

1 December 2016

United Nations Global Compact – Communication on Progress

This Communication on Progress (COP) is Air New Zealand's first COP since becoming signatory to the United Nations Global Compact (UNGC) in September 2015 and reflects our continued support for the UNGC principles.

As articulated in the CEO letter accompanying Air New Zealand's 2016 Sustainability Report, we believe that the defining quality that unites all enduring, great companies is a core purpose that is bigger than just the company itself. In service of this, in 2016, Air New Zealand placed sustainability at the heart of our company purpose, committing to "Supercharge New Zealand's success economically, socially and environmentally".

We recognise that the world faces some immense challenges today, and that the need for collaboration and partnership to tackle these challenges is more vital than ever. We acknowledge the significance of the adoption of the United Nations Sustainable Development Goals, the Paris Agreement, and in October 2016, the International Civil Aviation Organization (ICAO)'s Carbon Offsetting and Reduction Scheme for international aviation, to meet the industry goal of carbon neutral growth from 2020.

Highlights within our own business performance this year that support the UNGC principles included:

- Revising our safety vision, mission and policy, with a focus on ensuring safety is a shared value, a core business function and integral to everything we do;
- Continuing to invest in a collaborative working approach for employees. We call this High Performance Engagement (HPE), which we developed jointly with union partners, international experts, and external facilitators. HPE follows the principle that those closest to the solution are best placed to address it, and employees are supported to step out of daily work to participate in HPE;
- Continuing to support strong representation of women in senior leadership roles and launching our Women in Leadership programme, designed to accelerate the development of our female talent and help achieve our target of 40% of the Senior Leadership Team to be female by 2020;
- Increasing the number of initiatives to weave Māori culture into the fabric of our business, including executive coaching and courses for the Executive and senior leaders, launching a Māori language and culture app for all employees, and collaborating with the Māori Language Commission to develop a Māori language identifier pin for fluent employees, and other fluent New Zealanders;
- Continuing to commit to the international aviation industry's carbon emissions goals, including achieving a 2.9% aviation fuel efficiency improvement in 2016, and supporting the development of ICAO's Global Market Based Measure to achieve carbon neutral growth for the industry from 2020;
- Supporting the phasing out of the one-for-two transition measure in the New Zealand Emissions Trading Scheme (NZ ETS), which provides that non-forestry NZ ETS businesses pay one emissions unit for every two tonnes of carbon dioxide equivalent emissions;
- Engaging the International Air Transport Association's Operational Efficiency team to conduct an audit of our operations, exploring how we can further reduce aviation carbon emissions;

- Issuing a Request for Information to the market (with trans-Tasman alliance partner Virgin Australia) with the aim of stimulating and securing locally produced aviation biofuel. We are continuing discussions with prospective suppliers;
- Creating what we believe to be New Zealand's leading corporate electric vehicle fleet by transitioning more than 75 of our light vehicles to electric options. Furthermore, Air New Zealand's CEO, in collaboration with Mercury's CEO and with support from Westpac New Zealand, initiated an electric vehicle pledge from other New Zealand corporates that resulted in a commitment of 1,450 new corporate electric vehicles in New Zealand;
- Continuing to work towards our target of zero waste to landfill at Auckland ground sites by 2020, achieving 73% diversion from landfill across all ground sites nationally and 74% diversion from landfill for our Auckland ground sites;
- Releasing new Sustainable Building Guidelines that apply to capital works, new buildings, office fit-outs and retrofits. These guidelines will ultimately lead to more sustainable buildings, improved operational efficiencies and higher quality workplace environments;
- Supporting Antarctica New Zealand and New Zealand Antarctic Research Institute to launch a new three-year climate science project in Antarctica;
- Continuing to support the Department of Conservation and iwi partners to both promote visitation on, and bring back native biodiversity to, New Zealand's signature Great Walk hiking tracks.

This COP complements our [Sustainability Report 2016](#), which demonstrates how we are advancing the principles in respect of human rights, labour, and environment, and acknowledges our commitment to reporting against the UNGC. Our COP signposts the sections in our Sustainability Report that describe in full our performance, and shares additional material not discussed in our Sustainability Report, in particular regarding our commitment to supporting the principle of anti-corruption. Air New Zealand also remains committed to delivering sustainability reporting and transparency with respect to greenhouse gas emissions. Please access this link for the [greenhouse gas emissions inventory, with assurance report](#), which accompanied the 2016 Sustainability Report. Further documents and policies supporting the UNGC ten principles are noted in the COP. Links are provided to online versions of these documents, where they are publicly available.

Should you require further information in relation to this COP or our Sustainability Report, please contact: sustainability@airnz.co.nz

Yours sincerely,



Lisa Daniell
Head of Sustainability
Air New Zealand

Communication on Progress

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

- Air New Zealand’s [Code of Conduct](#) sets out our commitment to the principles enshrined in the United Nations Global Compact, and the behaviour we expect from our employees. The Air New Zealand Business principles detailed in each section below are derived from our overarching Code of Conduct.
- Agreement to abide by our Code of Conduct is included in our current individual employment agreement templates, and some collective employment agreements.
- All employees (under all contract forms) are required to abide by our Code of Conduct, which is communicated as part of training modules before employment commences and refreshed on an annual basis. Code of Conduct training completion is reported to the Air New Zealand Policy Management Committee and the Audit Committee.
- In 2015, we launched our new [Supplier Code of Conduct](#), which sets out our support of the UNGC principles and the best practice behaviours we expect from our suppliers, particularly around sustainability and improving transparency. We achieved our goal in year one, of ensuring at least 80 percent of our purchasing spend complied with the Supplier Code of Conduct and are working to achieve full compliance by 2020.
- We encourage all employees to raise concerns about potentially unethical or illegal conduct, while assuring confidentiality and protection against retaliation or any form of harassment. An independent, free ‘Speak Up’ service (phone and online) is provided for situations where raising concerns via the individual’s manager or human resources business partner is not appropriate. Our Just Culture and Reporting policy and procedures support a fair and confidential process.
- Our [Group Compliance Policy](#) sets out our commitment to conducting our business activities in a manner that will best ensure compliance with the requirements of all relevant laws, regulations, codes of practice, contractual agreements company policies, and relevant third-party obligations that regulate its operations.

Human Rights

Global Compact principle	Air New Zealand Business principle
<i>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and</i>	<ul style="list-style-type: none"> • We will treat people fairly, with dignity and will pursue equality of opportunity and inclusion for all employees through our employment policies and practices. We value diversity of people and thought. • We will recruit, select and develop our people on merit – irrespective of age, race, colour, origin, gender, religious beliefs, disability, family or marital status, sexual orientation or other prohibited grounds. • We will take into account social, ethical and
<i>Principle 2: make sure that they are not complicit in human rights abuses.</i>	

	environmental considerations in our procurement and supply chain decisions.
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- Our Code of Conduct and Supplier Code of Conduct positions on Human Rights are supported by our Sustainability Framework as set out in our [Sustainability Reports](#), and the following Air New Zealand Group policies (publicly available policies are linked):
 - Disciplinary Policy
 - [Diversity Policy and Diversity Inclusion Statement](#)
 - Procurement Policy
 - Just Culture and Reporting Policy
 - Workplace Bullying and Harassment Policy
- [Air New Zealand 2016 Sustainability Report](#)
 - See the People section (pp.22-27) for a discussion of our goals, implementation and outcomes relating to people safety and wellbeing, employee engagement, diversity and inclusion, women in leadership, and leadership and talent.
 - See the Tourism section (p.51) for further information about our work to embrace and share Māori culture.
 - See the Trade and Enterprise section (p.56) for a discussion of our goals, implementation and outcomes relating to sustainable sourcing.
- At the date of this COP, 10,800 of Air New Zealand’s employees are based in New Zealand, with a further 675 employees based in Argentina, Australia, Canada, China, Cook Islands, Fiji, French Polynesia, France, Great Britain, Hong Kong, Japan, Samoa, Singapore, Tonga, and United States of America.
- We take legal advice in the local jurisdictions we operate in about human rights compliance and require managers across the organisation to comply with all company policies. Employment contracts are reviewed for compliance in each local jurisdiction and we seek compliance with policy and contract through governance and management structures.

Labour

Global Compact principle	Air New Zealand Business principle
<i>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</i>	<ul style="list-style-type: none"> • We will work in good faith, within the appropriate legal framework, with trade unions and other bodies that our people collectively choose to represent them.
<i>Principle 4: the elimination of all forms of forced and compulsory labour;</i>	<ul style="list-style-type: none"> • We will not tolerate child labour and are committed to the elimination of all forms of forced and compulsory labour.
<i>Principle 5: the effective abolition of child labour; and</i>	<ul style="list-style-type: none"> • We will not accept any form of discrimination, harassment or bullying.

<p><i>Principle 6: the elimination of discrimination in respect of employment and occupation.</i></p>	<ul style="list-style-type: none"> • We will take into account social, ethical and environmental considerations in our procurement and supply chain decisions.
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- Our Code of Conduct and Supplier Code of Conduct positions on Labour are supported by our Sustainability Framework as set out in our [Sustainability Reports](#), and the following Air New Zealand Group policies (publicly available policies are linked):
 - Airline Fatigue Risk Management Policy
 - Airline Safety Policy
 - Disciplinary Policy
 - [Diversity Policy and Diversity Inclusion Statement](#)
 - Just Culture Reporting and Policy
 - Managing Poor Performance Policy
 - People Health, Safety and Wellbeing Policy
 - Workplace Bullying and Harassment Policy
 - Procurement Policy
- [Air New Zealand 2016 Sustainability Report](#)
 - See the People section (pp.22-27) for a discussion of our goals, implementation and outcomes relating to people safety and wellbeing, employee engagement, diversity and inclusion, women in leadership, and leadership and talent.
 - See the Tourism section (p.51) for further information about our work to share Māori culture.
 - See the Trade and Enterprise section (p.56) for a discussion of our goals, implementation and outcomes relating to sustainable sourcing.
- Air New Zealand respects and supports the role of unions in the workplace. Close to 70% of our employees are covered by 35 collective agreements.
- For our airline Cabin Crew, in addition to Code of Conduct training, during initial and recurrent training we focus on management of customers with disabilities and non-discrimination in this area. The guiding document in this regard is the 'We Care Disability Guide'.

Environment

Global Compact principle	Air New Zealand Business principle
<p><i>Principle 7: Businesses should support a precautionary approach to environmental challenges;</i></p>	<ul style="list-style-type: none"> • We will protect the health, wellbeing, safety and security of our customers, employees and the communities in which we operate. • We will operate our business with discipline and excellence to ensure sustainability, resilience and effectiveness. • We will protect and safeguard the natural environment, minimising our use of finite resources and the release of harmful emissions to the environment.
<p><i>Principle 8: undertake initiatives to promote greater environmental responsibility; and</i></p>	
<p><i>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</i></p>	

	<ul style="list-style-type: none"> • We will invest in society and communities ensuring effective use of our resources and in line with our mission. • We will take into account social, ethical and environmental considerations in our procurement and supply chain decisions.
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- Our Code of Conduct and Supplier Code of Conduct positions on the Environment are supported by our Sustainability Framework as set out in our [Sustainability Reports](#), and the following Air New Zealand Group policies:
 - Energy policy
 - Environment policy
 - Procurement policy
- [Air New Zealand 2016 Sustainability Report](#)
 - See the Carbon section (pp.28-37) for a discussion of our goals, implementation and outcomes relating to fleet modernisation, our carbon reduction programme, sustainable biofuels, electric vehicles, sustainable buildings, and waste management.
 - See the Nature and Science section (pp.38-45) for a discussion of our goals, implementation and outcomes relating to our partnerships with the New Zealand Department of Conservation, Antarctica New Zealand, and New Zealand Antarctic Research Institute, including support for biodiversity projects, marine reserves research, and Antarctic ecosystems and climate science research.
 - See the Community section (p.19) for reference to our employee Greenteam.
 - See the Trade and Enterprise section (p.56) for a discussion of our goals, implementation and outcomes relating to sustainable sourcing.

Anti-Corruption

Global Compact principle	Air New Zealand Business principle
<p><i>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</i></p>	<ul style="list-style-type: none"> • We will comply with all applicable domestic and international laws and regulations, appropriate standards and principles, including all competition, anti-trust and anti-money laundering laws. • We will not tolerate any form of bribery, including improper offers of payments or gifts to or from employees. • We will avoid any activity or contracts that may lead to, or suggest, a conflict of interest between personal activities and Air New Zealand. • We will take into account social, ethical and environmental considerations in our procurement and supply chain decisions.

- Our Code of Conduct and Supplier Code of Conduct positions on Anti-Corruption are supported by the following Air New Zealand Group policies (publicly available policies are linked):
 - Anti-bribery and Corruption Policy
 - [Audit Independence Policy](#)
 - Competition Law Policy
 - [Continuous Disclosure Policy](#)
 - Conflicts of Interest Policy
 - Gifts and Entertainment Policy
 - Procurement Policy
 - [Securities Trading and Disclosure Policy](#)
- [Air New Zealand 2016 Sustainability Report](#)
 - See the Trade and Enterprise section (p.56) for a discussion of our goals, implementation and outcomes relating to sustainable sourcing.
- We review corruption risk as part of our due diligence on new flight routes.
- We provide training on competition law – for employees and specific groups, who we consider will benefit from targeted engagement due to their roles within the company.
- In May 2016 we reached closure of a long-standing US class action cargo compensation claim. Despite a settlement of US\$35 million, Air New Zealand has not admitted to or been found to have committed any wrongdoing related to the allegations.