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## At a Glance

17m passengers carried annually

20 domestic destinations

30 international destinations

2,823 tonnes of waste generated across the business

7.5 aircraft average fleet age in years

6 new aircraft added to fleet during the year - 2 B787-9s and 4 ATR72-600s

5.0% growth in network capacity

\$5.5b in operating revenue

\$540m earnings before taxation

# 11,900

employees globally

Over

# 3,400

domestic and international flights per week

# \$128m

dividend declared to the New Zealand government

# 3,589m

tonnes scope 1 and scope 2 emissions (CO<sub>2</sub>-e)

# Year in Review

## 2.4%

**average annual improvement in aviation fuel efficiency (since 2009)**

*Down from 2.5% average annual improvement in 2017*

Over 130,000 customer journeys voluntarily offset through FlyNeutral

*Up 90,000 journeys from 2017*

4.5% average annual reduction in electricity use against 2011 baseline

*Down from 6.1% average annual reduction in 2017*

**Antarctica Safety Video highlighting climate science**

*Viewed by 18.8m online and 5.7m onboard*

37% diversion from landfill on domestic jet inflight waste

*Up 8% from 2017*

**73% diversion from landfill at Auckland ground sites**

*Down 3% from 2017*

## No.1

**corporate reputation in New Zealand and Australia<sup>1</sup>**

FTSE4Good constituent  
*For the second year in a row<sup>2</sup>*

2018 ACCSR Top 5 award State of CSR in New Zealand  
*For the second year in a row*

## 39%

**of senior leaders are women (and 41.6% of all Air New Zealanders are women)**

*No movement from 2017*

No.1 employer in New Zealand<sup>3</sup>

## 71%

**employee engagement**

*Up 2% from 2016<sup>4</sup> and in top quartile for Australasia*

**Partnership agreement with Ngāti Porou to support regional development opportunities**

## 41,000

**tonnes annual volume of New Zealand exports carried on Air New Zealand**

*Down 2% from 2017*

## 48.4%

**international visitors on Air New Zealand flights travelling during shoulder season (April - November)**

*Up 3% from 2017*

## 93%

**suppliers representing 93% of spend<sup>5</sup> provided positive assurance of Supplier Code of Conduct**

*Up 4% from 2017*

<sup>1</sup> Colmar Brunton Corporate Reputation Index 2018 (New Zealand), Reputation Institute's annual Australia Corporate Reputation Index.

<sup>2</sup> Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure performance of companies demonstrating strong environmental, social and governance (ESG) practices.

<sup>3</sup> 2018 Randstad Employer Brand research.

<sup>4</sup> Your Voice employee engagement survey conducted on bi-annual basis using Aon global Engagement methodology.

<sup>5</sup> This excludes fuel, airport fees, aircraft, taxes and labour. Where supply agreements are not in place, Air New Zealand's purchase order terms and conditions are used to apply the Supplier Code of Conduct where the supplier spend is below \$150,000.

# Letter from the CEO

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I believe that business – working with communities, government and non-profits – can and must rise to meet the world’s big social, environmental and economic challenges. Our whole world is facing unprecedented challenges – from increasing population growth, to climate change, to insecure and expensive food supplies, to rising inequality and youth unemployment. We must start to think of ourselves as ‘global citizens’ and take more responsibility for the consequences of our actions once they leave our immediate vicinity or frame of reference.

Air New Zealand’s company purpose is to supercharge New Zealand’s success - socially, environmentally and economically – and we expect our people, customers and wider stakeholders, to demand even greater accountability on our progress to tackle these big societal, environmental and economic challenges in the future. Organisations that are purpose-led, commit to achieving high employee engagement, value diversity and put customers at the core of who they are, consistently outperform others over the long term. In doing so, they set themselves apart as not just good companies, but enduring great companies, which is what we are determined for Air New Zealand to be.

Our newest generation of workers shares this conviction. By 2025, millennials will make up 50 percent of Air New Zealand’s workforce. We know people (of all generations) value working at organisations that have a broader guiding purpose than solely financial gain.

I consider that New Zealand can be a leader in how we create solutions and take these to the world. On issues from women’s rights to creating personhood rights for a river, to setting ambitious goals to protect our native bird species and other taonga, New Zealand has proven we are unafraid to name our challenges, get them in the open, wrestle with them, and then resolve these challenges together.

But the job is never done. It is 125 years since we achieved women’s suffrage in New Zealand, but as the equal pay debate continues, collective determination is needed to ensure the spirit of equality at work is made a reality for everyone. This is particularly so as we have seen modern slavery awareness rise over the past year – an issue that supply chains in New Zealand are not immune from, but which we must address.

I’m proud of the progress being made at Air New Zealand to better embrace diversity and to minimise

gender pay discrepancies. This year we have a gender pay gap of 0.41 percent and have continued to drive a deeper understanding of unconscious bias within our leadership team. We also seek to strengthen inclusivity and I am proud that in this year’s engagement survey, 80 percent of employees say Air New Zealand is open to and accepts differences – a marked increase of 22 percent on two years ago.

In this year’s report, we focus on the five biggest sustainability challenges and opportunities Air New Zealand is tackling: our people, climate change, sustainable tourism and regional development, sustainable procurement, and waste and plastics. These are issues that matter to our customers and people. One area that is showing great promise across social, environmental and economic dimensions is our work alongside stakeholders in East Coast Tairāwhiti to share our ambition to grow a sustainable tourism sector there, in line with the region’s Economic Action Plan and local expectations. Ultimately this work is leading to meaningful long-term relationships and will support stronger GDP growth for the region.

To accelerate progress in achieving our goals, this year we have worked hard to embed sustainability through enhanced governance. I remain grateful to our Sustainability Advisory Panel, which continues to play an important role as ‘critical friends’ to Air New Zealand, helping to challenge the status quo and lift our level of ambition to solve for the big challenges that we face. We also established a new Executive Steering Group in 2018, with oversight for the Sustainability agenda and, crucially, many areas of the business, including our Executive team, now have specific sustainability-related performance objectives for the five sustainability focus areas detailed in this report.

We also remain committed to fulfilling our responsibility as a signatory of the United Nations Global Compact, and our 2018 [communication on progress](#) accompanies this report.

Ngā mihi,

Christopher Luxon,  
Chief Executive Officer,  
Air New Zealand

# Letter from the Sustainability Advisory Panel Chair



Four years into its sustainability journey, it doesn't get any easier for a company like Air New Zealand. Continuing growth in demand for aviation and tourism inevitably ratchets up the negative impacts of that growth (be that in terms of greenhouse gas emissions, waste, impacts on the natural world and so on), as well as all the beneficial economic impacts. Societal expectations that companies should become more of a force for good in the world increase all the time, both on big background challenges like climate change or diversity, and on more spontaneous spikes in public concern – ocean plastics, for instance, or modern slavery and the abuse of human rights in companies' supply chains.

All of which means there's no place any longer for one-off reactive responses, or corporate green washing – of which there is still too much all around the world. Air New Zealand recognised more than five years ago that a much more strategic, proactive, whole-company approach would be needed, and has made impressive progress since then in developing and delivering a full-blown sustainability strategy.

It all starts with understanding materiality (what really matters) and figuring out the connections between different parts of the system. For instance, it's hugely

helpful for Air New Zealand to be recognised time after time as New Zealand's Most Attractive Employer, and to win various diversity awards, but those are not primary objectives in themselves. No company on earth has ever maintained a world-class sustainability strategy without ensuring the active participation and enthusiasm of its own employees (glance at the comments on page 61 from Gina Eberle, one of Air New Zealand's Flight Service Managers, to see what I mean).

The next critical ingredient is setting the right ambition level. On climate change, for instance, there are essentially just four things an airline can do: drive down direct emissions year on year through the ruthless pursuit of efficiency; set out to eliminate all ancillary emissions from its ground fleet and ground service equipment; work hard to find ways of substituting biofuels for jet fuel – where that makes sense ecologically as well as economically; and develop the best possible offset schemes, both mandatory (in partnership with governments), and voluntarily (in partnership with us).

Knowing what we now know about accelerating climate change (this has been the most disturbing year, in terms of extreme weather events and truly shocking research findings from around the

world), why wouldn't an airline want to be anything else other than the best in addressing its own contribution to that gathering crisis?

So far, so good! But even the most compelling strategy and vaulting ambition level are worth diddly squat if a company's employees are not empowered to play their part in delivering the necessary improvements, with persistence, creativity and leadership rewarded at every level.

And then it's all down to communication, sharing the dilemmas as well as the achievements, ready to be held to account by external stakeholders (including, in Air New Zealand's case, its Sustainability Advisory Panel, as reflected in this report), reporting transparently on progress against targets, and setting out to inspire others (suppliers, business and civil society partners, competitors, government ministers and so on) to help them to reach out more ambitiously in rising to the single greatest challenge that humankind has ever faced.

If that sounds a bit grandiose, let's bring it down to earth. I've already mentioned the importance of voluntary offset schemes, enabling each and every one of us to compensate for the damage we do each time we get on a plane. Air New Zealand already has one of the most successful voluntary offset

schemes in the aviation industry, but I hope my fellow travellers on Air New Zealand flights will not mind me pointing out that at under five percent of customer journeys, that's disappointing.

























Air New Zealand can't achieve what it aspires to achieve without everyone stepping up here – and in the process, making the world just a little bit less vulnerable to the rapidly worsening impacts of climate change.

Sir Jonathon Porritt  
Founder Director, Forum for the Future  
September 2018

Read more about our Sustainability Advisory Panel including detailed biographies of our Panelists at <https://www.airnewzealand.co.nz/sustainability-advisory-panel>

# Sustainability Framework

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

	Challenges	Aspirations	2030 Goals	UN Sustainable Development Goals
<b>Manaakitanga</b> Our People	 <b>Air New Zealanders</b> 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.	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.	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.	   
	 <b>Communities</b> New Zealand communities are developing at increasingly uneven rates, with some struggling to maintain cohesion, resilience, and prosperity.	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.	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.	   
<b>Kaitiakitanga</b> Our Place	 <b>Carbon</b> 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.	New Zealand transitions to an ultra-low carbon economy, on a pathway consistent with the world achieving net zero emissions by 2050.	Air New Zealand has stabilised emissions through carbon neutral growth post 2020, in a way that simultaneously drives significant environmental, social and economic benefits.	  
	 <b>Nature &amp; Science</b> 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.	New Zealand's ecosystems and biodiversity are restored and protected for future generations.	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.	  
<b>Ōhanga Ora</b> Our Economy	 <b>Tourism</b> 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.	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.	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.	 
	 <b>Trade &amp; Enterprise</b> A geographically isolated economy, New Zealand must transition from commodity-led exports to a more diverse economy via high value and service-oriented products.	New Zealand businesses are cost-effectively connected to global markets, with a reputation worldwide for premium environmental, social and health and safety standards.	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.	 

## Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) are a framework for business and government to solve global economic, social and environmental challenges.

At Air New Zealand our Sustainability Framework is shaped by our business priorities, and we use the SDGs to identify the issues we have the greatest ability to positively impact.

We support the SDGs and are committed to deliver large scale change. In the short to medium term we are focused on the nine goals that most closely align to our strategy and key strengths. Read more at [www.airnewzealand.co.nz/sustainability](http://www.airnewzealand.co.nz/sustainability).

# Our material issues for 2018

Our purpose at Air New Zealand is to supercharge New Zealand's success socially, environmentally and economically. Our material issues relate to how Air New Zealand delivers on our purpose and creates value for our stakeholders as well as our business.

Each year we identify our material issues based on their potential impact on our business performance, and their importance to our stakeholders – including our customers, employees, partners, investors and the communities in which we operate. Our material issues inform our strategic priorities, sustainability approach and reporting.

**We engage with a wide range of stakeholders, internally and externally, to identify our material issues, including:**

- Feedback from customers, investors and communities
- Feedback from our Sustainability Advisory Panel, who are subject matter experts in a wide range of topics, including sustainable development, Māori culture and intercultural understanding, conservation, sustainable tourism, climate policy, aviation industry economics, sustainable consumption and societal wellbeing
- Topics raised by our Board of Directors
- Feedback from our Sustainability Executive Steering Group, comprised of our Chief Strategy, Networks and Alliances Officer, Chief Operations Officer<sup>1</sup>, Chief Ground Operations Officer<sup>2</sup>, Chief Marketing and Customer Officer and Chief Operations Integrity and Standards Officer
- Risks identified in our Enterprise Risk Process and annual business planning
- Engagement with key industry and sustainability bodies

<sup>1</sup> To end of September 2018.

<sup>2</sup> From 1 October 2018.



**Air New Zealanders**



**Carbon**



**Sustainable Tourism and Regional Development**



**Sustainable Procurement**



**Waste and Plastics**

# Air New Zealanders

## Why this matters

Creating an engaging environment for our nearly 12,000 employees is crucial to achieving superior commercial outcomes and an outstanding customer experience. We invest in making Air New Zealand a great place to work and in 2018 won the award for New Zealand's Most Attractive Employer in the annual Randstad Employer Brand Research Awards for a record fifth time.

One of the things that sets us apart from others is our people and their unique commitment and passion for Air New Zealand. In recognition of their contribution to our 2018 financial result, the Board awarded bonuses of up to \$1,800 to approximately 8,500 Air New Zealanders who do not have other incentive programmes as part of their employment agreement.

This year marks three years since the HPE Charter between Air New Zealand and the unions, which represent a large number of our employees, was signed in March 2015. HPE is a collaborative approach that means those closest to the issues use their skills and knowledge to solve them. As our approach to HPE matures, we are working on new initiatives to extend its reach and impact.

We know that to be a workplace where our people thrive, the company needs to reflect New Zealand society. This means being truly diverse at all levels, embracing people of all backgrounds and encouraging a strong learning culture. Keeping our people safe and well is also paramount to the operation of Air New Zealand through mindful leadership, proactive risk management and building healthy relationships.

In 2018 we have set out to exceed our earlier targets for the proportion of women on our Senior Leadership Team, grow our employee engagement levels, build on our ethnic diversity and lower our reported rate of injuries.





# Panel Q & A

## Sustainability Advisory Panelist Dame Anne Salmond

reflects on growing inequality and how the future of work might address diversity

*Dame Anne Salmond is a Distinguished Professor of Māori Studies and Anthropology at the University of Auckland. Her research spans Anthropology, but also Māori Studies, Pacific Studies, Linguistics, History and Philosophy of Science, and Environmental Sciences. She is project sponsor of waterways restoration project Te Awaroa, and Chair of the Longbush Ecological Trust and ecosanctuary in Gisborne.*



**“We need to look at the Māori philosophy of teams, of ‘looking into people’s eyes’...it’s warm and mutually supportive”**

**Q: What are some of the current challenges to businesses around diversity?**

I have learned a great deal from Air New Zealand. While the airline has done a lot to fill positions for women at all levels, it’s not as fast for Māori and Pasifika people. It often happens that we can track and be more aware of gender than race. Targets are good, but it’s important to make sure that the roles are attractive for gifted people from a wide range of backgrounds.

**Q: How is inclusion essential to advancing society?**

This may be provocative, but neo-liberal philosophies and the ‘cult of the manager’ – very highly paid managers, a concentration of privilege at the top, with a cadre of people on insecure employment at the bottom – has not worked well for productivity in New Zealand. Too much insecurity coupled with relatively low pay for those who actually deliver goods and services can compromise long planning and strategic delivery. This idea that you can be a generic manager, that you don’t

know the industry you’re managing, that you shift around a lot, may increase transaction costs while losing experience, continuity and networks. We need to make the most of our human capital and think of the costs of exclusion, flip it on its head.

**Q: What will employees of the future likely look for?**

Employees of the future will still need security of income and if they can’t get it, that insecurity will come with high social cost. And at the end of working life, there are a lot of people who are still extremely functional, so cycling them out of work makes no sense either. We need to use human insight to build the teams that combine experience with innovation, so that you reach down and take others with you, pass on the things you understand (in both directions).

We need to look at the Māori philosophy of teams, of ‘looking into people’s eyes’, finding gifted individuals and bringing them through. The older generation are cherished, they bring wisdom and scarce knowledge, but they’re

not running things. It is warm and is also mutually supportive, a way of transferring the expertise and revitalising organisations with new ideas.

**Q: What is the leadership role that you want for Air New Zealand?**

It’s really exciting, Air New Zealand is not tweaking issues, but diving into the hard stuff on sustainability. The beginnings are there - for example in having the Māori team share their philosophies about how the world works, and building good relationships among people and with land, sea and waterways - that’s a big thing. In the past, environmental groups and conservationists had been very resistant to engaging with Māori, then Air New Zealand started doing it, ‘being Māori’ if you like, and found they can work together in a totally genuine way. Globally, that gets the world excited about New Zealand. Air New Zealand has growing confidence in its capacity to do that, and it’s fun, it’s joyous to be world leading.

# 80%

**of employees think we're open to and accept difference**

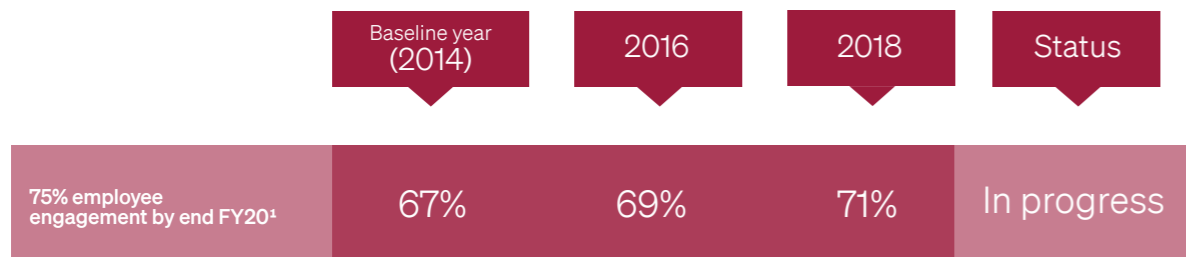
## Engage and connect

Our bi-annual employee engagement survey, Your Voice, helps us identify what's working well and what we need to improve. This year the overall engagement score increased from 69 percent in 2016 to 71 percent, but showed we need to improve our Collaboration and Senior Leadership visibility and accessibility.

Our engagement plan aims to have better collaboration across teams at Air New Zealand, connecting employees to senior leaders so people feel more informed and inspired. We are improving cross-functional work across the business, embedding great leadership and ensuring our performance management rewards collaboration and inclusion. This year a new pulse check tool will give leaders more real-time insight into the impact of their

engagement, as part of a wider "voice of employee" strategy.

In this year's engagement survey, 80 percent of employees say Air New Zealand is open to and accepts differences (up 22 percent on two years ago). Three out of four employees say that the company values and makes the most of their unique differences and 77 percent say their direct manager has an inclusive leadership style and values diverse employees.



<sup>1</sup>Your Voice employee engagement survey conducted on a bi-annual basis using Aon global Engagement methodology.



# 67%

**of all internal promotions were female**



# Valuing diversity

We believe it's our people and the diversity of our organisation that sets us apart and helps to drive innovation. This leads to a stronger connection with our customers and in turn creates better business results.

Our 2020 strategy focuses on recruiting and developing a diverse workforce and creating a culture where people thrive. We are seeing genuine progress but there is still more work to do.

Our employee networks (Women's Network, Young Professionals (YoPro), Māori and Pasifika (Manu), Pride (LGBTQI)), sponsored by our Executives, continue to provide a place to connect and share. In March 2018 we launched our fifth network, the Kiwi Asia (KASIA) employee network. As part of creating an inclusive culture we introduced an Unconscious Knowledge and Bias awareness programme, to identify where such biases may occur and ensure our leaders have tools to mitigate the effects.

## Gender balance

We had significant gains developing women in 2018, recognised by Air New Zealand winning the Diversity Works New Zealand Empowerment Award.

A core priority is accelerating the advancement of women into our Senior Leadership Team (SLT). In the past two years representation of women on the SLT has risen to 39 percent. This has led us to increase our target from 40 to 50 percent by 2020. Since 2015, 34 women have completed the Women in Leadership programme. This year, seven of the 15 SLT appointments were women, and 67 percent of all internal promotions were female. Additionally, the Board has been 43 percent female for the past three years.

To address the under-representation of women in male dominated professions, we launched Women Inspiring the Next Generation of Female Pilots (WINGS) network, Women in Engineering and Maintenance and Women in Digital groups. These groups reach out to young women and girls in the community to promote careers in these sectors. We work closely with Global Women and its Champions for Change initiative, sharing our annual data on ethnicity and gender. We also partner with Professionelle which provides learning, networking and growth opportunities for women.

Air New Zealand annually publishes its [Gender Pay Gap](#) report. Currently males are paid 0.41 percent more than females, driven primarily by differences in tenure, experience and performance. We are focused on ensuring equitable representation and critically examining policies to ensure they promote equity.

Changes to our recruitment process include not asking job candidates about their current salary to minimise the risk of inheriting a gender pay gap from other organisations. A new guide for recruiters and managers provides tools to create a fair and inclusive recruitment process, including encouraging gender balanced interview panels.

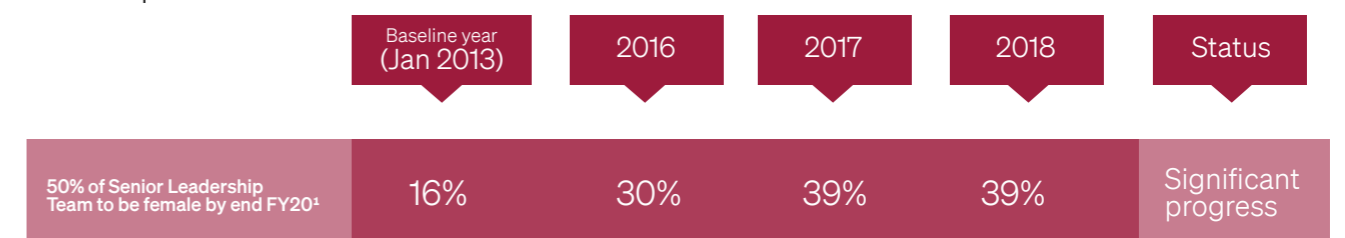
## Ethnicity

We are committed to creating a culture where diversity of thought is celebrated. To do so, we need to know the ethnicity our people identify as. To date, 46 percent of our employees have provided ethnicity data and our target is to increase this to 70 percent in 2019.

Māori and Pasifika are underrepresented at leadership level. A working group, using results from recent focus groups, will help us understand what is needed to reach our target of increasing representation to 20 percent at all leadership levels by 2022. We continue to partner with TupuToa, the Māori and Pasifika Corporate Pathways Programme, and in 2018 we increased the number of TupuToa interns from three to ten.

We have made progress on cultural fluency initiatives and advancing our Māori employee strategy. Eight members of the SLT attended a marae immersion programme, three Māori and Pasifika have been appointed into the SLT and we have created Te Ara Nui, a marae-based graduation ceremony for all new Air New Zealand Cabin Crew. To date, 184 Cabin Crew have graduated on the Te Manukanuka o Hoturoa Marae, joined by more than 600 whānau and friends for this authentic cultural immersion ceremony into Air New Zealand.

We have provided coaching on cultural protocols and Te Reo for senior leaders and continue to run a deep immersion residential cultural fluency wānanga for key leaders in partnership with Department of Conservation, Te Papa Atawhai. We also set the expectation that cultural fluency in our brand and the Koru is a core competency for all Air New Zealanders through our Kia Ora You induction programme. We will continue to focus on cultural initiatives to build cultural capability and an inclusive environment across the organisation.



<sup>1</sup> This year we revised our target from 40 to 50 percent by 2020. In FY18 females represented 41.6% of Air New Zealand's workforce.



# “Mahi Rangatira gave me the tools to lead”

## Employee Voice

**Brent Roxburgh, Senior Manager Pacific Islands, on how the Mahi Rangatira leadership programme helped him lead his team**

“I’ve been with Air New Zealand for 33 years and was on the first Mahi Rangatira programme when it began in March 2017. There were 30 of us from various parts of the business and as we got to know each other more, we soon realised that we all faced similar challenges. That’s what Mahi Rangatira means – working to weave people together. I gained some good insight and support working through real-life problems with others in the group.

Mahi Rangatira gave me the tools to lead, and to work differently. With eight people reporting to me around the islands, I was trying to be across everything.

I know now that I don’t have to be the expert on everything. I use the coaching skills I learned to give my team the confidence to perform their roles well. I support them and step back to give them the power to do what they do best. I guess I’m making sure that someone else can step into my role one day.

My boss has noticed the difference, that I’m managing across the team better and more focused on the big-ticket items, not getting bogged down in the details.”

## Lifelong learning

The focus for this year is on strengthening our coaching culture, up-skilling mid-level leaders and transforming to a learning organisation.

Organisations with strong learning cultures will significantly outperform their competitors, so we want to become a place where learning is continuous and within the flow of work. To do this, we have brought together our Aviation Institute and Organisational Development Function to create a Learning Function.

Being both a leader and a coach is not always easy, so the new Powerful Conversations workshop, taken by 410 of our 1,200 leaders, provides them with the skills to have great conversations with their people. Our Mahi Rangatira leadership development programme, which incorporates the wayfinding principles of Māori traditions, was launched in March 2017. It includes Māori leadership ethos and concepts and a specific module on inclusive leadership. Fifty percent of our 500 mid-level leaders have learned the leadership skills of the future, coached and mentored by senior leaders to develop their critical capabilities. Our engagement survey shows a five percent improvement in manager effectiveness scores of the leaders who have been in the programme.

## The future of work

In the next decade Air New Zealand is faced with a future defined by a new pace and scale, driven by both new technology and other influences. This unprecedented environment of change calls for a broad, considered response from organisations.

During the past year, a dedicated Future of Work team has been exploring how technology will drive a shift in the skills needed for work and how employees will need to become lifelong learners to adapt. The future workforce will be shaped by the growing influence of millennials and older employees will also stay working for much longer than they have in the past. This shift in generational demographics brings with it a change in the attitude of employees to work and has the potential to change the relationship between employers and employees over time.

Armed with our narrative of the future, next year we will develop a strategy and set targets with clear metrics. This will help us determine how we will collaborate and learn, face into the challenges and opportunities automation will have on our future workforce and compete in the global war for talent.

## Fit, safe and well

People Safety refers to the health, safety and wellbeing of Air New Zealand employees, contractors, customers, and the public who are exposed to any risks in our operations. Our frameworks are built on mindful leadership, proactively managing risk, optimising performance and fostering healthy relationships.

Our Total Recordable Rate (TRR) of injuries continues to decrease, with 73 fewer Air New Zealanders suffering TRR injuries than last year and Manual Handling<sup>1</sup> accounting for 60 percent of our work-related injuries. With the introduction of new equipment, enhanced training, management of pain and discomfort injuries and inclusion of manual handling tasks in our behavioural observation Take Charge programme, the average manual handling days lost reduced from 15 days last year to eight days this year. Air New Zealand won Best Initiative to address a Work-Related Health Risk at the 2018 New Zealand Workplace Health and Safety Awards.

This year 30 health and safety representatives from across Air New Zealand stepped out of the business for a week to investigate how to ensure they lead an engaged health and safety culture. We were a finalist for Best Initiative to Encourage Worker Involvement and Safety Leader of the Year, and New Zealand's health and safety regulator, WorkSafe,

has published our engagement and participation journey as a case study.

Behaviour Based Safety (BBS) is a programme for peer-to-peer safety conversations to increase awareness of risk and reinforce safe behaviours. This year we doubled the number of BBS conversations in Airports, Regional Airlines and Cargo from last year, with 13,055 observations recorded.

Managing Air and Ground handling operations are complex, demanding and dynamic, with increased challenges from operational disruptions, weather events, and peak periods. While we do our utmost to prepare for such disruptions, we need to ensure we provide employees with the support and tools needed to be well, resilient, and to thrive in their lives.

Air New Zealand's online Wellbeing Hub, with free wellbeing assessment and resources for employees, now houses a new stress and resilience page with strategies to build resilience. The Me We Us strategy continues, using research-backed actions that help social connections, mental and emotional agility and physical vitality. The hub has been accessed by 5,510 Air New Zealanders this year, with 2,700 viewers visiting the stress and resilience section.

	Baseline year (2017)	2018	Status
Reported rate of injuries reducing by 15% year-on-year resulting in a rate of less than 10 by end of FY20 (against FY17)	Reported rate of injuries of 15.22 and 288 employee injuries (15% decrease from FY16)	Reported rate of injuries of 11.2 and 215 employee injuries (26% decrease from FY17)	Achieved
90% execution of Critical Risk Management (CRM) Plans with controls tested by end of FY20	25% of CRM Plans in place with controls tested (based on Critical Risks Gap Analysis)	100% critical risks and controls have been recorded in the Enterprise Risk Register 50% of controls tested	In progress

<sup>1</sup> Manual Handling is an industry and globally recognised term which is defined as: any transporting or supporting of a load (including the lifting, putting down, pushing, pulling, carrying or moving thereof) by hand or bodily force.

# Community engagement

Our community engagement programme reaches across the communities we serve in both New Zealand and internationally. This year we contributed nearly \$660,000 (mainly in flights) to a range of charities and organisations (with a focus on youth and disability) including Koru Care New Zealand, Starship Foundation, Guide Dogs and the Attitude Awards. This also includes Airpoints™ for Schools, where Air New Zealand donates Airpoints along with those donated by our Airpoints members to enable students to travel for educational trips around the country and as far as China, the United States, London and Japan.

In addition to supporting those in need, our community programmes help drive employee engagement by connecting our employees to the communities in which we operate. This year we added our first five international Greenteams – in Sydney, Rarotonga, London, Tokyo and Los Angeles. Through the Greenteam Air New Zealanders joined local communities and schools to clean up beaches and parks (and, in London, the River Thames), plant trees and more. In Los Angeles, the Greenteam promoted clean energy cars and car-pooling.

In New Zealand, teams worked with many community groups, including with the Department of Conservation (DOC), on clean up and recovery after the Port Hills fire in Christchurch, planting over 640 native trees and performing weed eradication in the Abel Tasman National Park, as well as in Queenstown and Kapiti Island. To support DOC's marine reserve projects, Greenteamers also helped with marine education and counts in Akaroa, Auckland and Gisborne.

This year we extended our Koru Care flight to 52 children and guardians who cannot fly internationally, running a Dreamliner on a flight path that was shaped like a heart across the centre of New Zealand.

# Carbon

## Why this matters

### Air New Zealand is ambitious for action on climate change

We want to demonstrate leadership in New Zealand and other destinations we fly to.

Our focus is on reductions and innovation: minimising emissions by using fuel more efficiently, and exploring new commercial solutions and technology to stabilise our carbon emissions by 2020 and minimise our impact on the environment. We want to play our role in an ultra-low carbon economy towards a world of 'net zero' greenhouse gas emissions in the second half of this century.

We recognise the aviation industry's emissions are significant – at least two to three percent of global emissions – but improvements in emission levels are counteracted by continuing growth in demand for travel. So along with consumer behaviour changes and technological changes, we need to absorb emissions in forests, and invest in emission reduction projects that support innovation and investment for the future. Encouraging our customers to voluntarily offset their emissions is increasing our need to support an emission policy environment that aligns with supercharging New Zealand's success; Air New Zealand will continue to press policymakers to make decisions in the long-term interest of the country.

Our carbon strategy is governed by our Sustainability Executive Steering Group with regular reporting to the Board on carbon and our regulatory obligations and alignment across Sustainability, Operations Integrity & Standards, Finance and Legal business units. Progress against our strategy is also reported to and developed with our Sustainability Advisory Panel twice a year.



**21.4%**  
improvement in fuel  
efficiency since 2009

# Panel Q & A

## Sustainability Advisory Panelist Dr Suzi Kerr

outlines the challenges and opportunities of climate change

Dr Suzi Kerr is a Senior Fellow at Motu Economic and Public Policy Research and an internationally recognised expert in the economics of climate mitigation. A member of the New Zealand Interim Climate Change Committee, she is also an Adjunct Professor at Victoria University and a Principal Investigator for Te Pūnaha Matatini.

**Q: Will the aviation industry achieve carbon neutral growth?**

This partly depends on the role that carbon offsetting mechanisms play. Under the Paris Agreement, countries determine their own national contribution to global climate mitigation and can also generate tradable units for international buyers where the country goes beyond that contribution. The International Civil Aviation Organization (ICAO) may accept carbon credits through this Paris framework or other mechanisms, but the rule makers need to avoid double counting to ensure that the aviation industry's growth is carbon neutral. Industry leaders like Air New Zealand can help give this process integrity by pushing for strong accounting standards and working with governments to develop mechanisms for credible international transfers of mitigation.

**Q: What are the challenges of New Zealand's proposed Zero Carbon Bill?**

The greatest challenge here is the scale of the transition required, which needs the capability, enthusiasm and creativity of all New Zealanders. The recently announced Climate Leaders Coalition, which Air New Zealand supports along with the Zero Carbon framework, is a key to encourage businesses to lead change and engage with government for a wider New Zealand transition. The government incentives for native forests can't make large scale reforestation on private land happen alone. We need large commercial players and a coordinated effort to work with landowners to increase the amount of permanent carbon storage through native forests.

**Q: What are the opportunities for afforestation in New Zealand to mitigate climate change and to generate added co-benefits for the country?**

The opportunities are big – we haven't even started to explore what is truly possible. The government is playing an important leadership role, focussing on afforestation and regional development. Motu is also researching the experiences in Tairāwhiti Gisborne to help build a greater understanding of the challenges, and identify ways to make native forestry easier.

The opportunity for native forests to generate both carbon emission reductions and co-benefits is strong. Look at the recent reaction to the post-storm damage caused by plantation pine forest debris on the East Coast.

Afforestation has to be done at scale, which may involve aggregating smaller landholdings as we are seeing with Ngāti Porou. The private sector could do this efficiently. It's not necessarily about planting out the whole property for carbon forests; more like taking a mosaic approach where landowners retire perhaps one third for native forests, with a mix of other ecosystem, community and/or economic benefits. And it doesn't require planting everywhere; it can simply involve retiring land from grazing, controlling predators, and letting the land naturally revert with mānuka or kānuka. Taking on hard issues like working with multiple landowners, prioritising regional economic development and ensuring forest diversity is all key to reaching scale for a huge benefit.



**Q: What physical impacts of climate change on aviation are we seeing already?**

The increased severity and frequency of storms are expected to affect operations and scheduling; storms and flooding in New Zealand, extreme heat could become more of an issue, and many of our airports are low-lying and therefore exposed to rising sea level. Deep thought and careful planning now could avoid unnecessary disruption and cost later.

**Q: What is the leadership role you want Air New Zealand to play?**

Air New Zealand could increase its collaboration with other partners in the private sector to explore opportunities, and build capability around innovative solutions such as carbon reductions, carbon offsetting, afforestation, biofuels or electric vehicles. The company is well-placed to ensure these can be commercially viable and, ultimately, delivered at scale. We can also engage in discussions around developing more effective carbon policies and use demonstration projects to raise awareness and show how solutions can be achieved.

# Meeting domestic and international obligations

In July 2018, Air New Zealand voiced support for the New Zealand government's Zero Carbon Bill, which seeks to put in place long term targets to transition New Zealand to a low-emissions economy and to put in place new budgets and institutions (including a new Climate Change Commission) to meet those targets. Air New Zealand is a participant in the New Zealand Emissions Trading Scheme for domestic emissions. In calendar year 2018, emissions units will be surrendered for 87 percent of domestic emissions, and this will rise to 100 percent of domestic emissions from 1 January 2019.

For emissions in international airspace, Air New Zealand supports the industry's targets of 1.5 percent annual average fuel efficiency improvement (2009-2020); carbon neutral growth from 2020; and halving 2005 emissions by 2050. New Zealand will participate in the Carbon Offset and Reduction Scheme for International Aviation (CORSIA). The CORSIA scheme is governed by the International Civil Aviation Organisation, and requires Air New Zealand (and airlines from other participating countries) to report emissions from international aviation and to offset the growth post-2020. A key issue is to ensure strong integrity of this regulatory regime is the widespread global participation and acceptance of high integrity carbon units.

# Use less, use it wisely

Air New Zealand emits more than 3.5 million tonnes of carbon dioxide into the atmosphere every year. In 2018 our carbon footprint (greenhouse gas emissions) increased by three percent, this was primarily due to a five percent increase in Air New Zealand's network capacity.

Aviation fuel efficiency is the most significant way Air New Zealand can reduce its carbon footprint, far outweighing other factors such as ground fleet fuel use and stationary energy reductions. While we've made great efficiency gains over the last decade, achieving a 21.4 percent improvement in aviation fuel efficiency since 2009, further improvements will become tougher, requiring a sustained focus. This year we achieved a 1.1 percent improvement in aviation fuel efficiency against 2017.

Fuel efficiency initiatives this year included trialling and implementing more efficient departure climb profiles on the Boeing 777 and Boeing 787-9 aircraft and we intend to roll this out to the A320 fleet over the coming year. We are also trialling more accurate and efficient navigation procedures, especially the approach paths into domestic airports, which reduces the distance flown and can allow for continuous low powered descents, therefore decreasing the amount of fuel required.

Our primary fuel reduction project involves reducing use of the Auxiliary Power Unit (APU), the small engine that runs mechanical systems such as electrical supply and air conditioning when an aircraft is on the ground with its main engines turned off.

Historically, the APUs operating at Auckland Airport for our jet fleets ran for 4,200 hours per month, consuming more than 600,000 kilograms of fuel and emitting an average of 2,000 tonnes of carbon dioxide emissions (CO<sub>2</sub>-e) each month. In July 2017, we implemented a new process of connecting to an alternative ground power source, enabling the APU to be switched off soon after gate arrival. This required engagement of 1,000 pilots, 500 ramp employees and 140 engineers to work collaboratively towards this fuel saving and emission reduction goal.

Our target for this project was to reduce APU fuel burn in the year to June 2018 by 675,000 kilograms (2,100 tonnes CO<sub>2</sub>-e). In the first 10 months we exceeded this target by more than 200 percent, saving 2,000,000 kilograms of fuel and 6,300 tonnes of carbon dioxide emissions. This year our Carbon Reduction Programme has saved 3,633,950 kilograms of fuel, representing a saving of 11,468 tonnes CO<sub>2</sub>-e.

In March 2018, the APU initiative was extended to Christchurch, decreasing APU usage by 50 percent from previous monthly averages. We are now rolling the initiative out at Wellington Airport.

# Greenhouse Gas Inventory

Total operational emissions scope	GHG emissions sources	Tonnes CO <sub>2</sub> -e 2016	Tonnes CO <sub>2</sub> -e 2017	Tonnes CO <sub>2</sub> -e 2018
Scope 1 <sup>1</sup>	Aviation Fuel, LPG, Natural Gas, Ground Diesel, Ground Bio Diesel, Ground Petrol	3,308,950	3,477,944	3,585,684
Scope 2 <sup>2</sup>	Electricity	3,636 <sup>4</sup>	2,624	3,044
<b>Totals</b>		<b>3,312,586<sup>4</sup></b>	<b>3,480,567</b>	<b>3,588,728</b>
Biomass <sup>3</sup> (Wood Pellets)		1,235	998	638

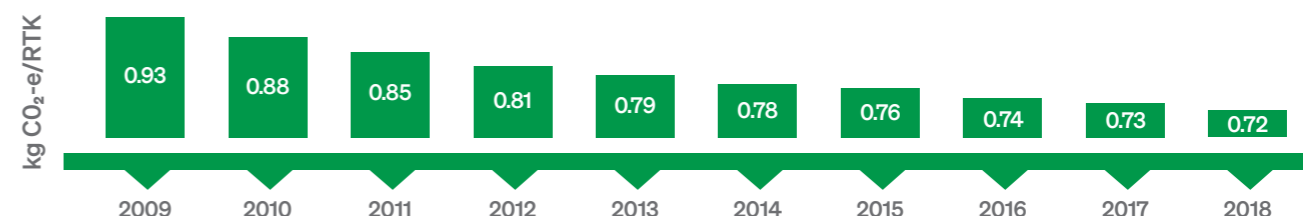
<sup>1</sup> Direct GHG emissions from sources owned or controlled by Air New Zealand.

<sup>2</sup> Indirect GHG emissions associated with generation of imported electricity.

<sup>3</sup> 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.

<sup>4</sup> Value has been re-stated to be comparable with the [2017 Air New Zealand Greenhouse Gas Inventory Report](#).

## Fuel efficiency: CO<sub>2</sub>-e per Revenue Tonne Kilometre (RTK)<sup>5</sup>



<sup>5</sup> 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 [2018 Air New Zealand Greenhouse Gas Inventory Report](#) and a copy of the [assurance statement from Deloitte](#) at [www.airnewzealand.co.nz/sustainability-reporting-and-communication](http://www.airnewzealand.co.nz/sustainability-reporting-and-communication).





# “We had to develop a process with all the ground handlers to be consistent”

## Employee Voice

**Rob Nicholls, Carbon Reduction Programme Manager, on switching to ground powered Auxiliary Power Units to reduce aircraft fuel use**

“When we first thought of using ground power instead of the Auxiliary Power Units (APUs), it was not as quick as flicking a switch. We had to measure first – this is where we are, this is where we want to be – and then look at all the processes in depth with the ramp staff, the engineers, and the pilots. We needed to know the critical phases where the APUs are left on and figure out the opportunities to change them.

For example, the first critical moment is when the aircraft first taxis in, the pilots need ramp staff to get ground power on as quickly as possible before they leave the flight deck. We had to develop a process with all the ground handlers to be consistent, in as short a time as possible.

The implementation was fast in Auckland and use of fuel immediately reduced. Then when we introduced it in Christchurch; everyone understood the aims, could see the learnings and the sticking points. Pilots, ramp and engineering staff worked closely together and usage dropped by 50 percent almost overnight. We’re now rolling out other trials to expand the APU savings.”

# Growing a fuel for the future

In 2017, we collaborated with Z Energy to explore viable pathways for domestic production of bio-jet, a biomass-derived jet fuel appropriate for commercial use. We found that to make a bio-jet plant viable and the fuel affordable, we need to be able to secure long term, commercially viable supplies of wood waste or other sustainable feedstock. Additionally, the scale and significant capital investment required to begin local production of bio-jet will likely require external support.

We have now widened the exploration to a consortium that includes Refining NZ (which operates New Zealand’s only oil refinery), Crown Research Institute Scion and Auckland Airport to further develop the business case for biofuels. The consortium is seeking to work with central government to enable the development of bio-jet production capability in New Zealand and continue to build the business case that can lead to a commercially viable option.

This year, we also explored offshore supply of bio-jet with a Request for Proposal to the market. The market responses indicated that bio-jet production globally is in its infancy with several development plants in construction. At that time, we were unable to secure appropriate quantities on commercially viable terms, so we will continue to work with the market and our partners to find a viable solution for bio-jet uplift at offshore ports.

We are also excited to be exploring new partnerships that will make electric aircraft technologies a commercial reality within New Zealand.

# Every action counts

Other emission reduction initiatives include continued renewal of the fleet to more fuel-efficient aircraft (our average aircraft fleet age is 7.5 years), efficient flight planning and lighter weight baggage containers to save weight and fuel.

We also consider emissions from our ground service vehicles – 52 percent of ground service equipment (GSE) including 30 percent of baggage tugs are electric. We intend to have 100 percent of belt loaders electric by the end of 2019 (belt loaders transfer baggage and cargo to and from the aircraft); and where new options exist, all of our baggage tugs will be electric by the end of 2020.

This year we have put two electric tugs capable of pulling wide-body aircraft into operation (the first of their type in the Asia Pacific region), and have ordered a third, with the intention to replace the entire fleet by the end of 2020. We also have two electric container loaders in operation (the only electric loaders in Australasia), and will be replacing a further 30 (out of 56) by the end of 2020. Our challenge is ensuring that airport infrastructure enables sufficient electric charge to run the vehicles for a full day, something that we are working on with the airport companies and other major ground handling companies.



## Small actions, big difference

### Enabling voluntary carbon offsetting

This year we have continued to encourage and enable our customers to voluntarily offset the carbon emissions from their air travel<sup>2</sup>. A tonne of carbon can be offset by a carbon credit which represents one tonne of carbon (or equivalent greenhouse gas) emissions reduced or removed from the atmosphere by a verified project.

In New Zealand, we work with forest carbon specialists Permanent Forests NZ, to source native forest restoration projects that comply with the Government's Permanent Forest Sink Initiative, which enables carbon credits to be issued. These projects fit our commitment to the co-benefits of permanent native forestry investment, such as improving biodiversity, supporting ecosystems, and growing regional economies.

We have expanded our project portfolio to include international projects in destinations we fly to. Initial projects include sustainable energy initiatives in rural New Caledonia, Vietnam and China. Sourced by climate and development experts, ClimateCare, these projects create

climate and broader community benefits and are certified to leading global carbon standards.

In late 2016, we prioritised carbon offsetting in our online booking system, so that New Zealand travellers could offset the emissions from their Air New Zealand flights. In the past year, customers have offset over 130,000 journeys (up from close to 40,000 last year).

As of July, our larger business and government customers can request a report on the carbon emissions from their Air New Zealand travel and click to offset these. Enviro-Mark Solutions, a provider of environmental certifications, has certified the methodology for use under ISO 14064-1:2006 and in the Certified Emissions Measurement and Reduction Scheme (CEMARS) and carboNZero programmes.

<sup>2</sup>This voluntary carbon offsetting programme is separate from Air New Zealand's compliance with the New Zealand Emissions Trading Scheme, which covers Air New Zealand's domestic operations. Voluntary carbon offsetting is relevant and important, even in the context of a regulatory emissions trading scheme.

	Baseline year	2017	2018	Status
Carbon Reduction Programme implemented in line with IATA audit recommendations	—	Achieved savings of 1,128,014 kg of fuel or 3,553 tCO <sub>2</sub> -e, primarily due to Lightweight LD3 Unit Load Devices	Achieved savings of 3,633,950kg of fuel or 11,468 tCO <sub>2</sub> -e	In progress
5% annual reduction in electricity use against FY11 baseline	56,210,433 kWh (FY11)	8.8% reduction compared to FY16 43% reduction compared to FY11 baseline (6.1% annual reduction)	0% reduction compared to FY17 <sup>1</sup> 43% reduction compared to FY11 baseline (4.5% annual reduction)	In progress
100% electric vehicles in light ground fleet (where feasible) by end FY18	0% (FY15)	100% electric vehicles (76 vehicles) where feasible	100% electric vehicles (77 vehicles) where feasible	Achieved
1.5% average annual improvement in aviation fuel efficiency (2009-2020) (IATA industry target)	0.93 tCO <sub>2</sub> e per revenue tonne kilometer (FY09)	0.3% improvement compared to FY16 20% improvement compared to FY09 (2.5% average annual improvement)	1.1% improvement compared to FY17 21.4% improvement compared to FY09 (2.4% average annual improvement)	In progress
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 target in FY18	—	25% new lease agreements qualifying as green leases	Achieved

<sup>1</sup>Future gains in electricity reduction will be incremental as our energy reduction programme has reached the point where major reductions and easy wins have been achieved. We will continue to focus on maintaining achieved reductions.



# Spotlight on climate science in Antarctica

## Changes in ocean currents and weather patterns are driving changes across the whole planet

Air New Zealand's continuing partnership with Antarctica New Zealand and the New Zealand Antarctic Research Institute is crucial to understanding how changes in Antarctica, such as ocean currents and weather patterns, are driving changes across the whole planet. Antarctica's role in global change research helps us to figure out the implications for the future.

In January this year our inflight safety video (viewed by 18.8 million people online and 5.7 million passengers) and website and video content focused on the continent and its importance to climate change research. It was not without controversy, but part of our mission is to help people understand what's happening and how climate change will affect us, which is an integral part of Antarctica New Zealand's mission that we can support.

people viewed our safety video online

# 18.8 million

# Sustainable Tourism and Regional Development



## Why this matters

Air New Zealand's commercial success needs a strong tourism market, connecting New Zealand through its 20 domestic ports and enabling trade. International visitors grew by 3.8 percent in the year ended 30 June 2018 and related spend by nine percent. Tourism contributed 10.5 percent of GDP in the year ended March 2017 (\$26 billion)<sup>1</sup>, is New Zealand's largest export earner and is a critical driver of regional employment. Air New Zealand has benefited from this growth, experiencing a five percent increase in our network capacity in 2018.

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. To help achieve this, we are committed to working with partners including the Government, Tourism New Zealand (TNZ), the Department of Conservation and Qualmark, as well as Regional Tourism Organisations (RTOs), to ensure that industry structures, tourism proposition and industry infrastructure can sustain quality growth.

<sup>1</sup>\$26 billion, consisting of \$14.7 billion direct contribution and \$11.3 billion indirect value-add of industries supporting tourism.

Source: Tourism Satellite Account, March 2017.

# Panel Q & A

## Sustainability Advisory Panelist Dr Susanne Becken

**suggests how tourism can lead to stronger economic and social outcomes**

*Dr Susanne Becken is Professor of Sustainable Tourism, Director of Griffith Institute for Tourism, Griffith University, Queensland, Australia. Susanne is a globally recognised expert in the field of sustainable tourism, in particular climate change and resource management. She is a contributor to the Sustainability and Social Responsibility committee at the Pacific Asia Travel Association.*

**Q: What are the challenges and opportunities presented by sustainable tourism for regional centres like Tairāwhiti Gisborne?**

It is essential to understand what types of tourism and how much of it a region wants. I think the Tairāwhiti region would like a little more – but the community must be part of it, something that has not necessarily been considered in the past. To achieve this requires consultation as well as robust data on carrying capacity and resource limits.

The opportunity from well-managed tourism is clear: it brings investment, generates a cash flow, creates jobs and educational opportunities. It can also help revitalise culture and protect nature, and trigger more

comprehensive governance and sustainable management. And it creates (or reinforces) an identity and pride for the region. In the case of Tairāwhiti Gisborne there is tremendous potential based on Māori tourism but also food tourism. The downsides, if not managed well, are equally obvious: environmental damage, undermining of culture and exacerbating existing social disparities, economic benefits not well distributed or completely leaving the region. Often control sits outside the region and people are disempowered. The existing structures in Tairāwhiti make this unlikely.

**Q: How can all parts of the tourism industry collaborate to manage the challenges of tourism growth?**

Good tourism governance must involve public-private partnerships and involve the local communities. A substantial player like Air New Zealand secures access to the region and can ensure that well-planned development happens. Working collaboratively with Activate Tairāwhiti (an integrated tourism and economic development agency) co-funded by Eastland Community Trust and the local council, and partners for new tourism products, represents a new model where tourism is part of a broader regional development strategy with input from all key stakeholders. The approach currently applied in Tairāwhiti could be used to scale -up or cross-fertilise tourism in other regions.

The shortage of labour (shown in some regions reliance on low-

paid backpackers) tells us that at places and times we have more tourism than we can service. Some countries measure tourism success by the establishment of new (local) businesses, not jobs per se, and higher paid tourism jobs like architecture, design or planning. Globally we talk about tourism having a ‘social licence’ to operate. In Europe and parts of Asia there’s an undercurrent of resentment, and we want to avoid this situation here.

New Zealand has marketed the same places for the past 100 years; but in recent years Tourism New Zealand and businesses have begun to promote other places and off-season travel with some success. However, dispersing tourists into the regions requires investment. Some of this is already happening through the Government’s Tourism Infrastructure Fund and Provincial Growth Fund, but this is likely not enough. In addition to catching up on upgrading existing infrastructure, more investment into new attractions, routes, and assets is necessary.

**Q: How are other countries or regions growing the value of tourism for communities and supporting sustainable tourism?**

Globally, countries are moving from marketing – bringing in more visitors – to management. Norway, which is not so different from New Zealand, measures the value and opportunity of tourism using broader indicators (for example, proportion of qualified versus low paid jobs, gender of workers, number of startups, in addition to traditional measures such as employment and visitor expenditure) to focus on higher yielding visitors.

An increasing number of countries have some kind of user-pays principle (or tax). There are many examples. Measuring impacts is key to being able to manage tourism.

**Q: What is the leadership role Air New Zealand can play?**

It leads by example by presenting a value-driven approach – to the customer, to employees and to the community, as well as shareholders. Working with certified businesses, supporting high integrity carbon credits, and forming new partnerships for regional development that are based on trust and equality are all important mechanisms to ensure we do not follow a race to the bottom but to the top.

Due to its size and its status as one of the most trusted companies in New Zealand, Air New Zealand is uniquely placed to shape the direction of sustainable tourism in this country. This is unique in the world, as most airlines focus on their business of transporting people and goods and forget that they play a significant role in how destinations rise or fall. Air New Zealand recognises its role as part of New Zealand tourism, and the positive impact it can make.



# 48.4%

## international visitors travelling in shoulder season

### Promoting regional and seasonal dispersal

One of Air New Zealand's key goals is to encourage visitors to experience more regions to help grow regional economies, while supporting our domestic network growth. While we achieved an increase in domestic capacity of just under five percent in 2018, we recognise there is more we can do to better support the social and economic outcomes of our regions, using tourism as a key driver of development.

Air New Zealand's sponsorship of TRENZ, the New Zealand tourism industry showcase, supports regional dispersal by enabling tourism businesses and regions from all over New Zealand to meet with international travel buyers and distribute their products in international markets.

We worked closely with Tourism Industry Aotearoa and Tourism New Zealand (TNZ) to bring in tourism trade buyers from 29 countries to meet with over 300 New Zealand tourism companies. As TRENZ 2018 was held in Dunedin, this provided the opportunity to work with the Regional Tourism Organisations in the Southland, Waitaki and Otago regions to enable 120 buyers to experience those regions, with a view to increasing the range of tourism products from these regions sold internationally.

To further support tourism to Dunedin, we signed a Memorandum of Understanding (MoU) with Dunedin Airport to jointly promote the region's unique attractions. We also announced five additional return A320 services between Dunedin and Auckland per week from October, increasing seat capacity between Dunedin and Auckland by close to 25 percent.

In addition, we have worked with Christchurch City Council, Te Rūnganga o Ngāi Tahu, Canterbury Employers' Chamber of Commerce, Christchurch-NZ on a MoU to further support economic development in and around Christchurch city.

In international markets, our marketing partnership with TNZ is critical to ensure New Zealand stands out as a premium destination on the world stage. We renewed our partnership with TNZ for the sixth consecutive year and have committed to undertake joint activity in Australia, China, North and South America, Japan, Singapore, the United Kingdom and Europe. The activity we undertake includes marketing campaigns to attract visitors to New Zealand in shoulder season periods (April to November), trade education and PR activity.

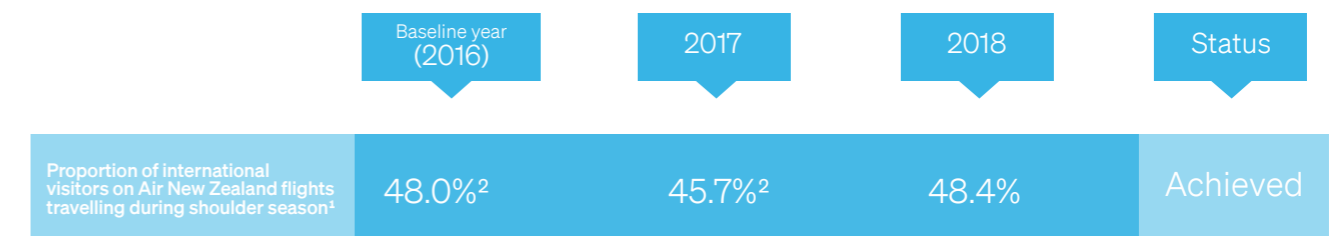
### Our domestic network and domestic marketing

Investing in our regional network is a key driver of economic growth in the regions, and we currently offer over 400 flights daily to 20 domestic destinations. This year we added four ATR72-600s to our domestic fleet, and beginning in 2020, we will also be introducing A321 NEO aircraft on routes which will provide significantly more seats across the network. Alongside this, we opened three new lounges in Hamilton, Palmerston North and Queenstown, to help improve the customer experience at these airports.

To continue to grow our regional network, this year we adjusted our regional schedule to better match our aircraft seat capacity to areas of growing customer demand to ensure resource is deployed where demand is greatest. This resulted in the suspension of our Auckland - Kapiti service in April 2018.

We are aware of the potential impact on communities when we make the decision to exit a domestic route. When we exit, we offer to make operational information and equipment available to any airline seeking to operate the service. We are pleased to see Air Chathams now operating to Kapiti. As other carriers grow in size and scale, aviation services in New Zealand become deeper and more resilient.

Our domestic marketing campaigns have also driven domestic tourism to a wider number of destinations. Our targeted digital campaigns promote regional specials to fill off-peak gaps, and we also run charter flights to events such as the Hokitika Wildfoods Festival, the Bluff Oyster Festival and Hawkes Bay International Marathon.



<sup>1</sup> April to November.

<sup>2</sup> To ensure comparability between years, earlier years' results have been re-stated to reflect a consistent reporting period.

# Supercharging Tairāwhiti Gisborne

The development of Tairāwhiti Gisborne's tourism proposition and creating demand for services has been a big focus of Air New Zealand since the retirement of the 19-seat Beech aircraft and the introduction of our larger 50-seat Q300s in 2016. In the past 12 months we have carried more than 170,000 customers to and from Gisborne, a 30 percent increase on five years ago.

After nearly six years of engagement with stakeholders including Ngāti Porou, the local council, Activate Tairāwhiti, the Chamber of Commerce, and Gisborne Airport, Ngāti Porou Holding Company and Air New Zealand this year signed a Partnership Agreement to create long-term shared value – commercially, socially and environmentally. The Agreement opens a new chapter in the role we can play to jointly deliver the aspirations of iwi around the country.

The partnership supports the development of a cultural tourism experience on Mount Hikurangi, explores the opportunity for procurement of Ngāti Porou products and identifies joint environmental and conservation efforts. This year we signed our first deal to purchase forestry carbon credits from a Ngāti Porou-related entity to support our Emissions Trading Scheme obligations.

With support from the Government's Provincial Growth Fund, we are working with Activate Tairāwhiti and regional stakeholders to build product and business capability. The initial focus is on three tourism propositions, including one on Mount Hikurangi, which draw out the region's unique proposition – a place steeped in rich history and culture, with pride in its deep connection with the ocean and seafaring history.

Our goal is to set up a road map that can be rolled out to other regions across New Zealand to drive regional development and sustainable tourism.

# “Pushing for iwi to be part of the conversation at the beginning”

## Employee Voice

**Henare Johnson, Cultural Development Specialist (Ngāti Manawa, Tuhoe, Ngāti Whare, Ngāti Porou) on partnering with Ngāti Porou for tourism and economic development**

“In the past two years I've been supporting regional engagement, assisting relationships with local iwi, Ngāti Porou, and local businesses. It was a Māori way of approaching things, pushing for iwi to be part of the conversation at the beginning and not when the project is nearly finished. There was an opportunity to increase the number of Māori commercial tourism operators, and strengthen partnerships between operators and the development agency. Early iwi engagement and continual involvement in the process enabled an authentic approach to enhance the Māori content.

Ngāti Porou hosted us in their rohe (region) and showed us their aspirations and initiatives; we said 'thanks for sharing with us' and we invited them to Air New Zealand. To show what corporate tourism looks like, we shared our 15-step customer experience plan and opened up the channels to our Air New Zealanders – marketing, branding, procurement, sustainability – so that their iwi could see what a whole visitor experience is.

Ngāti Porou emphasised they wanted more than a transactional relationship but a partnership based on mutual values. This made it easier for them and us to share knowledge and support contributing to regional success.

Feedback from research showed that cultural experiences were a strong expectation for a Tairāwhiti visitor. My biggest buzz is that the partnership has developed opportunities for both organisations, beyond the initial conversation. It hasn't been rushed, and we've all been 'respectfully impatient'.”

Te Rūnanganui o Ngāti Porou. Photograph by Strike Photography.

Since 2012,  
Air New Zealand has relocated

**2,799**

**threatened species  
and conservation dogs**

**Supporting conservation and regional dispersal through our partnership with DOC**

We want to help ensure New Zealand’s ecosystems and biodiversity are restored and protected for future generations. Our partnership with the Department of Conservation (DOC) enables us to support conservation projects alongside the Great Walks, Short Walks and Day Hikes, and aligns with our commitment to regional dispersal. We directly fund biodiversity projects to restore nature to these places, including increasing populations of some of our rarest birds, and enhancing the visitor experience. We are able to help diffuse visitors beyond the highly popular Great Walks by using our communication channels to highlight the less populated places.

Through our partnership an additional 6,000-hectare pest control network was established in 2017 across the Goulard Downs area of the Heaphy Track to create a safe home for a second wild population of takahē and other at-risk species such as the whio/blue duck and great spotted kiwi. In March, an Air New Zealand charter flight from Queenstown to Nelson relocated 18 takahē, in partnership with DOC, Ngāi Tahu, Manawhenua ki Mohua and other corporate partners, to return them to where they had not been present for more than 100 years. This is a significant step forward for conservation in New Zealand.

Since 2012, Air New Zealand has operated flights to relocate 2,799 threatened species and conservation dogs, and supported close to 24,000 hectares of sustained pest control.

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

**2018**

Projects active on five Great Walks: Whanganui River Journey, Abel Tasman Coastal Track, Heaphy Track, Routeburn Track and Milford Track (Lake Waikaremoana on hold)

**2017**

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

**2016**

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



# Sustainable Procurement

## Why this matters

With an annual spend of over \$1.1 billion<sup>1</sup> in contestable spend, we recognise that Air New Zealand has a significant opportunity to advance sustainability through procurement. With our scale and brand strength, we can also supercharge the country's success by supporting regional and sustainable producers, driving demand for these products and services.

Within New Zealand, businesses of all sizes are grappling with supply chain risk, illustrated by the emergence of legislation in some countries to prevent modern slavery. We are challenged by the complexity of global supply chains and are working towards increasing visibility back to source.

This starts with how we make sustainability a core part of procurement – from development of stronger sustainability strategies when selecting partners to driving sustainability-based improvements through our supplier relationship management programme. Only through taking a lifecycle view of procurement can we truly procure sustainably.

<sup>1</sup> This excludes fuel, airport fees, aircraft, taxes and labour.

# Panel Q & A

## Sustainability Advisory Panelist Sir Rob Fenwick

**discusses the challenges and opportunities of procuring sustainably**

Sir Rob Fenwick, the first New Zealander knighted for services to both business and conservation, focusses on encouraging businesses to put environmental responsibility at their core. He founded the country's first commercial composting business, Living Earth and 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.

**“In New Zealand our stocks of natural capital – our soil, fresh water, marine environment and biodiversity are all declining”**

Q: What are the key challenges with ensuring that procurement in a multi-tiered global supply chain meets global standards for ethical and social compliance and improves sustainability outcomes?

One way Air New Zealand can demonstrate strong leadership is to influence change through procurement. It's one of the most powerful levers to manifest change when it is done with consistency and integrity. This came into play when the airline served plant-based Impossible Burgers on Business Premier out of LA recently. It was a chance for the airline to open a debate and explore a new set of values that challenged conventional thinking.

People have been farming animals, and milking cows, almost as long as we've had agriculture. The line between what is acceptable and what isn't is constantly shifting. In New Zealand our stocks of natural capital – our soil, fresh water, marine environment and biodiversity – are all declining and in 100 - 200 years, on the current trajectory, there may not be enough to sustain a functional economy. How do you change

consumer behaviour and policy settings to ensure intergenerational stewardship? Air New Zealand is one of a few companies that understands this stuff and has acknowledged the need to protect ecosystems. It will be extremely challenging.

Q: How do we collaborate and partner to solve these challenges?

I'm convinced the way to instill long-term changes among businesses is through strategic partnerships with suppliers in a way that produces positive social and environmental outcomes. It's no longer about running a tender followed by a contractual supplier relationship with minimum intervention. That will not achieve the step change we need. As a major purchaser I think Air New Zealand understands the complexities and difficulties in meeting sustainability criteria and can share those experiences with suppliers. This approach requires a significant investment from both parties, and in many instances collaboration beyond both the purchaser/supplier relationship. We also need to acknowledge that this scale of change takes time.

Q: What is the leadership role that you want Air New Zealand to play?

It has the purchasing heft, but more importantly, Air New Zealand has made the commitment to sustainable procurement – it's on the record. Suppliers know they have to step up to those standards and it can create a powerful ripple effect through the supply chain. Suppliers will ask themselves how much they want to be an Air New Zealand partner, and how much of an investment in people, processes, systems they are prepared to make to get there.



## A more strategic approach

Under our refreshed Sustainable Procurement Strategy, we have strengthened the governance and management of sustainable procurement activity. Our strategy and execution plan is governed by an Executive Steering Group and led by a Sustainable Procurement Working Group. This enables collaboration and alignment across multiple business units, including Customer Experience, Operations Delivery, Procurement, Sustainability and Crew.

Over 40 percent of our total procurement spend is based offshore, both servicing the ports we fly to and in goods imported to New Zealand, so the challenge is achieving visibility across our complex supply chain to gain a comprehensive understanding of the greatest risks and opportunities, so that we can manage this systematically.

As a minimum, our [Supplier Code of Conduct](#) is used to communicate our expectations to suppliers around social, environmental, labour and ethical practices. We have achieved positive assurance from suppliers, representing 93 percent of our spend<sup>1</sup>, that they meet the expectations outlined in the Code.

This [Code of Conduct](#) is a starting rather than end point for our engagement with suppliers. We recognise that we also need to proactively engage suppliers on the sustainability of their services, products and practices, particularly for supply categories we have identified as high risk, notably food and beverage and inflight products.

To support this, we are now incorporating sustainability considerations into the documentation that governs our procurement process, such as Request For Proposal documents.



# Sustainable Food and beverage

Air New Zealand spends \$206 million a year on food and beverage supplied to our flights and lounges through catering companies in New Zealand, Australia, North America and other ports in Asia and Europe.

This gives us the opportunity to showcase our nation's produce in flight and in our network of domestic lounges - including fresh seafood, beef and lamb, fruit and vegetables and award-winning wines. In the past year alone, we served around 1.3 million New Zealand-sourced beef and lamb meals in flight. We are also one of the world's largest single servers of New Zealand wines.

We recognise the importance of ensuring that products in our inflight meals can be traced back to farm. For example, while all inflight meals prepared from New Zealand feature local beef, lamb and chicken, we are now working with our inflight caterer to improve information on provenance, globally. At times we are having to make tough decisions. Prawns have been removed from the inflight menu while we investigate alternative sources, as we cannot currently assure their production is in line with our Supplier Code of Conduct requirements regarding environmental protection and labour rights.

As a global company, we also scan for new food trends, and source locally at our international ports where we can. This led to our partnership with Silicon Valley food tech start-up Impossible Foods, which produces the Impossible Burger. In July 2018, we served the plant-based Impossible Burger in our Business Premier™ cabin on flights from Los Angeles to Auckland. The partnership is an example of collaboration to offer our customers cutting-edge sustainable cuisine.

Back home, small and medium-sized enterprises (SMEs) comprise over 95 percent of businesses in New Zealand, yet some SMEs do not possess the capacity or capability to supply to corporate supply chains. We are sharing information about our requirements and processes to give SMEs a more detailed understanding of our supply chains, and are reaching out to regional producers. For example, on the East Coast we are evaluating products and the quality processes required to bring iwi products into our catering supply chain.

To help transition to sustainable palm oil across our supply chain, we joined the Roundtable on Sustainable Palm Oil (RSPO) as a Supply Chain Associate Member and are working with our caterers to identify which products contain palm oil, so we can ensure it is sourced sustainably. This is a complex process given our position at the end of the supply chain, the number of caterers we use globally, the scale of products and ingredients used to create our inflight menus, and the lack of stringent food labelling requirements in New Zealand (for example, palm oil can be labeled as vegetable oil or natural oil on packaging).

These challenges mean we have not met the initial timeframes we set for some of our [Palm Oil Position Statement](#) commitments – regarding mapping the source of palm oil used in products supplied to Air New Zealand to palm oil mill and ensuring only certified sustainable palm oil in these products. However, we will continue to collaborate with our suppliers, other corporates tackling similar challenges, and the RSPO, to accelerate progress on our goals.



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

# Waste and Plastics

## Why this matters

**Worldwide,  
it is predicted there will be  
more plastic in the ocean  
than fish by 2050**

Our customers are increasingly concerned about the widespread use of plastics. Not surprisingly, research shows the build-up of plastic in the environment is the top environmental concern for New Zealanders<sup>1</sup>. Worldwide, it is predicted there will be more plastic in the ocean than fish by 2050, as most plastics have a lifespan of over 500 years, and only five percent are currently recycled effectively.

Business needs to be part of the solution. To achieve our own ambitious waste reduction targets, we recognise we will need step changes in procurement practices, infrastructure, and a stronger waste reduction culture.

We are challenged by the vast range of products we use – with 400 product types loaded onto aircraft alone. Limited recycling infrastructure in New Zealand is also an issue, particularly since China and a number of South East Asian countries have stopped accepting exported plastics in their recycling facilities. There is only one PET recycling facility in New Zealand, and we can no longer send the volume of fabric type used in our uniforms to local textile recycling plants so are searching for an alternative. New Zealand has some of the cheapest waste disposal costs in the world (it costs \$10 per tonne to send waste to landfill, compared with around \$170 per tonne in the United Kingdom), so there has been little financial incentive for New Zealanders to divert resources for reuse or recycling, or for investment in such infrastructure.

Despite these challenges, we are committed to working with our employees, suppliers and other external stakeholders to substantially reduce waste to landfill, and single-use plastics.

<sup>1</sup> Colmar Brunton Better Futures Report, 2017.

# Panel Q & A

## Sustainability Advisory Panelist Sir Rob Fenwick

discusses whether a single-use plastic-free New Zealand is possible and the role of corporates like Air New Zealand to help make this happen

Sir Rob Fenwick, founded the country's first commercial composting business, Living Earth and co-founded the New Zealand Business Council for Sustainable Development.

**“We have become reliant on generations of very clever technology becoming a part of our lives”**



**Q: What is the role of prevention versus disposing of plastics at the end-of-life? How can we do this via our procurement?**

It's a big hurdle, the plastic tsunami is only one of the things that we're facing along with climate change, declining biodiversity and so on. We're trying in a very short space of time to reverse the behaviours of generations – we have sat on our hands for far too long and we're running out of time. For both the individuals and organisations, reducing plastics must start with purchasing less. We can't wait for a technology to fix the waste stream, we just have to use less of it in the first place.

**Q: What role do corporates have in the solution to plastic-free futures?**

Air New Zealand has the opportunity to become single-use plastic-free inflight. At first, the airline can only start with that ambition. Say it out loud, then it gets a lot easier. Air New Zealand is good at being ambitious, at believing things to be possible: set that goal, have a timetable and it drives you so you're more likely to get there.

**Q: Are there waste system changes that are needed?**

In short, yes. I probably get two proposals a month from inventors and interesting people proposing to do things like convert polymers into something useful. Some of them are pretty sharp, others of course pie-in-the-sky. While scale has always been a problem for manufacturing investment in New Zealand, necessity is the mother of invention, and now that we can't push our plastics offshore we can't put it out of our minds. If there's enough demand and investment conviction, we'll find things to do with plastic.

**Q: Is a plastics-free New Zealand possible?**

We need to recognise two truths about plastic. First, it's made from a non-renewable resource. Whether it takes three or four generations, we're going to run out of hydrocarbons and we'll have to find another material to do the job of plastic, so let's start on that innovation journey now. The other truth is the price of plastic is artificially cheap because the cost of its damage to the marine and terrestrial environments isn't included in the price we pay as consumers. That's why the

wretched stuff is everywhere and has become so fiendishly difficult to clean up.

**Q: What is the leadership role you would want Air New Zealand to play?**

The power of a corporation is its influence, the heft of a cheque book can change behaviour. But these things get harder and harder – not easier – the more you get into it, there are more layers and detail. The trick is to keep focussed on the ultimate mission and try to keep that simple. Air New Zealand can affect the way employees and customers think, make it part of the family psyche so that people take pride in the airline and want it to lead.

I'm so excited by Project Green. Everyone said it would be a challenge because of strict biosecurity rules here in New Zealand. But the company looked at the risks, and the influence it needed to have, and found it could do this. I'm proud of Air New Zealand for this achievement: a small airline at the bottom of the world is an exemplar in finding solutions that reduce cabin waste and save valuable food resources without compromising quarantine controls.

## Zeroing in on waste management

This year we introduced a wider set of waste reduction targets. Although when comparing like-for-like waste results between years, we have seen an improvement in two of our targets (diversion from landfill at Auckland ground sites and diversion from landfill of domestic jet inflight waste), in 2018 we did not achieve our targets, and acknowledge we need to work determinedly to turn this around in future years.

Our first step was to understand the drivers for these results. Overall there was an increase of 13.5 percent (336 tonnes) of waste generated in 2018 compared to 2017 across both inflight and ground operations, which can be partly attributed to a 6.4 percent increase in our passenger numbers since last year, and increased volumes of procured product. Recycling infrastructure capability and processes did not match this increase, which resulted in a greater volume of waste being sent to landfill.

This year we also widened the number of ground sites we are actively managing and measuring, to include lounges as well as offices and terminals. While the overall business waste profile is now more complete, poor waste management performance, in particularly in lounges, resulted in lower results overall for ground sites.

Following trials which saw a 14 percent increase in diversion from landfill, we have invested in additional organic waste infrastructure and services at our major employee ground sites to help separate more waste at source. We have also increased employee engagement in the issue of waste generation and separation at source. This has been supported by the Properties team extending the company design manual from customer-facing lounges to all parts of the organisation, including for infrastructure such as recycling bins, signage and fixtures.

Looking forward, to help us achieve our ambitious targets, for the first time for our waste management contract, Air New Zealand has gone to market asking potential suppliers to partner with us on a more strategic approach to meeting our waste reduction targets. To drive this systemic change, we believe new supply contracts must include shared financial incentives and landfill reduction targets.

A further focus in the next 12 months is switching to preventative management through a focus on what we are procuring in the first place, as well as reusing or extending product life.

	Baseline year	2017	2018	Status
85% diversion from landfill at Auckland ground sites by end FY18 (zero waste to landfill by end FY20) <sup>1</sup>	65% (FY15)	BAU: 75% Including special projects: 76.8%	BAU: 75.2% Including special projects and increased sites/ scope of reporting: 73.4%	Not achieved
75% diversion from landfill at non-Auckland ground sites by end FY18 <sup>2</sup>	71.8% (FY17)	BAU: 70.5% Including special projects: 71.8%	BAU: 69.1% Including special projects and increased sites/ scope of reporting: 68.3%	Not achieved

<sup>1</sup> Between FY15 and FY18 the scope of waste reporting has increased across the business to include more sites. In FY17 special projects waste (which sits outside BAU waste streams) resulted in a material increase in diversion from landfill. To allow for like-for-like comparison of waste generated, waste data has been broken down into Business as usual (BAU) and including special projects.

# Moving away from single-use plastic inflight

**Plastics are top of mind for us, and our customers, who regularly share feedback about the amount of plastic and single-use items in service**

In early 2018 we removed plastic straws from lounges and our current priority is a focus on the top 'offenders' of single-use inflight plastic to rapidly replace these with lower impact alternatives – drink stirrers, headset and blanket bags, and snack trays.

We have gone to market, both domestically and globally, to see how suppliers can support our shift away from plastic to lower impact alternatives with higher environmental integrity (such as being legitimately commercially compostable or made from materials other than fossil fuels) that still meet operational needs (for example, food safety requirements, ease of handling or security).

Alongside this we commissioned an independent Life Cycle Analysis to provide technical recommendations for the lowest impact product substitutes for plastic bags, utensils, lids, and coffee and water cups, considering both their manufacturing footprint and recycling infrastructure to manage end of life use.

In the coming year we will transition out of single-use plastic items that we procure for use on our domestic inflight network, so that items are either reusable, compostable, or fully recyclable within New Zealand.

# Collaboration key to tackling inflight waste



**Globally some 20 percent of food and beverage is wasted, and this is a major issue that airlines need to help solve**

Launched in 2017, Project Green has reclassified 40 Air New Zealand products, previously sent to landfill in New Zealand because of biosecurity controls, to be reused on future flights if they are removed from aircraft sealed and untouched.

To make this happen, over 400 inflight product types were evaluated with our inflight caterers LSG SkyChefs (LSG), and the Ministry for Primary Industries (MPI), to identify which products could be safely reused or recycled.

Thanks to Project Green, in the first 12 months of operation at Auckland we met and exceeded our initial target of removing 150 tonnes of inflight waste from landfill, as well as a further 82 tonnes of glass. In all, some 10 million stock items were recovered and re-used on flights, the equivalent weight of an empty Boeing 777 aircraft. The IATA airline industry average for inflight recycling is 0.5 percent<sup>1</sup>, and this year we achieved recycling of 6.8 percent at LSG Auckland with 250 tonnes reinjected or recycled out of a total catering waste volume in Auckland of 3,360 tonnes per year.

The success of Project Green has prompted the next phase of reducing waste: examining the number of products loaded on to the plane in the first place. Reducing this load not only reduces waste, but also lowers weight and ultimately fuel consumption on the aircraft, leading to both emissions and cost savings. We are also working with MPI to widen the scope of Project Green beyond the first 40 products, and to sites in Wellington, Christchurch and Queenstown.

	Baseline year (2017)	2018	Status
50% international inflight dry waste diverted from landfill at Auckland by end FY18	49.6%	46.2%	Not Achieved
50% of domestic jet inflight waste diverted from landfill by end FY18	28.8%	37.1%	Not Achieved

<sup>1</sup> IATA Cabin Waste Working Group, 2018.

## “I want to make a difference now, for the business and for the future”

### Employee Voice

**Gina Eberle, Boeing 777 Flight Service Manager, on how cabin crew embrace waste reduction as part of Project Green**

“I joined Air New Zealand 25 years ago, but my first exposure to reducing our waste and to Project Green wasn’t until early 2017. This was the first initiative I have seen which could have a significant impact.

The way I champion this with my team is simple: I ensure we all put things back, we don’t open items we may not need, and we redistribute stowed items so that they’re not unnecessarily disposed of. I start the process 24 hours before each of my flights, when I email the team my expectations, and best practices for minimising waste. I stress to the team that this initiative is about so much more than saving money and commercial sustainability. Of course that has its place, but ultimately it’s about environmental sustainability. I organise opportunities for groups of crew to spend time going through LSG Sky Chefs and see for themselves how Project Green works. This leads to great discussions about how we can all prevent waste.

I want to make a difference now, for the business and for the future. I really feel that this is ultimately about protecting the planet my children will inherit. There’s a lot of passion amongst crew about this, and about how much more we all can do.”

# Air New Zealanders

Target	Baseline Year	2016
Increasing proportion of Māori and Pasifika in management positions throughout the organisation to 20% by 2022	13% (FY18)	—
Reported rate of injuries <sup>1</sup> reducing by 15% year on year resulting in a rate of less than 10 by end FY20 (against FY17)	Reported rate of injuries of 15.22 (FY17)	Reported rate of injuries of 17.94 (18% increase from FY15)
90% execution of Critical Risk Management Plans (CRM) with controls tested by end FY20	25% of CRM Plans in place with controls tested (based on Critical Risks Gap Analysis) (FY17)	—
Achieve an average Flourishing Scale score of 45 or better by end FY20 against FY17 <sup>2</sup>	New target in FY17	—
75% employee engagement by end FY20 <sup>3</sup>	67% (FY14)	69%
50% Senior Leadership Team female by end FY20 <sup>4</sup>	16% (Jan 2013)	30%
70% of our Senior Leadership Team (SLT) alumni attain Executive level, Non-Executive Director or SLT roles in organisations with New Zealand interests	86% (FY18)	—
Increase proportion of employees who participate in community programmes	New target in FY18	—

2017	2018	Status
—	13%	
Reported rate of injuries of 15.22 and 288 employee injuries (15% decrease from FY16)	Reported rate of injuries of 11.20 and 215 employee injuries (26% decrease from FY17)	
25% of CRM Plans in place with controls tested (based on Critical Risks Gap Analysis)	100% critical risks and controls registered in the Enterprise Risk Register 50% of controls tested	
Flourishing Scale score of 47.8	Flourishing Scale score of 47.0	
—	71%	
39%	39%	
—	86%	
—	276 employees participated in Greenteam activities	

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

<sup>2</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>3</sup> Your Voice employee engagement survey conducted on bi-annual basis using Aon global Engagement methodology.

<sup>4</sup> In FY18 the target has been revised from 40 percent to be 50 percent female membership on the Senior Leadership Team by end FY20. In FY18 females represented 41.6% of Air New Zealand's workforce.



# Our Communities

Target	Baseline Year	2016
Impactful projects implemented in East Coast to drive social and economic benefit by end FY18 <sup>1</sup>	Northland (Te Tai Tokerau) and East Coast (Tairāwhiti) identified as target regions (FY17)	—
Community activities implemented in every New Zealand region Air New Zealand flies to (20 ports)	—	Airpoints™ for Schools and Inspiring Voices implemented
Full compliance with ICAO noise standards for aircraft fleet	—	No notified noise breaches in FY16
Red cross supported to respond to all disasters in New Zealand and the South Pacific	—	—

2017	2018	Status
New in FY18 Initial activities underway	<ul style="list-style-type: none"> <li>Product development project implemented to support capability to bring three cultural tourism products to market (Mt. Hikurangi, Waka Hourua and Chardonnay Express)</li> <li>Air New Zealand and Ngāti Porou partnership agreement signed</li> <li>Scoping of measurement framework commenced (to measure social, economic and environmental progress in region)</li> </ul>	
Airpoints™ for Schools with 10 schools selected in FY17 Inspiring voices discontinued in FY17	<ul style="list-style-type: none"> <li>Activities implemented in 18 ports</li> <li>Significant community activity throughout the regions with the involvement of Koru Care Dreamliner flight, Airpoints™ for Schools covered all but 7 ports</li> <li>Two ports were not delivered to - Blenheim and Hokitika</li> </ul>	
No notified noise breaches in FY17 Achieved full compliance with ICAO noise standards	No notified noise breaches in FY18 Achieved full compliance with ICAO noise standards	
Air New Zealand not called upon for response in FY17	<ul style="list-style-type: none"> <li>Cargo provided support to MFAT, Red Cross, and UNICEF after cyclone Gita in Tonga</li> <li>17 tonnes of humanitarian relief including, but not limited to, the following items:                             <ul style="list-style-type: none"> <li>- Blankets</li> <li>- Jerry Cans</li> <li>- Kitchen Sets</li> <li>- Solar Lamps</li> <li>- Mosquito Nets</li> <li>- Shelter Tool Kits</li> <li>- Tarpaulins</li> <li>- Generators</li> </ul> </li> </ul>	

⊗ NOT ACHIEVED    SOME PROGRESS    IN PROGRESS    SIGNIFICANT PROGRESS    ACHIEVED

<sup>1</sup>In FY18 target was adapted to focus approach on the East Coast to have maximum impact.

# Carbon

Target	Baseline Year	2016
All online sales channels provide voluntary offsetting opportunities in booking flow for customers by end FY18 (discontinued in FY18)	—	—
Increase number of customer journeys offset voluntarily	38,943 (FY17)	—
1.5% average annual improvement in aviation fuel efficiency (2009-2020) <sup>1</sup>	0.93t CO2e per revenue tonne kilometer (FY09)	2.9% improvement compared to FY15 20% improvement compared to FY09 2.9% average annual improvement)
Carbon Reduction Programme implemented in line with IATA audit recommendations	—	—
5% annual reduction in electricity use against 2011 baseline	56,210,433 kWh (FY11)	15% reduction compared to FY15 40% reduction compared to FY11 (6.7% average annual reduction)
100% electric vehicles in light ground fleet (where feasible) <sup>3</sup> by end FY18	0% (FY15)	13%
55% electric Ground Service Equipment (where feasible) <sup>3</sup> by end FY18 (100% by end FY20)	32% (FY15)	50%
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	25% (FY18)	—
85% diversion from landfill at Auckland ground sites by end FY18 (zero waste to landfill by end FY20) <sup>4,5</sup>	65% (FY15)	74%
75% diversion from landfill at non-Auckland ground sites by end FY18 <sup>4,5</sup>	71.8% (FY17)	—
50% international inflight dry waste diverted from landfill at Auckland by end FY18	49.6% (FY17)	—
50% of domestic jet inflight waste diverted from landfill by end FY18 <sup>4</sup>	28.8% (FY17)	—

2017	2018	Status
—	New Zealand online storefronts incorporated functionality	
38,943	130,282	
0.3% improvement compared to FY16 20% improvement compared to FY09 2.5% average annual improvement)	1.1% improvement compared to FY17 21.4% improvement compared to FY09 (2.4% average annual improvement)	
Lightweight LD3 Unit Load Devices saved 1,128,014kgs of fuel or 3,553 tonnes CO2-e New ground power procedures confirmed at Auckland and Christchurch  New ground power procedures confirmed at Auckland and Christchurch	The Carbon Reduction Programme saved 3,633,950kg of fuel or 11,468 tonnes CO2-e. This is comprised from the following initiatives: Acceleration altitude 415,936kg fuel (1,310t CO2-e), Ground Power 2,015,000kg fuel (6,367t CO2-e), Lightweight LD3 Unit Load Devices 1,128,014kgs fuel (3,553t CO2-e) and RNP(AR) approaches Christchurch 75,000kf fuel (237t CO2-e)	
8.8% reduction compared to FY16 43% reduction compared to FY11 (6.1% average annual reduction)	0% reduction compared to FY17 43% reduction compared to FY11 (4.5% average annual reduction)	
100% Electric Vehicles where feasible <sup>3</sup> (76 light vehicles transitioned to electric)	100% Electric Vehicles where feasible <sup>3</sup> (77 lightweight vehicles transitioned to electric)	
50.7%	51.5%	
—	25.0%	
BAU: 75.0% Including special projects: 76.8%	BAU: 75.2% Including special projects and increased sites/scope of reporting: 73.4%	
BAU: 70.5% Including special projects: 71.8%	BAU: 69.1% Including special projects and increased sites/scope of reporting: 68.3%	
49.6%	46.2%	
28.8%	37.1%	

<sup>1</sup> IATA industry target.

<sup>2</sup> Future gains in electricity reduction will be incremental as our energy reduction programme has reached the point where major reductions and easy wins have been achieved. We will continue to focus on maintaining achieved reductions.

<sup>3</sup> Where feasible refers to availability of electric models for operational requirements.

<sup>4</sup> Claim relates to the specific locations/sites that our waste contractor services directly.

<sup>5</sup> Between FY15 and FY18 the scope of waste reporting has increased across the business to include more sites. In FY17 special projects waste (which sits outside BAU waste streams) resulted in a material increase in diversion from landfill. To allow for like-for-like comparison of waste generated, waste data has been broken down into Business as usual (BAU) and including special projects.

NOT ACHIEVED SOME PROGRESS IN PROGRESS SIGNIFICANT PROGRESS ACHIEVED

# Nature and Science

Target	Baseline Year	2016
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
Antarctic Ecosystems Project delivered by December 2018	First year of Antarctic Ecosystems project completed in FY17 by NZARI scientists	—
Maintain zero environmental non-compliances	Zero environmental non-compliances (FY15)	Zero environmental non-compliances as at end FY16 <sup>1</sup>
IEnvA stage 2 certification via IATA (Core activities- Flight Operations & Corporate by end FY18) FY19 Target: IEnvA recertification via IATA with scope extended to include all activities	Maintained stage 1 IEnvA certification in FY17	—



2017	2018	Status
Projects active on five Great Walks: Whanganui Ricer Journey, Abel Tasman Coastal Track, Heaphy Track, Milford Track (Lake Waikaremoana in development), species transfer programme fully supported	Projects active on five Great Walks: Whanganui River Journey, Abel Tasman Coastal Track, Heaphy Track, Milford Track, and Routeburn Track (Lake Waikaremoana on hold), species transfer programme fully supported	
First year of Antarctic Ecosystems project completed in FY17 by NZARI scientists	Second year of Antarctica Ecosystem projects completed in FY18 by NZARI scientists	
Zero environmental non-compliances as at end FY17 <sup>1</sup>	Zero environmental non-compliances as at end FY18	
Maintained stage 1 IEnvA certification in FY17	IEnvA stage 2 certification achieved	

NOT ACHIEVED 
 SOME PROGRESS 
 IN PROGRESS 
 SIGNIFICANT PROGRESS 
 ACHIEVED

<sup>1</sup> There were five minor environmental non-compliances in FY16, and 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.

# Tourism

Target	Baseline Year	2016
Increase proportion of international visitors on Air New Zealand travelling during shoulder season <sup>1</sup>	48.0% <sup>2</sup> (FY16)	48.0% <sup>2</sup>
Promote Tourism New Zealand's Qualmark certification and certified organisations	New target in FY18	—

2017	2018	Status
45.7% <sup>2</sup>	48.4%	
—	Achieved Qualmark Gold Award Investigating opportunities to promote Qualmark organisations through Air New Zealand channels	

# Trade & Enterprise

Target	Baseline Year	2016
100% of suppliers providing positive assurance of our Supplier Code of Conduct by 2020	0% (FY15) New Code of Conduct launched	Suppliers representing 80% of our spend <sup>3</sup> provided positive assurance
Increase annual volume of New Zealand exports on Air New Zealand	42,000 tonnes (FY17)	—

2017	2018	Status
Suppliers representing 88.7% of our spend <sup>3</sup> provided positive assurance	Suppliers representing 93% of our spend <sup>3</sup> provided positive assurance	
42,000 tonnes	41,000 tonnes	

 NOT ACHIEVED 
  SOME PROGRESS 
  IN PROGRESS 
  SIGNIFICANT PROGRESS 
  ACHIEVED

<sup>1</sup> Inbound shoulder season (April to November) arrivals on Air New Zealand Source, Statistics New Zealand, International Visitors.  
<sup>2</sup> To ensure comparability between years, prior year results have been re-stated to reflect a consistent reporting period with FY18 data.  
<sup>3</sup> This excludes fuel, airport fees, aircraft, taxes and labour. Where supply agreements are not in place, Air New Zealand's purchase order terms and conditions are used to apply the Supplier Code of Conduct where the supplier spend is below \$150,000.