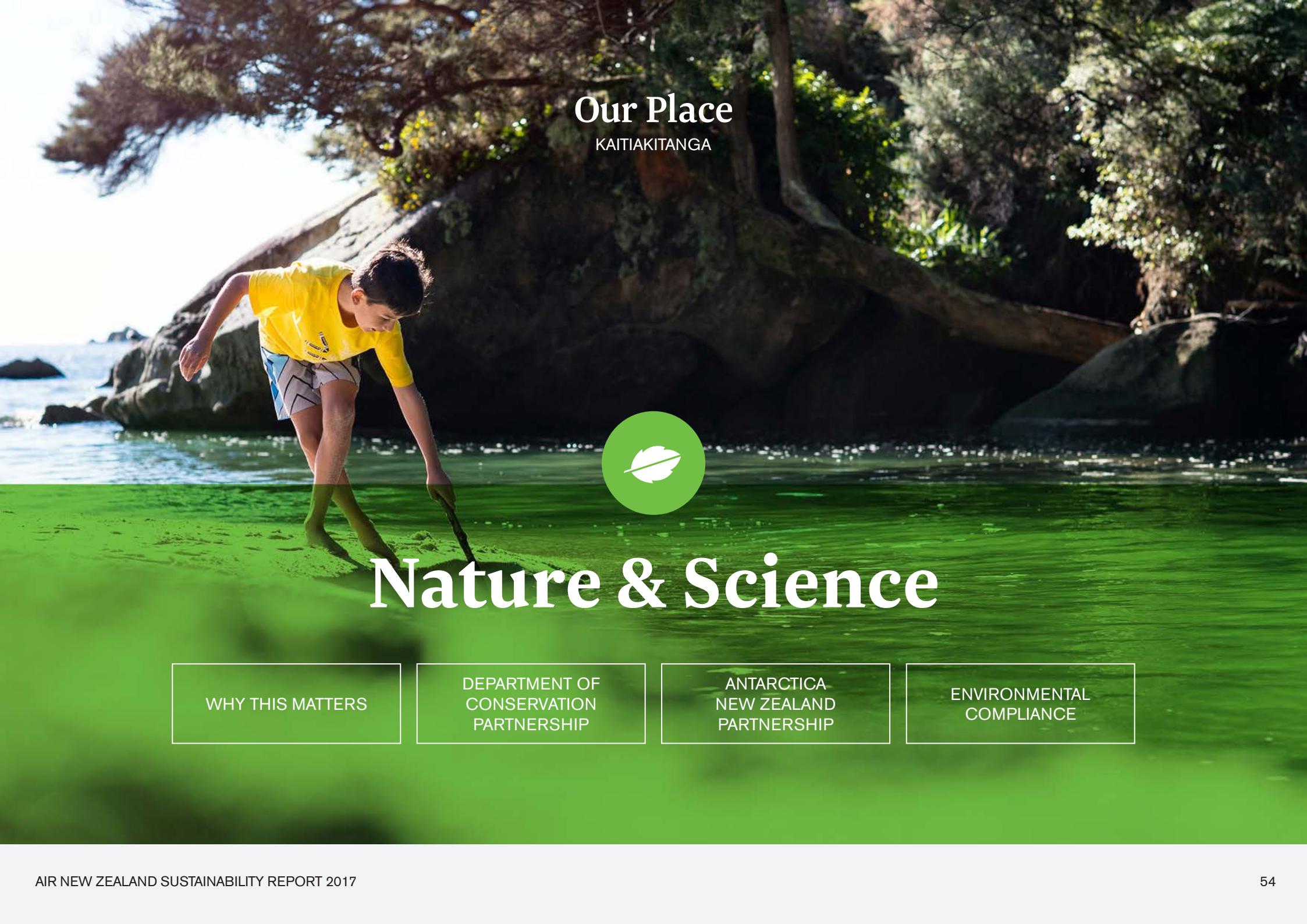
We are also repurposing office materials as part of some international fit-outs – a Melbourne airport office refurbishment this year resulted in reuse of existing good quality kitchen and office components, and donation of desks and screens to community groups. This has benefits to Air New Zealand in that landfill fees can be avoided. The property and infrastructure team has now created a more streamlined process for recording volumes of available and donated furniture items so that we can more accurately track and report on results next year.

# Sustainability Framework Target

85% diversion from landfill at Auckland ground sites  
by end FY18 (zero waste by end FY20)

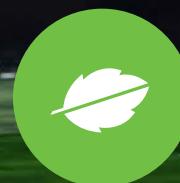
Baseline year	2016	2017
65% (FY15)	74%	76.8%

**Status**  
In progress



# Our Place

KAITIAKITANGA



# Nature & Science

WHY THIS MATTERS

DEPARTMENT OF  
CONSERVATION  
PARTNERSHIP

ANTARCTICA  
NEW ZEALAND  
PARTNERSHIP

ENVIRONMENTAL  
COMPLIANCE

# Why This Matters

Our goal is to enable world-leading conservation and climate science, engaging in long term strategic partnerships to help protect New Zealand's precious natural capital.

The natural environment underpins New Zealand's success, in obvious as well as more subtle ways. As a primary producing nation, our reputation for quality produce is linked to the perceived quality of our natural environment. New Zealand's stunning landscapes and natural scenery are also the number one reason international visitors travel here. And despite being one of the most highly urbanised nations on earth, New Zealanders regularly rate the environment as one of the most important characteristics defining New Zealand.

However, as a number of reports in the past year alone make clear, our natural environment is under intense pressure. Rates of resource

use and ecosystem degradation in New Zealand are increasing, and negatively impacting New Zealand's ability to sustain its economic and societal wellbeing.

The OECD has suggested New Zealand's growth model may be reaching its environmental limits, while the outgoing Parliamentary Commissioner for the Environment Dr Jan Wright has described the state of native bird species as a desperate situation, with 80 percent threatened or at risk of extinction.

Compounding these challenges are the shifts in temperature and weather patterns brought about by climate change.

As the national carrier, committed to supercharging New Zealand's success, we want to help ensure New Zealand's ecosystems and biodiversity are restored and protected for future generations.

We also believe there is a critical need to advance climate science. We do this through our ongoing partnerships with the Department of Conservation, Antarctica New Zealand and the New Zealand Antarctic Research Institute. We also recognise that one to one partnerships will not be enough, and that collaboration between business, government, iwi and communities is critical to tackling these challenges.

## HIGHLIGHTS

Set the first rat, stoat and possum traps on the Totaranui headland in the northern part of the Abel Tasman National Park.

Established predator control in Gouland Downs on the Heaphy Track, to enable the first recovery site for takahe translocations in the coming year.

Activated a new biodiversity project monitoring kiwi and undertaking weed and goat control, along the Whanganui Journey.



# Department of Conservation partnership

The two prime components of our partnership with the Department of Conservation (DOC) are our support for the Great Walks and marine science research projects. Given the diverse locations of the Great Walks and marine reserve sites, our support for DOC also aligns with our commitment to spread growth in visitor numbers to New Zealand's regions.

Our partnership extends beyond promoting just the Heaphy, Milford, Lake Waikaremoana or other Great Walks, where our funding is directed towards support for biodiversity projects. Through the Air New Zealand partnership with DOC and iwi partners, we have invested in pest control, funding the trapping of stoats, possums, rats and mice. Our shared vision is that New Zealand's native biodiversity thrives and that New Zealanders and international visitors have an incredible experience in nature when they get to these

world-renowned national parks. Our partnership also assists New Zealand threatened species relocations. This year we enabled the translocation of close to 300 creatures, including two mass kiwi translocations from Kapiti Island near Wellington, to Auckland's Hauraki Gulf in collaboration with iwi, local councils and other corporate partners. Since our partnership commenced in 2012, more than 2,400 endangered animals have been translocated, including many bird species, turtles and tuatara.

We support marine science initiatives such as surveys of marine litter, and the design of data management systems. We have at times struggled to find ways to emphasise the importance of the marine environment as it is often out of sight. As we extend our marine science partnership, communicating the full story on the relevancy of biodiversity from the mountains to sea will be important.

# Sustainability Framework Target

Support six biodiversity projects with DOC and iwi partners on NZ Great Walks to end 2020

## Baseline year

Projects active on three Great Walks (Lake Waikaremoana on hold), species transfer programme fully supported (FY16)

## 2016

Projects active on three Great Walks (Lake Waikaremoana on hold), species transfer programme fully supported

## 2017

Projects active on five Great Walks: Whanganui River Journey, Abel Tasman Coastal Track, Heaphy Track, Routeburn Track, Milford Track (Lake Waikaremoana in development), species transfer programme fully supported

**Status**  
Significant progress



## Department of Conservation Partnership - continued

Part of our role in New Zealand is to continue to convey how urgent protecting these endangered species projects are, and the importance of reversing the decline in biodiversity. A challenge is how we as a company (and New Zealand as a nation), can work to overcome any residual sense that conservation is a niche area, and instead encourage collective action to make positive change. We intend to continue to use our channels of communication to enhance this message.

Looking ahead, we have developed new products under the Great Walks banner with DOC and Tourism New Zealand: a series of Short Walks of 30 minutes to three hours' duration, and Day Walks of four to eight hours. There will be up to 20 walks, which will also feature biodiversity enhancement projects in the regions. These walks have been developed partly in recognition that many of the Great Walks are now fully subscribed: Great Walks bookings were up 13 percent between 2016 and 2015, but they could increase only an incremental 1.5 percent between 2017 and 2016. Bookings are now up 50 percent since the start of our partnership in 2012.

We will extend our partnership support for DOC's Threatened Species Ambassador and marine science reporting and monitoring programmes through to the end of 2020.

# Antarctica New Zealand Partnership

Our relationship with Antarctica New Zealand and its partner, the New Zealand Antarctic Research Institute (NZARI), recognises that while it's clear we all must take action to reduce climate change impacts, there is a critical need for more supporting science. We need to better understand, for example, natural system thresholds (such as ice sheet melt) that might be breached and how that might accelerate the impacts of climate change beyond a level that human civilisation can adapt to.

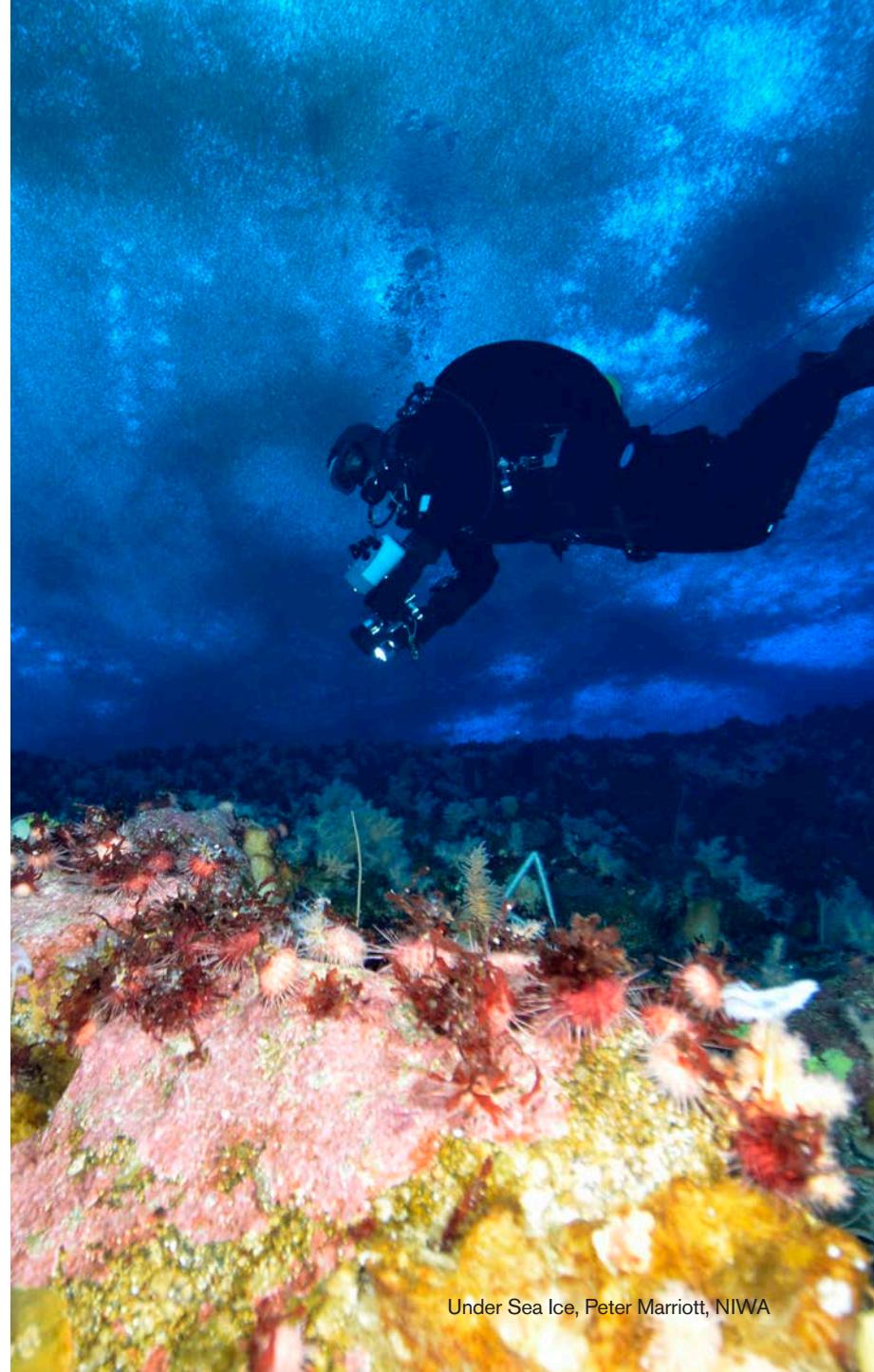
As well as our own efforts to reduce carbon emissions, for Air New Zealand to play a leadership role around the response to climate change, it is important to support science that has the ultimate goal of encouraging further action.

In 2015, we extended our partnership with Antarctica New Zealand and NZARI to enable a new three year Antarctic Ecosystems project. Last October the first group of scientists deployed to Scott Base to investigate a range of ecosystems in the Ross Sea region. The goal is to build an ecosystem-based, ocean and climate monitoring network to create a fuller picture of global climate changes.

The project recognises that measuring temperature in one place or another is insufficient and that looking at wider ecosystem responses is necessary to understand changes. It will help us determine the resilience of coastal and mainland ecosystems in the Ross Sea region, and potentially how rapidly the impacts of environmental change may play out. This is world-first science involving more than 25 New Zealand and international scientists, examining the critical relationship between the terrestrial and marine ecosystems.

Air New Zealand's involvement with Antarctica extends beyond supporting science there. Each year we send two staff members to Antarctica, a volunteer opportunity that is always oversubscribed. Most recently two of our people were lucky enough to celebrate the 60th anniversary of Scott Base while there. They launched a Carbon Countdown challenge to colleagues to take action to reduce their personal carbon footprints, and on their return they have shared the relevance of our Antarctic partnership and the challenge that climate change poses with hundreds of colleagues.

Through our partnership we invited social media influencer Jamie Curry, who was on the ice for Antarctica New Zealand's programme, to produce a piece for Air New Zealand's digital channels about why she was there. This met another of the challenges of dealing with climate change, which is finding accessible ways to communicate what scientists are doing on the ice, Antarctica's significance to New Zealand and the world, and the importance of individual and collective action to tackle climate change.



Under Sea Ice, Peter Marriott, NIWA

# Sustainability Framework Target

Antarctic Ecosystems Project delivered by December 2018

## Baseline year

n/a

## 2016

Antarctic Ecosystems project  
commencing October 2016

## 2017

First year of Antarctic  
Ecosystems project  
completed in FY17 by  
NZARI scientists

## Status

In progress





# Environmental Compliance

In an industry full of potential environmental pitfalls, Air New Zealand is proud of its record with zero environmental non-compliances recorded as at 30 June 2017.

We have deployed 29 environmental-focused people as ambassadors across the business. Armed with site-specific environmental stewardship manuals, these champions undertake monthly or quarterly environmental inspections (dependent on the site risk profile), addressing and resolving environmental issues they encounter.

Along with internal environmental inspections, every year we complete independent environmental audits and HSNO (hazardous substances) recertification inspections at sites deemed significant. This involves site inspections to ensure environmental legislation is met and to identify best practice opportunities that reduce environmental impact and improve efficiencies. The International Air Transport Association (IATA) has developed an aviation-specific environmental management system called IATA Environmental Assessment (IEnvA). The IEnvA standard has compatibility with the International Standards Organization's

ISO 14001 standard for environmental management systems and captures flight operations and our corporate sites' activities, including issues such as aviation fuel efficiency, electricity consumption and waste generation, among other measures.

IEnvA certification represents global best practice for environmental management, which is what Air New Zealand aspires to achieve. Last year we met stage one of the IEnvA programme following a successful external audit. Next year we are set to achieve stage two certification under further external independent verification. We also have hazardous waste that needs to be managed. Due to biosecurity risks and the hazardous nature of this matter, there are few options available for recycling these waste streams.

From 2018, environmental stewardship and compliance will be reported to the Group Safety Review Board (GSRB), as part of the group's wider operational risk profile.

# Sustainability Framework Target

Maintain zero environmental non-compliances

## Baseline year

Zero environmental  
non-compliances as at  
end FY15

## 2016

Zero environmental  
non-compliances as at  
end FY16\*

## 2017

Zero environmental  
non-compliances as at  
end FY17\*\*

**Status**  
Achieved

\*We had five minor environmental non compliances in FY16, these were all resolved and did not result in any sanctions or fines for non compliance from the relevant councils.  
\*\* We had seven minor environmental non compliances in FY17, these were all resolved and did not result in any sanctions or fines for non compliance from the relevant councils.

A wide-angle photograph of two people paddleboarding on a large, clear blue lake. In the background, majestic mountains are visible under a bright sky. The water in the foreground is a deep turquoise color, showing the rocky lakebed through the surface.

# Our Economy

ŌHANGA ORA



# Tourism

WHY THIS MATTERS

SUSTAINABLE  
TOURISM

WORLD CLASS  
EVENTS

DESTINATION  
PROMOTION

Lake Wanaka Tourism, Gizelle Regan, Media PR and Social Media

# Why This Matters

Our goal is to play a pivotal role in enabling the New Zealand tourism sector to deliver economic prosperity while enhancing natural and cultural resources, and providing outstanding experiences for visitors and New Zealanders alike.

Tourism is crucial to New Zealand's economy and a vital source of employment for New Zealanders. In our first Sustainability Report in 2015, our emphasis was largely on a shared industry commitment to grow the value of tourism for New Zealand. We also recognise that New Zealand is at risk of losing value from a growing tourism market, due to infrastructure investment, degrading natural environments, and workforce limitations, which can lead to negative community sentiment towards tourism.

To tackle this, our Sustainability Framework now has a sharper focus on sustainable tourism – the impact and quality of the tourism growth that our airline enables.



# Opinion: What is Sustainable Tourism?

Sustainability Advisory Panel member **Dr Susanne Becken** shares her research and thoughts on Sustainable Tourism.

## What qualifies an activity as sustainable tourism?

Some people say it's an oxymoron, that no tourism can be fully sustainable, but if it's done well tourism offers much potential for sustainability. It has environmental impact but it's also making sure the benefits are harnessed and negative impacts are minimised. That sounds simple but it's not. In New Zealand we used to do it well, but not any more.

## Where are we failing?

In resource efficiency, in water efficiency, in our efforts to minimise carbon and in social areas, such as pressures on communities. Regional development is also important to spread the benefit.

On the other hand, there are new opportunities for iwi and young entrepreneurs which are happening in many places. Tourism's Achille's heel remains carbon.

## What are the risks and opportunities of significant growth in tourism?

There is an obvious problem where the numbers coming in may have exceeded the

capacity of the country to deal with them. There are different ways of dealing with that. We can decide as a country that the numbers are too high. Bhutan has done this and limited arrivals. Or we invest in infrastructure to make sure we can serve that big volume in a way that doesn't burden communities or local councils.

If we want more, we have to think more strategically: where should they go and what should they do? We already suffer from a lack of planning and infrastructure investment. For instance, there is only one Queenstown, so everyone ends up there. But in Austria, for example, there are many places like Queenstown.

## Yet visitors express a high level of satisfaction with our natural environment.

Yes, but that's a false security. It's all relative to people's home countries and New Zealand is a gem compared to so many places. The people who came here 20 years ago and appreciated the pristine, empty country are now going to Myanmar or Patagonia.

## How important is sustainable tourism to the future?

It must be a key message. The travel boom globally is just starting – only six per cent of people in China have a passport. If we don't actively manage tourism, we will be overrun. To cope we must make sure businesses operate cleanly and are energy efficient, that we have better transport, and that we really protect the natural environment. Sustainability is a business imperative.

There is an anti-tourism wave in Europe. That should serve as a clear warning to us. We don't want that here.

## Where do you see examples of tourism done well?

Investment in the cycle paths and network. Sure, there's carbon involved getting there, but then for two or three days it's a zero-carbon activity, it stimulates regions, it's healthy for individuals. There are many good examples of business sustainability in New Zealand, involving large and small companies. The key is to learn from these leaders and make sure this best practice becomes mainstream.



## Dr Susanne Becken

Director of Griffith Institute for Tourism and Professor of Sustainable Tourism, Griffith University, Australia

Susanne is a globally recognised expert in the field of sustainable tourism, in particular climate change, resource management, resilience, and environmental behaviour. Her published research is widely cited by academics around the world and has also influenced government policy and industry practice.

Susanne acted as a contributing author to the Fourth and Fifth Assessment Reports of the Intergovernmental Panel on Climate Change, represented Asia-Pacific on the World Meteorological Organisation's Expert Team on Climate and Tourism, and was part of the Queensland Great Barrier Reef Water Sciences Ministerial Taskforce. She is now contributing to the Sustainability and Social Responsibility committee at the Pacific Asia Travel Association.

Susanne has undertaken consultancy work for a range of Government organisations, the United Nations and industry and contributes to linking academic theory with sustainable business and tourism management.

# Sustainable Tourism

Tourism is currently New Zealand's biggest industry. Generating \$34.7 billion in the year ended March 2016<sup>1</sup> – up more than 12 percent on the previous year – it is a vital employer, driver of economic activity and earner of foreign exchange. This growth has brought with it both increased pressure on resources and an unprecedented opportunity to shape tourism for the long-term.

Alongside major industry partners, we commissioned a report by consultants McKinsey and Company which identified opportunities for further expansion as well as the infrastructure investment required to enable this growth. The report identified a great opportunity: if the productivity of our tourism industry was able to match productivity levels of the top 20 countries globally, it would generate an additional \$9 billion in GDP contribution. However, it also highlighted the inability of our current infrastructure to keep pace with anticipated visitor growth. In response the New Zealand Government's 2017 Budget established a Tourism Infrastructure Fund, which allocates \$102 million to new projects over four years. This could fund, for example, restrooms and carparks at locations like Hahei Beach in Coromandel (close to the popular Cathedral Cove) or the Church of the Good Shepherd in Tekapo, both of which draw thousands of visitors annually.

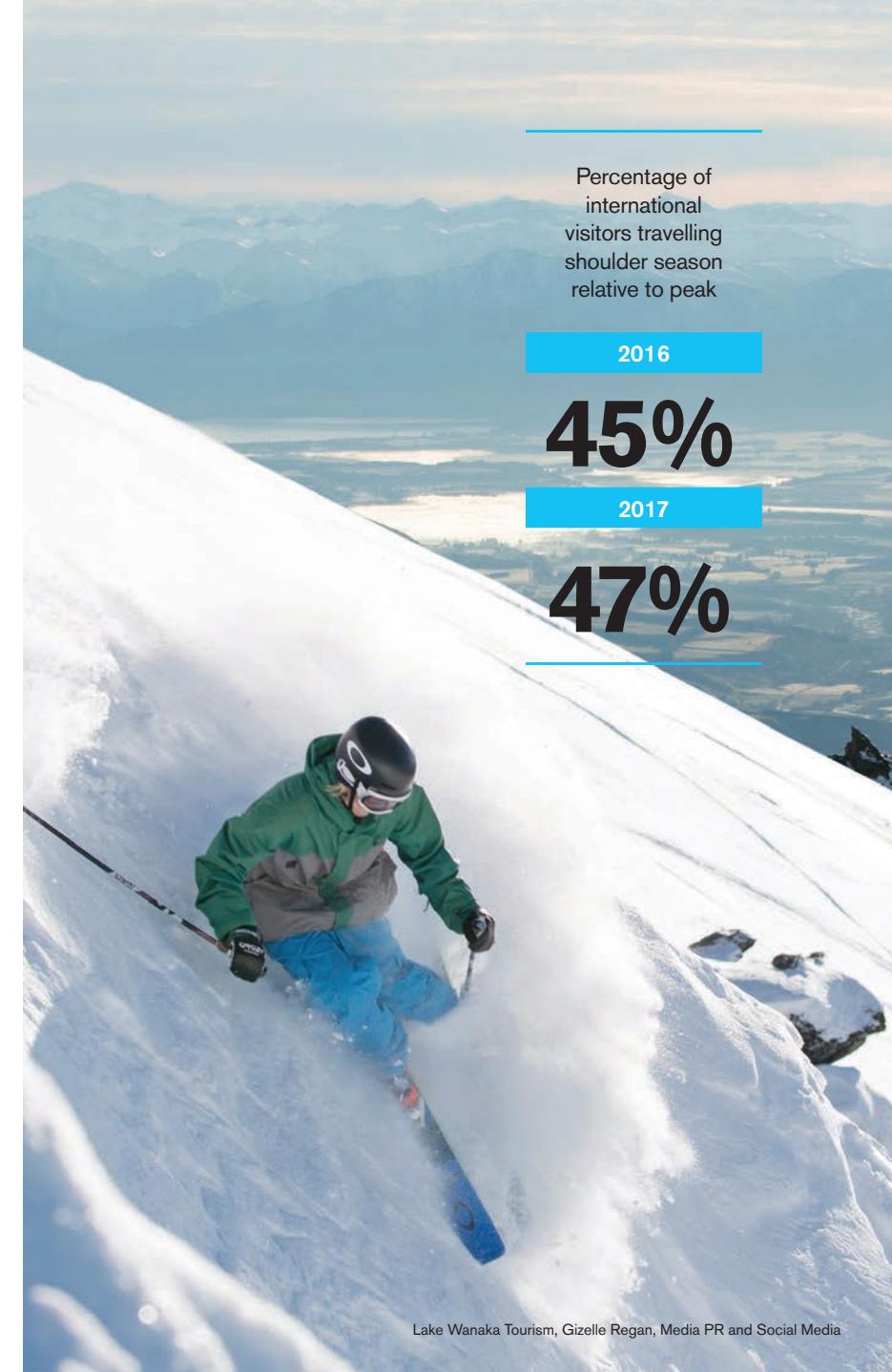
Enabling more people to visit these destinations also contributes to our strategy of supercharging regional development. Already, estimated annual spend by international visitors to secondary regions increased 15.5 percent in year ended June 2017 versus a six percent increase in international tourism spend in the larger tourism regions<sup>2</sup>. We also have a goal of encouraging

visitors to come here in our shoulder seasons. To better track our efforts spreading travel across the year, we will target an increase in international visitors carried on our services in the shoulder season relative to the peak, instead of simply reporting on increasing available seats. This year the Department of Conservation's role as a tourism industry leader was also acknowledged. We helped DOC advocate to Government ministers, resulting in an additional \$76 million to the department to support tourism.

Air New Zealand also supports the industry to educate visiting drivers, including information in our onboard magazine KiaOra and inflight entertainment system.

This year we added an [educational video](#) featuring Chinese celebrity Shawn Dou, produced by Tourism New Zealand (TNZ). We also supported responsible freedom camping by screening content produced by Campermate.

Air New Zealand supports sustainable tourism through participation in Qualmark. In September 2017, we achieved a Qualmark Gold Sustainable Tourism Business Award, after being assessed under TNZ's refreshed Sustainable Tourism Business criteria.



<sup>1</sup> Statistics New Zealand Tourism Satellite Account 2016

<sup>2</sup> MBIE Regional Tourism Estimates, June 2017

# Sustainability Framework Targets

Increase available seats into, out of and around NZ by 21% by 2020 against 2015 baseline

Baseline year	2016	2017
17,240 available seats (FY15)	7%	12.7% (FY17 vs FY15 baseline)

**Status**  
In progress

Grow NZ tourism revenue to \$41bn by 2025\*

Baseline year	2016	2017
\$29.9 billion (March 2015)	\$34.7 billion (March 2016)	Tourism expenditure reached \$34.7 billion** in year ended March 2016, up 12.2% on the previous year

**Status**  
In progress

\*Tourism Industry Aotearoa: Tourism 2025 industry target. Revenue data from Statistics New Zealand Satellite Accounts

\*\* Tourism revenue as at March 2017 not available until October 2017

# World Class Events

World-class events are a way to broaden New Zealand's visitor appeal and smart scheduling of these can help attract visitors to regions outside the peak season.

Air New Zealand is the naming rights sponsor of two successful events, the Hawke's Bay International and the Queenstown International Marathons, in partnership with Ironman Oceania. Around three quarters of participants in both events travel from outside the region to take part and we encourage visitors to build a weekend getaway around their run.

We have extended our support of both marathons for a further two years, and are talking with potential partners to host activity in other regions. We also support smaller regional events such as the Bluff Oyster Festival in May. This year we replaced our usual scheduled turbo prop aircraft from Wellington to Invercargill with three A320 jets, and added two nonstop A320s from Auckland to Invercargill to transport more than 500 customers to the event and drive additional revenue into the region.

To improve the sustainability of events we are establishing sustainable event guidelines, which consider issues such as waste management. We make our expectation clear that when we partner with like-minded premium brands in long-term agreements we are jointly committed to raising the sustainability bar.



**“We have extended our support of both marathons for a further two years, and are talking with potential partners to host activity in other regions.”**

# Destination Promotion

With Tourism New Zealand we are managing tourism growth by spreading arrivals through the year and through the country.



Tourism New Zealand (TNZ) and Air New Zealand continued to invest in a cooperative marketing partnership to promote New Zealand in key offshore markets of Australia, China, North and South America, Japan, Singapore, the United Kingdom and Europe.

In 2017 we continued our joint campaigns with TNZ promoting shoulder season travel with add-on offers to encourage regional dispersal. During shoulder season we co-hosted familiarisation tours in several regions for travel agents and tour wholesalers, and supported TNZ's international media programme to bring film crews, bloggers, print journalists, television shows and other media influencers here. This resulted in 900 stories on New Zealand and media coverage valued at more than \$69 million.

To help our Regional Tourism Organisations (RTO) to better communicate their local tourism proposition and attract more visitors, we developed a regional brand toolkit, identifying the best imagery and approach to bring each region's unique offering to life. This was complemented by new destination content to our inflight entertainment, and by our [See More of New Zealand](#) domestic marketing campaign to encourage more New Zealanders to explore their own backyard.

We are also increasing destination content on our international booking websites. A recent example is an itinerary that brings the destinations featured in our latest safety video [Fantastical Journey](#) to life, to encourage visitors to visit the regions featured in the video.

We were again the premier sponsor of TRENZ, the largest New Zealand international tourism trade fair, and Meetings, New Zealand's premium international business tourism event. These events enable tourism businesses from all over New Zealand to meet with international buyers and showcase their product.

A photograph showing several people in a workshop environment. In the foreground, two men are working on a large, metallic rocket engine component. One man is wearing a dark t-shirt with 'ROCKET LAB LTD' printed on it. In the background, other individuals are visible, some working at a computer station. Several vertical rocket stages are standing upright against the wall in the background.

## Our Economy

ŌHANGA ORA



# Trade & Enterprise

WHY THIS MATTERS

SUSTAINABLE  
SOURCING

GLOBAL AIR  
CONNECTIVITY

CARGO SERVICES

ECONOMIC  
CONTRIBUTION

# Why This Matters

Our goal is that Air New Zealand has enabled the distribution and promotion of sustainable products and services around the globe, and has developed a world-class supply chain to support sustainable New Zealand businesses of all sizes.

All around the world, in the light of political upheaval, slowing growth, the changing nature of work, and constrained environmental resources, nations are questioning what their future economic development will look like.

A geographically isolated economy, New Zealand must transition from commodity-led exports to a more diverse economy via high-value and service-oriented products. Air New Zealand can play a role by facilitating the flow of not only

goods, but also the people, capital and ideas that can accelerate this transition.

Our aspiration is that New Zealand businesses are cost-effectively connected to global markets and our network can enable this.

Through our substantial contribution to the New Zealand economy via dividends, tax, wages and the application of a sustainable sourcing approach to our spend, we also directly and indirectly drive demand for New Zealand businesses.

# Sustainable Sourcing

The procurement team is responsible for an annual spend of about \$1.2 billion\* across a global supply chain. Our focus is not just on the products but also on outcomes that mutually benefit us, our suppliers and our customers.

TARGETS



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 now achieved positive assurance from suppliers for 88.7 percent of our spend, that they meet this code. Our aim is 100 percent positive assurance by 2020, and we are currently tracking to reach this ahead of that date.

Supplier Code of Conduct assurance is the start of the conversation not the end, and we recognise that we need to take a more proactive approach with certain suppliers, particularly those in higher risk categories. We have maintained focus on our third-party audit programme for direct suppliers of goods out of Asia, evaluating overseas factory conditions, and conducting site visits to verify practices in accordance with our code and internationally recognised ethical standards. Where our audits raise issues that require action, these are managed through a corrective action plan.

This year, to further determine where we needed to direct our focus, the Air New Zealand procurement and sustainability teams collaborated with Forum for the Future to develop a tool that assessed the sustainability risk in our supply chain. This included consideration of labour practices and country of origin. Hundreds of product and service categories were assessed through this model to develop a heat map that prioritises high risk and high opportunity supply chain categories.

This has supported sustainable design choices and created a starting point from which we are integrating environmental,

social and ethical criteria into our product and service specifications.

The single most significant category we identified is food and beverage, which contains thousands of product lines. Customers are increasingly seeking transparency and commitment to sustainable practices in this area, particularly around high risk commodities.

To develop our approach to serving sustainable food and beverages inflight and in our lounges we have analysed the sustainability risk associated with a range of food and beverage products, and have asked customers what they feel is most important.

As a major buyer of wine, serving almost eight million glasses of exclusively New Zealand wine in 2017, our commitment to source only sustainably certified New Zealand wine is enshrined in our contracting processes, and we are now looking at where we can strengthen expectations in other areas.

Palm oil is one such commodity that we addressed in 2017, following our risk assessment and customer and crew feedback over a snack served inflight containing palm oil. While the amount of palm oil used in our products is relatively small, we published a palm oil position statement recognising the social and environmental issues, setting out why we support sustainable palm oil. It also articulated how we will engage our suppliers to map the palm oil in our supply chain and transition to certified sustainable palm oil. The structure of this position statement will now be rolled out to other priority products and materials in our supply chain.

\*This excludes fuel and labour spend, but includes contract labour.

# Sustainability Framework Target

100% positive assurance from suppliers\* of Supplier Code of Conduct by end FY20

## Baseline year

n/a

## 2016

Suppliers representing  
80% of our spend provided  
positive assurance

## 2017

Suppliers representing  
88.7% of our spend provided  
positive assurance

**Status**  
Significant progress

\*This excludes procurement of fuel and labour.



## Sustainable Sourcing - continued

We are investigating ways to increase supplier diversity, including establishing new diversity indicators such as ethnic ownership that reflects New Zealand's diversity. We have also engaged with the Tuku Māori Wine Coalition and will be showcasing several of their wines on board in Business Premier cabins in the year to come. We recognise the importance of partnering with the right suppliers to achieve many of our sustainability goals.

In 2017, we launched a new Go Beyond Together supplier relationship management programme, to drive consistency, and find ways to innovate and optimise value with our suppliers, sharing our approach to sustainable sourcing.

We are a member of the Sustainable Business Network's Smart Procurement Leaders Group, promoting sustainable procurement with peers across industry, local government, and tertiary education. Last year that organisation awarded Air New Zealand their Renewable Impact Award for our electric vehicle fleet transition.

The relationship between sustainability and commercial factors is complex. For example, our electric vehicles have high implementation costs offset against the benefit of being more sustainable environmentally, and have lower operating and maintenance costs. Across our business we are continuing to build business cases that can address these interplays between short term cost and longer term value generation.

# Global Air Connectivity

At present, Air New Zealand flies to 30 international destinations and our global capacity has grown this year by 6.3 percent. An estimated 43 percent of international travelers into New Zealand travel on Air New Zealand or our alliance partners.

A highlight in 2017 was the launch of services to Osaka and the announcement of thrice-weekly services to Haneda in Tokyo. We also increased capacity on two destinations we introduced successfully in 2016, Buenos Aires and Houston, and on our Shanghai route. We also entered an alliance with United Airlines, to give us increased point of sale presence and greater access to US consumers and connectivity to destinations within the US.

Other new partnerships included an agreement with the government of Niue to increase our flights to twice a week, year-round. Niue is the only country where we are the sole provider of airline services. In 2016, we suspended our direct Norfolk Island service from Auckland because of low demand. We are still flying to Norfolk from Sydney and Brisbane, on behalf of the Australian government, and have increased capacity due to strong demand on these routes.

We increased capacity on Rarotonga-Sydney and Rarotonga - Los Angeles routes operated as part of an agreement with the Cook Island's Government and replaced our Boeing 767s with Boeing 787-9 Dreamliners. This is a significant capacity increase anticipated to drive tourism demand to the Cook Islands from Australia and the USA.



“Other new partnerships included an agreement with the government of Niue to increase our flights to twice a week, year-round.”



# Cargo Services

In 2017 we carried cargo to 120 destinations globally via our direct and our partner network. We work with 51 air and ground-based partners to move an average of 3,566 cargo flights per week, representing 42,000 tonnes of goods exported from New Zealand, an increase of 3.4 percent on the global volume shipped in 2016.

Within New Zealand, new aircraft on regional routes have provided increased capacity for products as well as people. In the first full year of the new regime the cargo sales team worked to grow business on these routes. An extra 423 tonnes of cargo was flown to or from regional destinations on our network, an increase of 13 percent on last year.

Air freight provides speedy and secure delivery for producers. We work hard with companies where their business might currently be too small, helping to grow it, until it has the necessary volume. For example, in the past year Viavio cheese company, was a small scale operator, challenged in securing appropriate logistics for their product. We advised them on cool chain management, introduced them to other transport providers, and helped fill the volume gap until they could build regular shipments

and orders with their customers. Viavio has now won national cheese awards and a regular contract with a prestige food retailer. This fits our goal of supercharging the regions in more areas than just tourism.

At our ground sites we often deal with extensive packaging of goods that then have to be repackaged. We have put more effort this year into not just recycling but also breaking down and even repurposing many of these materials ourselves (for example reusing the plastic wrap that comes in on our pallets).

In the coming year Air New Zealand is committed to implementing the Buckingham Palace Declaration against illegal wildlife trade. While we currently meet all legal requirements, joining this international declaration is a signal of our commitment to work across the industry to further combat this threat to wildlife worldwide.

# Economic Contribution

Air New Zealand prides itself on financial transparency above and beyond the industry standard. As well as semi-annual financial reports and the annual Sustainability Report, the airline discloses traffic statistics monthly, which includes key unit revenue performance metrics. Additionally, the airline is unique in its quarterly disclosure of fuel hedging positions.

Key financial-related events are web-casted and made available for playback on the airline's Investor Centre website, which is accessible to the public. In 2017, such events included the Annual Shareholders' Meeting and Investor Day presentation. The website also provides a significant level of current and historical financial information for anyone who wishes to access that information.

Air New Zealand delivered a financial performance for 2017 that ranked as the second highest in the airline's history, despite an unprecedented level of new competition entering the New Zealand market. Earnings before taxation continued to be strong at \$527 million, which compared to \$663 million in the prior year. Increased industry capacity resulted in a challenging competitive environment in the year, driving the decline in earnings. The airline's continuous focus on costs and driving efficiencies across the operations helped to partially offset some of the competitive headwinds. As a result, the airline generated a strong pre-tax return on invested capital of 15.3 percent.

The airline continues to execute a strategy that is focused on profitably expanding its Pacific Rim network. Compared to five years ago, the network is 30 percent larger, with more scale and geographical diversification than any time in the airline's history.

The domestic network is a resilient and core part of the airline's growth strategy and successful financial performance. Air New Zealand has focused on stimulating profitable demand by growing the domestic routes with the help of larger and more cost-effective aircraft. Tourism has been a significant driver of the domestic growth, as well as the continued strength of the New Zealand economy. The airline's domestic network grew 8.8 percent in the year, with a significant portion of that growth coming from increased services to Queenstown, a popular tourism destination for international and domestic travellers alike. Stimulating regional growth continues to be a core focus, and the airline works with local stakeholders to help promote their regions effectively and get visitors travelling there on Air New Zealand through marketing spend and regionally-focused safety videos.

Revenue-sharing alliance partnership underpins a significant portion of the international network, in addition to a focus on strong market development. In 2017, Air New Zealand's international long-haul network grew 6.1 percent, driven by the annualisation of new routes such as Houston and Buenos Aires,

as well as the launching of a new seasonal service to Osaka. Underpinning the economics of the international strategy is a fleet simplification programme that is nearing completion, and centres around modern and fuel efficient aircraft such as the Boeing 787-9 Dreamliner. During the year, the airline received delivery of three additional Boeing 787-9 Dreamliners, bringing that fleet to nine in total, with four additional units expected over the next 18 months. That fleet replaced the legacy Boeing 767-300 aircraft, which was farewelled in 2017 along with the 19-seater Beech 1900D. Because of those fleet retirements, the airline has a streamlined fleet that is young (average age of seven years) and generates strong operational efficiencies.

In addition to leveraging efficiencies and economies of scale from a simplified and modern fleet, a culture of strong cost control is pervasive throughout the organisation. As a result, our per unit operating costs improved 2.3 percent (excluding the impact of foreign exchange).

In recognition of the airline's performance the Board of Directors awarded a Company Performance Bonus of up to \$1,700 to all Air New Zealand employees who do not participate in an incentive programme. 2017 marked the third year that the airline has paid out a Company Performance Bonus.

The airline's shareholders benefited during the year, with an annual total shareholder return (TSR) of 88.6 percent generated in 2017, which resulted from both strong share price appreciation and the benefit of a special dividend.

For the 2017 financial year, the Board declared fully imputed ordinary dividends of 21.0 cents per share, an increase of five percent from the prior year's ordinary dividend. This marks the twelfth consecutive year that the airline has paid dividends to its shareholders.

The New Zealand Government, who owns 51.9% of Air New Zealand shares, received approximately \$122 million in dividends.



# Sustainability Performance Data

SUSTAINABILITY  
DASHBOARDS

SUPPLEMENTARY  
DATA

GENDER  
PAY REPORT

# Sustainability Dashboard

## Air New Zealanders

FY18 Target	Baseline Year	FY16 Data Result	FY17 Data Result	Status
Increase proportion of Māori in leadership positions throughout our organisation	Establishing baseline for FY17	-	New in FY18	-
Reported rate of injuries <sup>1</sup> reducing by 15% year on year resulting in a rate of less than 10 end FY20 (against FY17)	Reported rate of injuries of 15.22 (FY17) <sup>2</sup>	Reported rate of injuries of 17.94 (18% increase from FY15)	Reported rate of injuries of 15.22 and 288 employee injuries (15% decrease from FY16)	
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 in FY18	-
Achieve an average wellbeing Flourishing Scale score of 45 or better by end FY20 against FY17 <sup>3</sup>	Establishing baseline for FY17	-	New in FY18	-
72% employee engagement by end FY18 (75% by end FY20)	67% (FY14)	69% (FY16) <sup>4</sup>	69% (FY16) <sup>4</sup>	
40% Senior Leadership Team female by end FY20	16% (Jan 2013)	30%	39%	
70% of our Senior Leadership Team alumni attain Executive or Non Executive Director and SLT roles in organisations with New Zealand interests	Establishing baseline for FY17	-	New in FY18	-
Increase proportion of employees who participate in community programmes	Establishing baseline for FY17	-	New in FY18	-

NOT ACHIEVED SOME PROGRESS IN PROGRESS SIGNIFICANT PROGRESS ACHIEVED

<sup>1</sup> Based on TRFIR rate: Injuries (medical treatment and lost time incidents) x 1,000,000 / actual hours worked.

<sup>2</sup> In FY17 we refreshed our People Safety strategy and revised our target and baseline to a 15% year on year reduction and a rate of less than 10 by end FY20 against an FY17 baseline.

<sup>3</sup> The Flourishing Scale is designed to assess an individual's psychological resources and strengths and their ability to live life with purpose and happiness.

<sup>4</sup> Your Voice employee engagement survey conducted on bi-annual basis.

# Sustainability Dashboard

## Communities

FY18 Target	Baseline Year	FY16 Data Result	FY17 Data Result	Status
Impactful projects implemented in Northland and East Coast to drive social and economic benefit by end FY18	Northland (Te Tai Tokerau) and East Coast (Tairāwhiti) identified as target regions (FY17)	–	New in FY18 Initial activities underway	
Community activities implemented in every New Zealand region Air New Zealand flies to	–	Airpoints for Schools and Inspiring Voices implemented	Continued Airpoints for Schools with 10 schools selected in FY17 Inspiring Voices discontinued in 2017	
Zero noise breaches FY18 target: Full compliance with ICAO noise standards for aircraft fleet	–	No notified noise breaches in FY16	No notified noise breaches in FY17 Achieved full compliance with ICAO noise standards	
Red Cross supported to respond to all disasters in NZ and the South Pacific	–	–	Air New Zealand not called upon for response in FY17	–

 NOT ACHIEVED  SOME PROGRESS  IN PROGRESS  SIGNIFICANT PROGRESS  ACHIEVED

# Sustainability Dashboard

## Carbon

FY18 Target	Baseline Year	FY16 Data Result	FY17 Data Result	Status
Contribute to development of carbon offsetting projects with sustainability co-benefits to New Zealand	–	–	New in FY18 Research commissioned to understand barriers to native forest carbon offsetting in NZ in FY17	
All online sales channels provide voluntary offsetting opportunities in booking flow for customers by end FY18	–	–	New in FY18 NZ online storefront incorporated functionality	
1.5% average annual improvement in aviation fuel efficiency (2009 - 2020) <sup>1</sup>	0.93 tCO <sub>2</sub> -e per revenue tonne kilometre (FY09)	2.9% improvement compared to FY15 20% improvement compared to FY09	0.3% improvement compared to FY16 20% improvement compared to FY09 (2.5% average annual improvement)	
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 <sub>2</sub> New ground power procedures confirmed at Auckland and Christchurch	
5% annual reduction in electricity use against 2011 baseline	56,210,433kWh (FY11)	15% reduction compared to FY15 40% reduction compared to FY11	8.8% reduction compared to FY16 43% reduction compared to FY11	
100% electric vehicles in light ground fleet (where feasible) by end FY17 <sup>2</sup>	0% (FY15)	13%	100% (76) light vehicles transitioned to electric	
55% electric Ground Service Equipment (where feasible) by end FY18 (100% by end FY20) <sup>2</sup>	32% (FY15)	50% <sup>3</sup>	50.70%	
Sustainable Building Guidelines implemented across Property and Infrastructure portfolio by end FY18 with 20% of new lease agreements qualifying as green leases by end FY18	–	–	New in FY18	–
85% diversion from landfill at Auckland ground sites by end FY18 (zero waste by end FY20)	65% (FY15)	74%	76.8%	
75% diversion from landfill at non-Auckland ground sites by end FY18	71.8% (FY17)	–	New in FY18 71.8%	
50% international inflight dry waste diverted from landfill at Auckland by end FY18	49.6% (FY17)	–	New in FY18 49.6%	
50% of domestic jet inflight waste diverted from landfill by end FY18	28.8% (FY17)	–	New in FY18 28.8%	

NOT ACHIEVED SOME PROGRESS IN PROGRESS SIGNIFICANT PROGRESS ACHIEVED

<sup>1</sup> IATA industry target

<sup>2</sup> Where feasible refers to availability of electric models for operational requirements

<sup>3</sup> FY16 value re-stated from 45% to 50% to reflect the inclusion of leased GSEs

# Sustainability Dashboard

## Nature & Science

FY18 Target	Baseline Year	FY16 Data Result	FY17 Data Result	Status
Support six biodiversity projects with DOC and iwi partners on NZ Great Walks to end 2020	Projects active on three Great Walks (Lake Waikaremoana on hold), species transfer programme fully supported (FY16)	Projects active on three Great Walks (Lake Waikaremoana on hold), species transfer programme fully supported (FY16)	Projects active on five Great Walks: Whanganui River Journey, Abel Tasman Coastal Track, Heaphy Track, Routeburn Track, Milford Track (Lake Waikaremoana in development, species transfer programme fully supported)	
Antarctic Ecosystems Project delivered by December 2018	—	—	First year of Antarctic Ecosystems project completed in FY17 by NZARI scientists	
Maintain zero environmental non-compliances FY18 target: IEnvA stage 2 certification completed via IATA (Core activities - Flight Operations & Corporate) by end FY18	Zero environmental non-compliances as at end FY15	Zero environmental non-compliances as at end FY16 <sup>1</sup>	Zero environmental non-compliances as at end FY17 <sup>2</sup> Maintained stage 1 IEnvA certification in FY17	

 NOT ACHIEVED  SOME PROGRESS  IN PROGRESS  SIGNIFICANT PROGRESS  ACHIEVED

<sup>1</sup> We had five minor environmental non-compliances in FY16, these were all quickly resolved, and did not result in any sanctions or fines for non-compliance from the relevant councils.

<sup>2</sup> We had 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.

# Sustainability Dashboard

## Tourism

FY18 Target	Baseline Year	FY16 Data Result	FY17 Data Result	Status
Increase available seats into, out of and around NZ by 21% by 2020 against 2015 baseline(discontinued in FY18)	17,240 available seats (FY17)	7%	12.7% (FY17 vs FY15 baseline)	
Grow NZ tourism revenue to \$41bn by 2025 <sup>m1</sup> (discontinued in FY18)	\$29.9 billion (March 2015)	\$34.7 billion (March 2016)	Tourism expenditure reached \$34.7 billion in year ended March 2016, up 12.2% on the previous year <sup>n2</sup>	
Promote Tourism New Zealand's Qualmark certification and certified organisations	-	-	New in FY18	-
Increase proportion of international visitors on Air New Zealand travelling during shoulder season relative to peak <sup>o3</sup>	-	45%	New in FY18 47% FY17 compared to 45% FY16 <sup>o3</sup>	

 NOT ACHIEVED  SOME PROGRESS  IN PROGRESS  SIGNIFICANT PROGRESS  ACHIEVED

<sup>1</sup> Tourism Industry Aotearoa: Tourism 2025 industry target. Revenue data from Statistics New Zealand Satellite Accounts.

<sup>2</sup> Tourism revenue as at March 2017 not available until October 2017.

<sup>3</sup> Inbound shoulder season (April to November) arrivals on Air New Zealand. Source: Statistics New Zealand, International Visitor Arrivals.

# Sustainability Dashboard

## Trade & Enterprise

FY18 Target	Baseline Year	FY16 Data Result	FY17 Data Result	Status
Emerging business support programme implemented (discontinued in FY18)	-	-	No dedicated programme for emerging business launched. See Community section for discussion.	✗
100% positive assurance from all suppliers of Supplier Code of Conduct by end FY20	0% (FY15) New Code of Conduct launched	Suppliers representing 80% of our spend <sup>1</sup> provided positive assurance	Suppliers representing 88.7% of our spend <sup>1</sup> provided positive assurance	●
Increase annual volume of New Zealand exports on Air New Zealand	42,000 tonnes (FY17)	-	New in FY18 Total chargeable weight of New Zealand exports on Air New Zealand networks increased 3.4% since FY16 (total weight 42,000 tonnes)	●

✗ NOT ACHIEVED   ● SOME PROGRESS   ○ IN PROGRESS   ■ SIGNIFICANT PROGRESS   ● ACHIEVED

<sup>1</sup> This excludes fuel and labour spend.

# Supplementary Data

Indicator	FY17 Data result
<b>Our Communities</b>	
Value of local community support (largely in-kind) provided to charities, not for profits and partner organisations, and number of beneficiary organisations	More than \$400,000 provided across more than 75 charities and organisations, largely through flights and excess baggage requests
Number of national and regional ports Air NZ flies to (and number / % only serviced by Air NZ)	21 New Zealand ports - and only carrier providing 50-seater services to Kerikeri / Bay of Islands, Whangarei, Hamilton, Tauranga, Taupo, Rotorua, Gisborne, Paraparaumu / Kapiti Coast, Blenheim, Timaru, Hokitika and Invercargill
<b>Carbon</b>	
Percentage of emissions covered by regulation and voluntary contributions by end FY18	67% of domestic emissions covered by NZ ETS regulation in calendar year 2017, equating to ~402,000 tCO <sub>2</sub> -e
Volume of emissions covered by voluntary contributions	9,499 tCO <sub>2</sub> -e
Average aircraft fleet age (seat weighted)	7 years [As at 30 June 2017, our 103 aircraft had an average seat-weighted age of seven years, and we are targeting to hold at a slight reduction to 6.9 years by 2020.]
<b>Trade &amp; Enterprise</b>	
Number of international ports Air NZ flies to (and number only serviced by Air NZ, if any)	Air NZ flies to 30 international ports, and is the only airline that flies to Niue

Indicator	FY17 Data result		
<b>Air New Zealanders</b>			
Senior Leadership Team engaged in Noho Marae experience	15		
Tohu Reo wearers (fluent Te Reo speakers) at Air New Zealand	7		
Employee/worker % by age group <sup>1</sup>	Age Group (Air NZ Total) 15-24 1,008 9% 25-34 2,680 23% 35-44 2,807 24% 45-54 2,841 24% 54-65 1,892 16% 65+ 439 4%	Generation (Air NZ Total) Gen Z 252 2% Millennials (Gen Y) 3,856 33% Gen X 4,565 39% Baby Boomers 2,938 25% Silent Generation 56 0% % Millennials 33%	Average Age – 42.3
Employee/worker % by region (within NZ and offshore)	Location (Country) # % of Air NZ Argentina 15 2.2% Australia 101 14.7% Canada 5 0.7% China 113 16.5% Cook Islands 57 8.3% Fiji 20 2.9% France 1 0.1% Great Britain 181 26.4% Hong Kong 19 2.8% Japan 35 5.1% French Polynesia 11 1.6% Singapore 9 1.3% Tonga 1 0.1% United States of America 110 16.1% Samoa 7 1.0% New Zealand 11,089 94.2% % International Regions 5.8%	Location (City) # % of Air NZ Auckland 7,623 68.7% Blenheim 25 0.2% Christchurch 1,879 16.9% Dunedin 38 0.3% Gisborne 16 0.1% Hamilton 49 0.4% Hokitika 5 0.0% Invercargill 32 0.3% Kerikeri 14 0.1% Napier 48 0.4% Nelson 376 3.4% New Plymouth 49 0.4% Palmerston North 32 0.3% Queenstown 124 1.1% Rotorua 19 0.2% Taupo 6 0.1% Tauranga 51 0.5% Timaru 5 0.0% Wellington 688 6.2% Whakatane 2 0.0% Whangarei 8 0.1%	
Employee/worker % by gender (M/F)	Gender (Air NZ Total) Female 4,911 42% Male 6,863 58%		
Gender pay gap	See Gender Pay Report [provide hyperlink/reference to the report]		
% of total employees who are union members	66%		
% of total employees/workers covered by collective bargaining agreements	80%		

<sup>1</sup> Employee/worker % by age group excludes 107 employees for which we do not have date of birth information.

# Gender Pay Report

Air New Zealand operates in a diverse environment, both in New Zealand and internationally. We strive to celebrate diversity in our workforce to create an inclusive workplace culture which leverages our peoples' unique backgrounds, qualities and contributions to deliver value to our wide range of stakeholders, including our customers.

As an Equal Employment Opportunity (EEO) employer, the Air New Zealand Group is committed to promoting equal opportunities for its employees. This commitment is upheld through our employment, performance management, recruitment and remuneration policies and practices.

The table shows the gender composition and the associated pay gap as at 1 July 2017 for all New Zealand and international employees covered by Individual Employment Agreements. The analysis is broken down by Air New Zealand career level, to provide insight into our population, and highlight opportunities to improve our position. Overall this analysis shows that males are paid 0.44% more than females, and we are confident that this difference primarily represents differences in tenure, experience and performance.

As well as monitoring pay outcomes, Air New Zealand are also focused on ensuring equitable representation in work levels and performance outcomes, as well as critically examining policies and programmes to ensure they promote equitable outcomes.

Air New Zealand Career Level	Number of Females	Number of Males	Average Pay Gap
<b>Executives, General Managers and Head of function</b>			
(where both genders are present in a grade) Designs and drives business strategy for a major business division or Group-wide function	27	46	-0.33%
<b>Senior Managers</b>			
Develops and implements the strategy and business plan for a division	83	133	0.99%
<b>Operational Managers</b>			
Inputs into the functional strategic plan, but focus is on operational management	187	276	0.87%
<b>Specialist</b>			
Formally leads a team or an established specialist in a technical or professional discipline	643	577	0.58%
<b>Technical</b>			
Focus is on delivering outcomes with short cycle times, generally in a customer interfacing or business support role	224	74	0.39%
<b>Support/Administration</b>			
Work is routine, in nature, with set patterns	39	37	-5.25%
<b>TOTAL</b>	<b>1,203</b>	<b>1,143</b>	<b>0.44%</b>

## Please Note

Gender pay gaps are calculated on averaged, annualised, full-time equivalent salaries. This means that all employees – part-time and full-time – are included in the calculation and the salaries of those who are not full-time employees are converted to a full-time equivalent.

Gender pay gaps are expressed as a percentage of men's earnings. A negative value means that women's earnings are higher than men's.

## Collective Covered Employees

Pay rates within Air New Zealand collective agreements are skills, competency or service based, ensuring all employees with the same levels of service or skill in the same role, will be paid the same. These employees are not included in the scope of the Gender Pay Report.



# About this Report & Global Standards

OUR REPORTING  
APPROACH

OUR STAKEHOLDERS  
& MATERIALITY

SUSTAINABLE  
DEVELOPMENT GOALS

UNITED NATIONS  
GLOBAL COMPACT

GLOBAL REPORTING  
INITIATIVE CONTENT INDEX

# Our Reporting Approach

## ABOUT OUR REPORTING

Data and commentary in Air New Zealand's 2017 Sustainability Report is for the year ended 30 June 2017 unless otherwise stated.

Air New Zealand's organisational boundary for sustainability reporting encompasses the companies listed on page 2 of Air New Zealand's [2017 Greenhouse Gas Emissions Inventory Report](#).

In developing content for this report, we have considered the Global Reporting Initiative (GRI) Principles for Defining Report Content of Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness.

Refer to the [GRI Content Index](#) for the specific Disclosures referenced in this material.

To help improve our reporting we engaged a third-party provider to agree a sample of reported non-financial information in our report to supporting documentation and provide observations and recommendations.

**We welcome your feedback and comments –**  
please contact us at [sustainability@airnz.co.nz](mailto:sustainability@airnz.co.nz)

## EXTERNAL ASSURANCE

We engaged independent assurance provider Deloitte to provide reasonable assurance over our [2017 Greenhouse Gas Emissions Inventory Report](#) in accordance with International Standard on Assurance Engagements (New Zealand) 3410 (Revised): Assurance Engagements on Greenhouse Gas Statements ('ISAE (NZ) 3410').

Results of the assurance can be found in the [Assurance Statement](#) provided by Deloitte.

# Our Stakeholders & Materiality



Our purpose – to supercharge New Zealand's success socially, environmentally and economically – can be achieved only in collaboration with others.

We are part of a wide network of stakeholders including investors, customers, suppliers, central and local government, the communities in which we live and work, NGOs, our employees, and other businesses. Ongoing engagement with our stakeholders helps us identify issues that are important to them, and prioritise our efforts on material initiatives and activities that matter to our stakeholders and help us deliver on our purpose.

We engage with stakeholders on specific initiatives as well as on an ongoing basis, and this helps guide our approach.

Our stakeholder engagement is complemented by regular engagement with our Sustainability Advisory Panel. Our Panellists are subject matter experts in a wide range of topics material to our sustainability strategy, including sustainable development, Māori culture and intercultural understanding, conservation, sustainable tourism, climate policy, aviation industry economics, sustainable consumption and societal wellbeing. The CEO, Chief Strategy, Networks and Alliances Officer, Sustainability team and other company representatives meet with the Panel twice yearly. The Board meets with the panel annually and we consult the Panel on emergent sustainability issues in the interim.

## Ongoing engagement with key stakeholder groups

Proactive engagement with stakeholders helps us identify the issues that are important to them and we dedicate significant resource to building strong, mutually beneficial relationships.

Key stakeholder group	How we engage	What is important to them
<b>Communities</b> <i>(including City and Regional Councils and Tourism Offices; Chambers of Commerce; Iwi; Sponsorship partners; Tourism industry; Airports, NGOs)</i>	<ul style="list-style-type: none"> <li>Formal meetings and forums</li> <li>Joint participation in working groups</li> </ul>	<ul style="list-style-type: none"> <li>Mutually beneficial relationships</li> <li>Regular and transparent communication</li> <li>Input and advice into plans</li> <li>Support of local projects, events, activities, conferences</li> <li>Infrastructure issues negatively impacting regional growth</li> <li>Schedule timings and price of fares</li> <li>Transparency of data relating to the performance of air services</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Interaction with frontline staff</li> <li>Electronic and mail communication including social media</li> <li>Advertising</li> <li>Surveys and research</li> </ul>	<ul style="list-style-type: none"> <li>Quality product and service delivery that meets or exceeds their needs and expectations</li> <li>Communications tailored to customers' individual needs</li> <li>Responsive engagement when required</li> <li>A company that contributes to the success of New Zealand</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Employee Engagement and Manager Effectiveness surveys as well as dedicated surveys e.g. Community employee engagement survey</li> <li>High Performance Engagement (HPE) processes to involve employees in business issue resolution</li> <li>Regular formal and informal coaching, performance and development discussions</li> <li>Networking groups (e.g. Young Professionals and Women's Networks)</li> </ul>	<ul style="list-style-type: none"> <li>A sense of purpose, belonging and contribution</li> <li>Having a voice in the organisation through open, honest and clear two-way communication</li> <li>Development, growth and advancement opportunities</li> <li>Opportunity for collaboration and community engagement</li> </ul>
<b>Government &amp; Regulators</b>	<ul style="list-style-type: none"> <li>Working relationships with government where we communicate about issues such as tourism and infrastructure</li> <li>Communicate with sectors of government with respect to off-shore concerns, as reflects our global business</li> <li>Respond to requests for assistance from Government as may arise at times of national crisis</li> </ul>	<ul style="list-style-type: none"> <li>Open and honest communication</li> <li>An understanding of the many facets of Air New Zealand's business</li> <li>An active partnership, with a shared goal of economic success for New Zealand</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>Structured, two-way engagement, which includes regular communications, an Investor website, Investor Day briefings, webcasting of interim and annual results, and conferences and roadshows</li> </ul>	<ul style="list-style-type: none"> <li>Management perspectives on risks and opportunities facing the business and how we are addressing these</li> <li>A transparent, holistic view of our performance and strategic priorities, including financial, business portfolio and sustainability / ESG objectives</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>Regular formal meetings and working groups with strategic and critical suppliers</li> <li>Annual surveys</li> </ul>	<ul style="list-style-type: none"> <li>Alignment of strategies and respective business plans for the benefit of both parties</li> <li>Working collaboratively to address continuous improvement areas and opportunities</li> <li>Transparent communication</li> </ul>
<b>Tourism Industry</b>	<ul style="list-style-type: none"> <li>Cooperative marketing activity</li> <li>Sponsorship of tourism trade events</li> <li>Regular meetings and participation on working groups</li> </ul>	<ul style="list-style-type: none"> <li>Collaboration to maximise current and future opportunities to increase the value of tourism and to address challenges facing the industry</li> </ul>
<b>Unions</b>	<ul style="list-style-type: none"> <li>Monthly working group and quarterly leadership group meetings with all unions</li> <li>Joint project teams working together to solve specific issues</li> </ul>	<ul style="list-style-type: none"> <li>A shared commitment to the success of Air New Zealand, its employees and its unions</li> <li>Transparent communication</li> <li>Participation in business transformation initiatives that affect employees</li> </ul>

## Our Stakeholders & Materiality - continued

# Engagement on key sustainability projects

We also draw on stakeholder engagement to inform the development of key sustainability projects.

Key Sustainability Project	Stakeholders	Value from Engagement
<b>Advance Māori throughout our organisation</b>	Iwi; Educators & Academics; Trade organisations; Tourism bodies, Central and local government entities and Māori businesses	<ul style="list-style-type: none"> <li>Help in defining Air New Zealand's role in supporting Māori business, culture and communities</li> <li>Feedback on our Māori strategy</li> <li>Collaboration on specific initiatives, providing advice, expertise Māori perspectives</li> </ul>
<b>Aviation Carbon Reduction</b>	Government entities; Iwi; Biofuel producers; Technology owners; Aviation and biofuel industry groups; Carbon offsetting organisations and brokers; Corporates	<ul style="list-style-type: none"> <li>Advice on climate policy changes</li> <li>Facilitate understanding of offsetting opportunities</li> <li>Partnership and collaboration to encourage supply of aviation biofuel</li> </ul>
<b>Department of Conservation (DOC) partnership</b>	Department of Conservation; Iwi	<ul style="list-style-type: none"> <li>Insight to conservation issues facing New Zealand and actions to address</li> <li>Collaboration to enable alignment of messaging and development of marketing opportunities</li> <li>Advice on areas of cultural importance</li> </ul>
<b>Supercharge the Regions</b>	Local and Regional Councils and Tourism Offices; Iwi; Chambers of Commerce; Business leaders; Tourism operators; Subject matter experts	<ul style="list-style-type: none"> <li>Collaboration on specific initiatives, providing a regional development needs perspective</li> <li>Expert guidance on impact assessment approaches</li> </ul>
<b>Sustainable Sourcing</b>	Suppliers; Corporate and procurement leaders; Human Rights Commission; Sustainable Business Network; Forum for the Future	<ul style="list-style-type: none"> <li>Development and continuous improvement of the Supplier Code of Conduct</li> <li>Consultation and advice on Air New Zealand's sourcing framework and the resulting sustainable sourcing strategies to address risk and opportunities in extended supply chain</li> </ul>
<b>Sustainable Tourism</b>	Central Government; Local and Regional Tourism Offices and Councils; Sponsorship partners; Tourism industry; Airports	<ul style="list-style-type: none"> <li>Identification of issues and opportunities to inform our approach to sustainable tourism</li> <li>Co-funding of McKinsey and Company tourism infrastructure funding report (with Auckland Airport, Christchurch Airport, Tourism Holdings)</li> </ul>

## Our Stakeholders & Materiality - continued

# Industry and sustainability bodies

Our role and engagement with key industry and sustainability bodies enables us to identify, actively monitor and shape risks and opportunities, regulatory change and leading practice. It also helps guide the integration of sustainability risk into key business practices.

Organisation	Function	Our Role
Airlines for Australia and New Zealand (A4ANZ)	A4ANZ exists to advocate and pursue reform on key issues that impact the aviation sector and broader economy in our region. A4ANZ has a particular focus on policy issues such as airport operations and efficient access to infrastructure.	<ul style="list-style-type: none"> <li>• Member</li> </ul>
Board of Airline Representatives (BARNZ)	BARNZ is an incorporated member society with 28 member airlines, of which Air New Zealand is one. BARNZ represents its members to airports, government agencies and affected communities on matters of airport pricing, airport capex plans, and noise concerns.	<ul style="list-style-type: none"> <li>• Member</li> <li>• Air New Zealand's Roger Gray, Group General Manager of Airports, is current president of BARNZ</li> </ul>
IATA	The International Air Transport Association (IATA) is the trade association for the world's airlines, representing some 275 airlines or 83% of total air traffic	<ul style="list-style-type: none"> <li>• Member</li> </ul>
New Zealand Sustainable Business Council (SBC)	A Global Network Partner of the World Business Council for Sustainable Development, the SBC provides a platform for collaboration to enable members to be leaders in sustainability	<ul style="list-style-type: none"> <li>• Member</li> <li>• Member of Auckland Airport Precinct Working Group</li> </ul>
New Zealand Sustainable Business Network (SBN)	Membership-based sustainability organisation that aims to help business succeed through sustainability. SBN's Vision is focused on four areas: Renewables; Community; Resource Efficiency and Restorative (natural capital)	<ul style="list-style-type: none"> <li>• Member</li> <li>• Member of Smart Procurement Leaders Group</li> </ul>
SAFUG (Sustainable Aviation Fuels User Group)	Association committed to accelerating development and commercialisation of sustainability aviation fuels	<ul style="list-style-type: none"> <li>• Member</li> </ul>
Star Alliance	One of the world's largest global airline alliances dedicated to innovation and excellent customer service	<ul style="list-style-type: none"> <li>• Member</li> </ul>
Tourism Industry Aotearoa (TIA)	Independent association that represents all sectors of New Zealand's tourism industry. Advocates to ensure tourism gets recognised as a vital contributor to New Zealand's economic and social wellbeing	<ul style="list-style-type: none"> <li>• Member</li> <li>• Air New Zealand sits on the Board of TIA</li> </ul>
United Nations Global Compact (UNGC)	Voluntary initiative based on CEO commitments to implement universal principles on human rights, labour, environment and anti-corruption	<ul style="list-style-type: none"> <li>• Signatory</li> <li>• 2017 UNGC Communication on Progress included in this Sustainability Report</li> </ul>

# Sustainable Development Goals

The Sustainable Development Goals (SDGs), spearheaded by the United Nations, provide a framework for business and government to work collaboratively to solve global economic, social and environmental challenges.

At Air New Zealand our Sustainability Framework is informed by our business priorities, and we use the SDGs to understand what issues we have the greatest ability to positively impact through our programmes and activities. We support the SDGs and are committed to working collaboratively with business, government and other stakeholders to deliver large scale change.

While the 17 SDGs need to work in unison, in the short to medium term we are focused on nine goals that most closely align to our strategy and key strengths. More about our progress, success and challenges can be found throughout this report.

UN Sustainable Development Goal	Air NZ contribution through programmes and activities
 SDG 3 Ensure healthy lives and promote well-being for all at all ages	<a href="#">Air New Zealanders: People Safety (Health, Safety &amp; Wellbeing)</a> <a href="#">Communities: Aircraft Noise</a>
 SDG 5 Achieve gender equality and empower all women and girls	<a href="#">Air New Zealanders: Diversity &amp; Inclusion</a>
 SDG 7 Ensure access to affordable, reliable, sustainable and modern energy for all	<a href="#">Carbon: Aviation Carbon Reduction (pursue opportunities for aviation biofuel solution)</a> <a href="#">Carbon: Low Carbon Ground Transport (electric vehicle transition)</a>
 SDG 8 Promote inclusive and sustainable economic growth, employment and decent work for all	<a href="#">Air New Zealanders: Advance Māori</a> <a href="#">Air New Zealanders: Employee Engagement</a> <a href="#">Air New Zealanders: Talent Incubator</a> <a href="#">Communities: Airports for Schools</a> <a href="#">Communities: Charitable Programmes &amp; Community Investment</a> <a href="#">Communities: National Air Connectivity</a>
 SDG 10 Reduce inequality within and among countries	<a href="#">Tourism: World Class Events</a> <a href="#">Tourism: Destination Promotion</a> <a href="#">Trade and Enterprise: Economic Contribution</a> <a href="#">Trade and Enterprise: Global Air Connectivity</a> <a href="#">Trade and Enterprise: Cargo Services</a> <a href="#">Communities: Supercharge the Regions</a>
 SDG 12 Ensure sustainable production and consumption patterns	<a href="#">Carbon: Low Carbon Stationary Energy</a> <a href="#">Carbon: Low Carbon Ground Transport</a> <a href="#">Carbon: Waste Management</a> <a href="#">Carbon: Property and Infrastructure</a> <a href="#">Tourism: Sustainable Tourism</a> <a href="#">Trade and Enterprise: Sustainable Sourcing</a>
 SDG 13 Take urgent action to combat climate change and its impacts	<a href="#">Communities: Disaster Relief</a> <a href="#">Carbon: Aviation Carbon Reduction</a> <a href="#">Nature and Science: Antarctica New Zealand Partnership</a>
 SDG 14 Conserve and sustainably use the oceans, seas and marine resources	<a href="#">Nature and Science: DOC Partnership (marine reserves)</a> <a href="#">Nature and Science: Antarctica New Zealand Partnership</a> <a href="#">Nature and Science: Environmental Compliance</a>
 SDG 15 Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss	<a href="#">Air New Zealanders: Employee participation in Sustainability</a> <a href="#">Nature and Science: DOC Partnership</a> <a href="#">Nature and Science: Environmental Compliance</a>

# United Nations Global Compact Communication on Progress

This Sustainability Report 2017 serves as our communication on progress regarding Air New Zealand's implementation of the ten principles of the UN Global Compact (UNGC), which we joined in 2015. The information provided in this specific section supplements that found elsewhere in the Sustainability Report, and signposts to relevant policies, procedures and practices.

**Our commitment to the UNGC ten principles is demonstrated in the following key policies, procedures and practices at Air New Zealand:**

- Air New Zealand's Code of Conduct sets out our commitment to the principles enshrined in the United Nations Global Compact, and the behaviour we expect from our employees. The Air New Zealand Business principles detailed in each section below are derived from our overarching Code of Conduct.
- Agreement to abide by our Code of Conduct is included in our current individual employment agreement templates, and some collective employment agreements.
- All employees (under all contract forms) are required to abide by our Code of Conduct, which is communicated as part of training modules before employment commences and refreshed on an annual basis. Code of Conduct training completion is reported to the Air New Zealand Policy Management Committee and the Audit Committee.
- In 2015, we refreshed our Supplier Code of Conduct, which sets out our support of the UNGC principles and minimum expectations of our suppliers, particularly around sustainability and transparency. At least 88.7 percent of our suppliers by spend (excluding fuel and labour) have now provided positive assurance of our Supplier Code of Conduct and we are working to achieve positive assurance from all suppliers (excluding fuel and labour) by 2020. In 2017 the Supplier Code of Conduct has been updated to highlight Air New Zealand's ongoing commitment to observe, as a minimum, the same conduct, standards and behaviours that it expects of its Suppliers when conducting business.
- We encourage all employees to raise concerns about potentially unethical or illegal conduct, while assuring confidentiality and protection against retaliation or any form of harassment. An independent, free 'Speak Up' service (phone and online) is provided for situations where raising concerns via the individual's manager or human resources business partner is not appropriate. Our Just Culture and Reporting policy and procedures support a fair and confidential process.
- Our Group Compliance Policy sets out our commitment to conducting our business activities in a manner that will best ensure compliance with the requirements of all relevant laws, regulations, codes of practice, contractual agreements company policies, and relevant third-party obligations that regulate its operations.
- Air New Zealand's first Slavery and Human Trafficking Statement under the Modern Slavery Act 2015, further embeds and elaborates on Air New Zealand's commitment to the UNGC ten principles.



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

## Human Rights

### Global Compact Principles

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights
- Principle 2: Make sure that they are not complicit in human rights abuses

### Air New Zealand Business Principles

- We will treat people fairly, with dignity and will pursue equality of opportunity and inclusion for all employees through our employment policies and practices. We value diversity of people and thought.
- We will recruit, select and develop our people on merit – irrespective of age, race, colour, origin, gender, religious beliefs, disability, family or marital status, sexual orientation or other prohibited grounds.
- We will take into account social, ethical and environmental considerations in our procurement and supply chain decisions.

- Our Code of Conduct and Supplier Code of Conduct positions on Human Rights are supported by our [Sustainability Framework](#), and the following Air New Zealand Group policies (publicly available policies are linked):
  - Disciplinary Policy
  - [Equality, Diversity and Inclusion Policy](#)
  - Procurement Policy
  - Just Culture and Reporting Policy, this policy has been refreshed in the last 12 months
  - Workplace Bullying and Harassment Policy and the Workplace Bullying and Harassment Group Guidelines
- At the date of this COP, approximately 11,000 of Air New Zealand's employees are based in New Zealand, with close to 700 further employees based in Argentina, Australia, Canada, China, Cook Islands, Fiji, French Polynesia, France, Great Britain, Hong Kong, Japan, Samoa, Singapore, Tonga, and United States of America.

- We take legal advice in the local jurisdictions we operate in about human rights compliance and require managers across the organisation to comply with all company policies. Employment contracts are reviewed for compliance in each local jurisdiction and we seek compliance with policy and contract through governance and management structures.
- See [Air New Zealanders](#) for discussion of our goals, implementation and outcomes relating to advancing Māori, people safety (health, safety and wellbeing), employee engagement, diversity and inclusion, talent development and employee participation in sustainability.
- Bullying and Harassment awareness training will be rolled out in late 2017 and will require certain manager-level employees to undergo mandatory training. General awareness training will be available to all employees and an awareness campaign will be rolled out. HR systems and processes have also been subject to review and update to refine the process where a bullying or harassment claim is lodged.
- See [Sustainable Sourcing](#) for discussion of our goals, implementation and outcomes relating to sustainable sourcing.

## Labour

### Global Compact Principles

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
- Principle 4: The elimination of all forms of forced and compulsory labour
- Principle 5: The effective abolition of child labour
- Principle 6: The elimination of discrimination in respect of employment and occupation

### Air New Zealand Business Principles

- We will work in good faith, within the appropriate legal framework, with trade unions and other bodies that our people collectively choose to represent them.
- We will not tolerate child labour and are committed to the elimination of all forms of forced and compulsory labour.
- We will not accept any form of discrimination, harassment or bullying.
- We will take into account social, ethical and environmental considerations in our procurement and supply chain decisions.

• Our Code of Conduct and Supplier Code of Conduct positions on Human Rights are supported by our [Sustainability Framework](#), and the following Air New Zealand Group policies (publicly available policies are linked):

- Airline Fatigue Risk Management Policy
- Airline Safety Policy
- Disciplinary Policy
- [Equality, Diversity and Inclusion Policy](#)
- Just Culture Reporting and Policy

- Managing Poor Performance Policy
- People Health, Safety and Wellbeing Policy, this policy has been refreshed in the last 12 months
- Workplace Bullying and Harassment Policy and the Workplace Bullying and Harassment Group Guidelines
- Procurement Policy
- [Palm Oil Position Statement](#)
- [Slavery and Human Trafficking Statement](#)

- See [Air New Zealanders](#) for discussion of our goals, implementation and outcomes relating to advancing Māori, people safety (health, safety and wellbeing), employee engagement, diversity and inclusion, talent development and employee participation in sustainability.
- See [Sustainable Sourcing](#) for discussion of our goals, implementation and outcomes relating to sustainable sourcing.
- Air New Zealand respects and supports the role of unions in the workplace. Close to 70% of our employees are covered by 32 collective agreements.

- For our airline Cabin Crew, in addition to Code of Conduct training, during initial and recurrent training we focus on management of customers with disabilities and non-discrimination in this area. The guiding document in this regard is the 'We Care Disability Guide'. We have also introduced training modules focused on the wellbeing and mental health of our Cabin Crew.
- Air New Zealand's first annual [Slavery and Human Trafficking Statement](#) under the Modern Slavery Act 2015, further embeds and elaborates on Air New Zealand's commitment to the UNGC ten principles.

# Environment

## Global Compact Principles

- Principle 7: Businesses should support a precautionary approach to environmental challenges
- Principle 8: Undertake initiatives to promote greater environmental responsibility
- Principle 9: Encourage the development and diffusion of environmentally friendly technologies

## Air New Zealand Business Principles

- We will protect the health, wellbeing, safety and security of our customers, employees and the communities in which we operate.
- We will operate our business with discipline and excellence to ensure sustainability, resilience and effectiveness.
- We will protect and safeguard the natural environment, minimising our use of finite resources and the release of harmful emissions to the environment.
- We will invest in society and communities ensuring effective use of our resources and in line with our mission.
- We will take into account social, ethical and environmental considerations in our procurement and supply chain decisions.

- Our Code of Conduct and Supplier Code of Conduct positions on the Environment are supported by our [Sustainability Framework](#), and the following Air New Zealand Group policies (publicly available policies are linked):
  - Energy policy
  - Environment policy
  - Procurement policy
- See [Nature and Science](#) for discussion of our goals, implementation and outcomes relating to environmental compliance and our partnerships with the New Zealand Department of Conservation, Antarctica New Zealand, and New Zealand Antarctic Research Institute, including support for biodiversity projects, marine reserves, and climate science.
- See [Air New Zealanders](#) section for discussion of our employee Greenteam.
- See [Sustainable Sourcing](#) for discussion of our goals, implementation and outcomes relating to sustainable sourcing.

## Anti-Corruption

### Global Compact Principle

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

### Air New Zealand Business Principles

- We will comply with all applicable domestic and international laws and regulations, appropriate standards and principles, including all competition, anti-trust and anti-money laundering laws.
- We will not tolerate any form of bribery, including improper offers of payments or gifts to or from employees.
- We will avoid any activity or contracts that may lead to, or suggest, a conflict of interest between personal activities and Air New Zealand.
- We will take into account social, ethical and environmental considerations in our procurement and supply chain decisions.

- Our Code of Conduct and Supplier Code of Conduct positions on Anti-Corruption are supported by the following Air New Zealand Group policies (publicly available policies are linked):

- [Anti-bribery and Corruption Policy](#)
- [Audit Independence Policy](#)
- Competition Law Policy
- [Continuous Disclosure Policy](#)
- Conflicts of Interest Policy

- Gifts and Entertainment Policy, this policy has been updated in the last 12 months
- Procurement Policy
- [Securities Trading Policy](#), this policy has been updated in the last 12 months
- See Sustainable Sourcing and Cargo Services in [Trade and Enterprise](#) for discussion of our goals, implementation and outcomes relating to sustainable sourcing, and the Buckingham Palace Declaration against illegal wildlife trade, respectively.

- We review corruption risk as part of our due diligence on new flight routes.
- We provide training on competition law for employees and specific groups, who we consider will benefit from targeted engagement due to their roles within the company.
- In June 2017 Air New Zealand was found by the Australian High Court to have contravened the Australian Trade Practices Act in relation to certain cargo insurance and fuel surcharges. The allegations relate to conduct that occurred in the period 2002 to 2006.

# GRI Content Index

In developing content for this report, we have considered the Global Reporting Initiative (GRI) Principles for Defining Report Content of Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness.

This report references Disclosures from the following GRI Standards:

**GRI 102:** General Disclosures 2016;  
**GRI 103:** Management Approach 2016;  
**GRI 201:** Economic Performance 2016;  
**GRI 203:** Indirect Economic Impacts 2016;

**GRI 204:** Procurement Practices 2016;  
**GRI 302:** Energy 2016;  
**GRI 304:** Biodiversity 2016;  
**GRI 305:** Emissions 2016;

**GRI 306:** Effluents and Waste 2016;  
**GRI 307:** Environmental Compliance 2016;  
**GRI 308:** Supplier Environmental Assessment 2016;  
**GRI 403:** Occupational Health & Safety 2016;

**GRI 404:** Training and Education 2016;  
**GRI 405:** Diversity and Equal Opportunity 2016;  
**GRI 413:** Local Communities 2016;  
**GRI 414:** Supplier Social Assessment 2016.

GRI Standard	Disclosure	URL
<b>General Disclosures</b>		
GRI 102: General Disclosures 2016	Disclosure 102-1 Name of the organization	<a href="#">Company Profile</a>
	Disclosure 102-2 Activities, brands, products, and services	<a href="#">Company Profile</a>
	Disclosure 102-3 Location of headquarters	<a href="#">Annual Financial Results 2017, Shareholder Directory p. 72</a>
	Disclosure 102-4 Location of operations	<a href="#">Annual Financial Results 2017, Shareholder Directory p. 72</a>
	Disclosure 102-5 Ownership and legal form	<a href="#">Company Profile</a>
	Disclosure 102-6 Markets served	<a href="#">Company Profile</a>
	Disclosure 102-7 Scale of the organization	<a href="#">Company Profile</a>
	Disclosure 102-8 Information on employees and other workers	<a href="#">Air New Zealanders</a> <a href="#">Supplementary Data</a>
	Disclosure 102-9 Supply chain	<a href="#">Company Profile</a> <a href="#">Trade &amp; Enterprise: Sustainable Sourcing</a>
	Disclosure 102-10 Significant changes to the organization and its supply chain	<a href="#">Trade &amp; Enterprise: Sustainable Sourcing</a>
	Disclosure 102-12 External initiatives	<a href="#">About this Report &amp; Global Standards: Our Stakeholders &amp; Materiality</a>
	Disclosure 102-13 Membership of associations	<a href="#">About this Report &amp; Global Standards: Our Stakeholders &amp; Materiality</a>

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GRI Standard	Disclosure	URL
<b>General Disclosures</b>		
GRI 102: General Disclosures 2016	<p>Disclosure 102-14 Statement from senior decision-maker</p> <p>Disclosure 102-16 Values, principles, standards, and norms of behaviour</p> <p>Disclosure 102-18 Governance structure</p>	<p><a href="#">Welcome from the Chief Executive Officer</a></p> <p><a href="#">Vision and Guiding Principles</a></p> <p><a href="#">Code of Conduct</a></p> <p><a href="#">About this Report &amp; Global Standards: United Nations Global Compact</a></p> <p><a href="#">Supplier Code of Conduct</a></p> <p>Governance for our Sustainability Framework: Our Board has overarching responsibility for sustainability, and sustainability is an item on the Board agenda at least twice per year. The Board also meets with our external Sustainability Advisory Panel on an annual basis. The Board People Remuneration &amp; Diversity Committee, and Health, Safety &amp; Security Committee, provide governance and oversight of activities that fall within the scope of our Sustainability Framework. Our Chief Strategy, Networks &amp; Alliances Officer and Head of Sustainability provide bi-monthly updates to our CEO on key sustainability activities and partnerships. Our external Sustainability Advisory Panel are subject matter experts in a range of topics material to our sustainability strategy, and provide advice and challenge on our approach. The CEO, Chief Strategy, Networks and Alliances Officer, Sustainability team and other company representatives meet with the Panel twice yearly. In addition, we consult the Panel on emergent sustainability issues in the interim.</p>
	<p>Disclosure 102-40 List of stakeholder groups</p> <p>Disclosure 102-41 Collective bargaining agreements</p>	<p><a href="#">About this Report &amp; Global Standards: Our Stakeholders &amp; Materiality</a></p> <p><a href="#">About this Report &amp; Global Standards: United Nations Global Compact</a></p> <p><a href="#">Supplementary Data</a></p>
	<p>Disclosure 102-42 Identifying and selecting stakeholders</p> <p>Disclosure 102-43 Approach to stakeholder engagement</p> <p>Disclosure 102-44 Key topics and concerns raised</p>	<p><a href="#">About this Report &amp; Global Standards: Our Stakeholders &amp; Materiality</a></p> <p><a href="#">About this Report &amp; Global Standards: Our Stakeholders &amp; Materiality</a></p> <p><a href="#">About this Report &amp; Global Standards: Our Stakeholders &amp; Materiality</a></p>

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GRI Standard	Disclosure	URL
	Disclosure 102-45 Entities included in the consolidated financial statements	<a href="#">About this Report &amp; Global Standards: Our Reporting Approach</a>
	Disclosure 102-46 Defining report content and topic boundaries	<a href="#">About this Report &amp; Global Standards: Our Reporting Approach</a>
	Disclosure 102-47 List of material topics	<a href="#">Sustainability Framework &amp; Performance</a>
	Disclosure 102-48 Restatements of information	Identified throughout
	Disclosure 102-49 Changes in reporting	None reported
	Disclosure 102-50 Reporting period	<a href="#">About this Report &amp; Global Standards: Our Reporting Approach</a>
	Disclosure 102-51 Date of most recent report	<a href="#">2016 Sustainability Report</a>
	Disclosure 102-52 Reporting cycle	<a href="#">About this Report &amp; Global Standards: Our Reporting Approach</a>
	Disclosure 102-53 Contact point for questions regarding the report	<a href="#">About this Report &amp; Global Standards: Our Reporting Approach</a>
	Disclosure 102-54 Claims of reporting in accordance with the GRI Standards	<a href="#">About this Report &amp; Global Standards: Our Reporting Approach</a>
	Disclosure 102-55 GRI content index	<a href="#">About this Report &amp; Global Standards: GRI Content Index</a>
	Disclosure 102-56 External assurance	<a href="#">About this Report &amp; Global Standards: Our Reporting Approach</a>

## Material Topics

Economic Performance		
GRI 103: Management Approach		<a href="#">Tourism: Why This Matters</a> <a href="#">Trade &amp; Enterprise: Why This Matters</a>
GRI 201: Economic Performance	Disclosure 201-2 Financial implications and other risks and opportunities due to climate change	<a href="#">Carbon: Why This Matters</a>
	Disclosure 201-3 Defined benefit plan obligations and other retirement plans	<a href="#">Annual Financial Results 2017, Note 17 to the Financial Statements p.22</a>
GRI 203: Indirect Economic Impacts	Disclosure 203-1 Infrastructure investments and services supported	<a href="#">Tourism: Sustainable Tourism</a> <a href="#">Trade &amp; Enterprise: Global Air Connectivity</a>

# GRI Content Index

GRI Standard	Disclosure	URL
<b>Procurement Practices</b>		
GRI 103: Management Approach		<a href="#">Trade &amp; Enterprise: Sustainable Sourcing</a>
GRI 204: Procurement Practices	Disclosure 204-1 Proportion of spending on local suppliers	We are investigating ways to increase supplier diversity, including establishing new diversity indicators such as ethnic ownership that reflects New Zealand's diversity. <a href="#">Air NZ website</a> <a href="#">Supplier Code of Conduct</a> <a href="#">Palm Oil Position Statement</a>
<b>Energy</b>		
GRI 103: Management Approach		<a href="#">Carbon: Why This Matters</a>
GRI 302: Energy	Disclosure 302-1 Energy consumption within the organization	<a href="#">2017 Greenhouse Gas Emissions Inventory Report</a>
	Disclosure 302-2 Energy consumption outside of the organization	<a href="#">2017 Greenhouse Gas Emissions Inventory Report</a>
	Disclosure 302-3 Energy intensity	<a href="#">Supplementary Data</a>
	Disclosure 302-4 Reduction of energy consumption	<a href="#">Sustainability Dashboard: Carbon</a>
<b>Biodiversity</b>		
GRI 103: Management Approach		<a href="#">Nature &amp; Science: Why This Matters</a>
GRI 304: Biodiversity	Disclosure 304-3 Habitats protected or restored	Nature and Science: Department of Conservation partnership <a href="#">Nature and Science: Antarctica Partnership</a> <a href="#">Sustainability Dashboard: Nature &amp; Science</a>
<b>Emissions</b>		
GRI 103: Management Approach		<a href="#">Carbon: Why This Matters</a>
GRI 305: Emissions	Disclosure 305-1 Direct (Scope 1) GHG emissions	<a href="#">2017 Greenhouse Gas Emissions Inventory Report</a> <a href="#">Carbon: Aviation Carbon Reduction</a>
	Disclosure 305-2 Energy indirect (Scope 2) GHG emissions	<a href="#">2017 Greenhouse Gas Emissions Inventory Report</a> <a href="#">Carbon: Aviation Carbon Reduction</a>
	Disclosure 305-4 GHG emissions intensity	<a href="#">Carbon: Aviation Carbon Reduction</a>
	Disclosure 305-5 Reduction of GHG emissions	<a href="#">Sustainability Dashboard: Carbon</a>

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GRI Standard	Disclosure	URL
<b>Effluents and Waste</b>		
GRI 103: Management Approach		<a href="#">Carbon: Waste Management</a>
GRI 306: Effluents and Waste	Disclosure 306-2 Waste by type and disposal method	<a href="#">Sustainability Dashboard: Carbon</a>
<b>Environmental Compliance</b>		
GRI 103: Management Approach		<a href="#">Nature &amp; Science: Environmental Compliance</a>
GRI 307: Environmental Compliance	Disclosure 307-1 Non-compliance with environmental laws and regulations	<a href="#">Nature &amp; Science: Environmental Compliance</a>
<b>Supplier Environmental Assessment</b>		
GRI 103: Management Approach		<a href="#">Trade &amp; Enterprise: Sustainable Sourcing</a>
GRI 308: Supplier Environmental Assessment	Disclosure 308-1 New suppliers that were screened using environmental criteria	<a href="#">Trade &amp; Enterprise: Sustainable Sourcing</a> <a href="#">Sustainability Dashboard: Trade &amp; Enterprise</a>
<b>Occupational Health and Safety</b>		
GRI 103: Management Approach		<a href="#">Air New Zealanders: Health, Safety &amp; Wellbeing</a>
GRI 403: Occupational Health and Safety	Disclosure 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<a href="#">Sustainability Dashboard: Air New Zealanders</a>
<b>Training and Education</b>		
GRI 103: Management Approach		<a href="#">Air New Zealanders: Talent Incubator</a> <a href="#">Air New Zealanders: Participation in Sustainability</a>
GRI 404: Training and Education	Disclosure 404-2 Programs for upgrading employee skills and transition assistance programs	<a href="#">Training and Development</a> <a href="#">Supplementary Data</a>
<b>Diversity and Equal Opportunity</b>		
GRI 103: Management Approach		<a href="#">Air New Zealanders: Talent Incubator</a> <a href="#">Air New Zealanders: Advance Maori</a>
GRI 405: Diversity and Equal Opportunity	Disclosure 405-1 Diversity of governance bodies and employees	<a href="#">Governance bodies: Annual Financial Results 2017, Corporate Governance Statement, Workforce Gender Representation p.51</a> <a href="#">Supplementary Data</a>
	Disclosure 405-2 Ratio of basic salary and remuneration of women to men	<a href="#">Gender Pay Report</a>

## GRI Content Index

GRI Standard	Disclosure	URL
Local Communities		
GRI 103: Management Approach		<a href="#">Communities: Why This Matters</a>
Supplier Social Assessment		
GRI 103: Management Approach		<a href="#">Trade &amp; Enterprise: Sustainable Sourcing</a>
GRI 414: Supplier Social Assessment	Disclosure 414-1 New suppliers that were screened using social criteria	<a href="#">Trade &amp; Enterprise: Sustainable Sourcing</a> <a href="#">Sustainability Dashboard: Trade &amp; Enterprise</a>