

# Sustainability

**FOR OUR PEOPLE**  
Manaakitanga

**20**



**FOR OUR PLACE**  
Kaitiakitanga

**34**



**FOR OUR ECONOMY**  
Ōhanga Ora

**52**



---

# Our Purpose

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

---

”

---



**Fundamentally, I believe that business has an important role to play in helping to solve sustainability challenges and as such, our company strategy puts sustainability at the heart of what we're about as an airline and an iconic New Zealand company. At the heart of our "Go Beyond" business plan is the goal of delivering truly sustainable growth.**

One year ago Air New Zealand launched its Sustainability Framework which sets out how our business will supercharge New Zealand's success – socially, economically and environmentally. It was an exciting moment to stand up in front of more than 450 business leaders and partners at an event in Auckland last year and state our ambitions in the sustainability space. It was also encouraging to receive feedback from not only those who attended, but from numerous other stakeholders, about what our airline is doing, as well as what other New Zealand individuals, businesses and non-profit organisations are doing to create a more sustainable future. I firmly believe that the defining quality that unites all enduring, great companies is a core purpose bigger than just the company itself.

While the world faces some immense challenges today, the past year has seen progress made towards tackling a number of these. At a global level the United Nations Sustainable Development Goals were adopted, and the Paris Agreement saw 195 countries negotiate and agree that stronger action is necessary to address climate change. Negotiations have also continued at the International Civil Aviation Organization to determine a future framework for international aviation carbon emissions, to meet the industry goal of carbon neutral growth from 2020.

At home, the New Zealand Emissions Trading Scheme has been reviewed and we advocated for stronger policy; the Government has introduced significant changes to New Zealand health and safety legislation; Predator Free New Zealand 2050 has launched an ambitious new biodiversity enhancement programme; and tourism became New Zealand's biggest export earner – generating almost \$12 billion in export

earnings and now employing 12 percent of our population. I believe that we are also experiencing a heightened level of awareness in New Zealand regarding the socio-economic divide. While there is no simple answer to this challenge, it is an issue that I personally feel really strongly about, and one that I believe business and wider New Zealand must lean into.

Our strategic vision, governance, external advisors and partners are vital enablers of our sustainability agenda, but our achievements are due to the dedication of Air New Zealanders at all levels, striving to embed sustainability within our business. This isn't always easy – it takes time and effort to build capability around new priorities, retool relationships and processes, and strengthen performance measures to produce more sustainable outcomes.

In particular this year, we have not achieved the progress we wanted against our current People Safety target, or the speed we hoped for in rolling out our new People Safety vision, mission, policy and metrics. We have not yet introduced a new voluntary carbon offsetting function for our customers, and programmes to support environmental education and emerging businesses are still in development.

We also recognise that collaboration, investment in infrastructure and protection of our natural environment is necessary to ensure the tourism industry delivers true sustainable development outcomes for New Zealand in the decades to come.

Through tackling these challenges, we're learning that there is huge value in external advice, that strong partnerships are key, and that New Zealanders are hugely passionate about the difference we can all make.

I'm pleased to report the past year has been one of progress on a number of

fronts and we have applied a new lens to scrutinise the way we conduct our business and tackle sustainability issues. Many of the initiatives outlined in this report have also come about as a direct result of feedback we received from some of our 11,500 people on how they believe our company should supercharge New Zealand's success.

For me, some of the highlights of the past year are –

- Turning our loyalty programme into a vehicle for wider good by launching a new programme that allows donations of Airpoints Dollars™ to school fundraising initiatives - enabling Kiwi kids to have new travel experiences to broaden their knowledge;
- 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;
- 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;
- 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 Walks;
- Supporting off-peak season tourism opportunities in regional New Zealand centres such as the Air New Zealand marathons in Queenstown and Hawke's Bay, the Hokitika Wildfoods Festival and the Bluff Oyster Festival;

- Reviewing how we cater internal events, becoming the first large company to sign a preferred supplier agreement with social enterprise Eat My Lunch and in the process donating more than 6,000 lunches to children who would otherwise be at school without one;
- Being recognised as the winner in the business leadership category at the Ministry for the Environment and Department of Conservation's Green Ribbon Awards, and being awarded Air Transport World's Eco-Airline of the Year.

My appreciation goes to the Air New Zealand Board, as well as Sir Jonathon Porritt and the members of our Sustainability Advisory Panel for their time, expertise and guidance as we have framed and implemented our sustainability programme. The Advisory Panel continues to play an invaluable role as our "critical friend", challenging us as we endeavour to lift our sustainability performance.

I'm proud of what our business has achieved this year. But we know that this is still just the start of a journey. We require ongoing concerted effort and strong collaboration with others if we're to make the kind of ambitious difference that will shape a strong future for both our company and New Zealand, for the long term.

**Christopher Luxon**  
Chief Executive Officer  
Air New Zealand





Achieved compliance with our Supplier Code of Conduct from suppliers representing 80% of our spend



Completed International Air Transport Association audit and launched new Carbon Reduction Programme



Partnered with the Department of Conservation – Great Walks bookings up 13%

# Our Year in Review



Donated more than 6,000 lunches as the first large company to sign Eat My Lunch as preferred supplier for internal catering



Commenced our transition to a 100% electric ground fleet



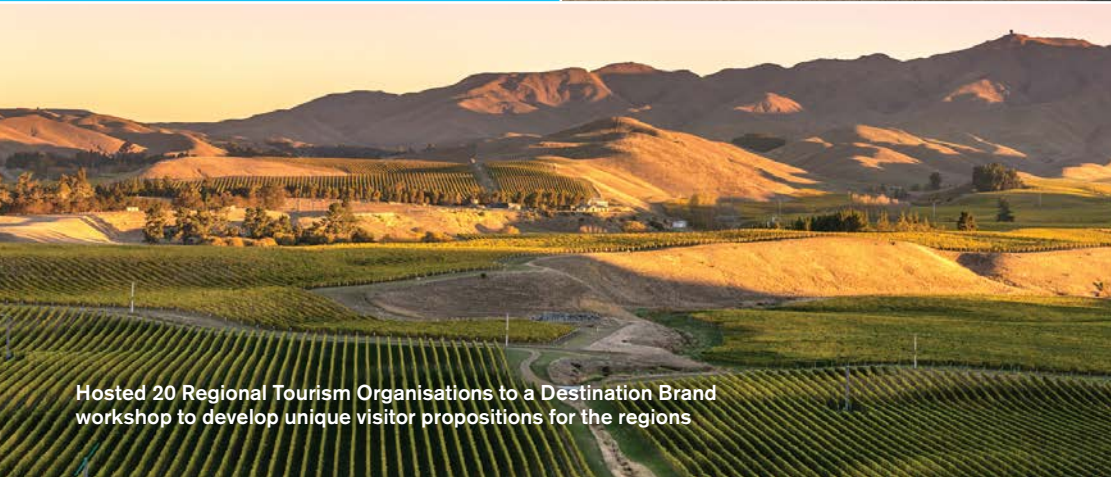
Transported close to 500 endangered native animals to safer habitats



Reset our new People Safety vision, mission and policy

Invested \$10 million with Tourism New Zealand to promote New Zealand

Provided free flights worth more than \$700,000 to over 75 charities and organisations



Hosted 20 Regional Tourism Organisations to a Destination Brand workshop to develop unique visitor propositions for the regions



Enabled more than 70,000 Airpoints Dollars™ to be donated to Airpoints™ for Schools



Introduced the “Waha Tohu” Māori language identifier pin in collaboration with the Māori Language Commission

---

# Our Initiatives

## Our People Manaakitanga

### Our Communities /20

- Airpoints™ for Schools
- Inspiring Voices
- Greenteam
- Disaster relief
- Noise management

### Our People /26

- People safety and wellbeing
- Employee engagement
- Diversity and inclusion
- Women in leadership
- Leadership and talent

## Our Place Kaitiakitanga

### Carbon /34

- Fleet modernisation
- Carbon Reduction Programme
- Sustainable biofuels
- Electric vehicles
- Sustainable buildings
- Waste management

### Nature and Science /44

- Great Walks
- Precious cargo
- Marine reserve research
- Antarctic Ecosystems research

## Our Economy Ōhanga ora

### Tourism /52

- Sustainable tourism
- New market development
- Destination promotion
- Sharing Māori culture

### Trade and Enterprise /58

- Global connectivity
- Cargo services
- Airpoints™ for Business
- Sustainable sourcing
- Showcasing New Zealand wine

**This is a particularly interesting time for the aviation industry. Every industry has its own ‘externality register’, comprising both its positive impacts and its negative impacts on people, communities and the environment.**

---

But few industries have such a stark set of trade-offs as aviation, with its negative environmental impacts (particularly in terms of emissions of greenhouse gases) constantly weighed in the balance with its enormous socio-economic benefits for individuals, local economies and society at large!

Different airlines handle these trade-offs in very different ways, often over-egging the socio-economic benefits and playing down the environmental costs. And disturbingly, there are still some airlines that are finding it very difficult to face up to their responsibilities, particularly when it comes to the ever more pressing challenge of dealing with climate change. Happily, Air New Zealand is not one of those!

Indeed, as Chair of its Sustainability Advisory Panel (see pages 8 and 9) I know that we've all been impressed by the readiness of our Air New Zealand colleagues not just to listen carefully to the insights and challenges that members of the Panel bring to them, but to follow up in practice. We see that in the progress made on a number of critical issues since its first Sustainability Report was published – on its ground fleet, for instance, or sustainable procurement, waste management and so on.

Which makes it a good time to step back and assess how best to build on these early achievements.

There is no doubt in our minds, for instance, that its Sustainability Framework would be significantly strengthened by a more robust performance management system, all the way through from the adoption of Key Performance Indicators, setting smart but ambitious targets, to a more formal ‘mainstreaming’ process across the company, and, finally, to more rigorous, year-on-year reporting against the targets.

This is now ‘standard fare’ in many leading companies in other sectors, and Air New Zealand’s growing authority as a leader in this sector puts it in a strong position here.

It’s clear to us that this will become even more important with the industry coming under ever greater scrutiny on climate change. The recent decisions taken by ICAO (with its new ‘global market-based mechanism’) have put every airline ‘on notice’ in terms of the urgency of reducing emissions of greenhouse gases. And ‘carbon neutral growth from 2020 onwards’ remains an extremely demanding challenge for the entire industry.

Air New Zealand is definitely on the case here. Recent investments in much cleaner, more efficient aircraft, and its forensic focus on reducing waste and fuel efficiency, have created a solid platform; New Zealand’s domestic Emissions Trading Scheme has helped Air New Zealand get its head around the importance of



**Sir Jonathon Porritt** (United Kingdom)  
Founder Director of Forum for the Future  
Chair, Air New Zealand Sustainability  
Advisory Panel and thought leader

offsetting – and the critical difference between offsets ‘done well’ and offsets done rather less well!

Critical though they are, emissions are only one part of flying’s impact, and flying is only one part of tourism’s much wider impact! And here the trade-offs are absolutely crucial.

Which is why we’re so encouraged to see Air New Zealand’s increasingly influential role in working with New Zealand’s tourism industry, not least as there’s still quite a gap between visitor expectations (attracted as many are by the ‘100% Pure’ branding) and the actual state of New Zealand’s physical environment.

This is probably the single most important area over the next few years where Air New Zealand’s commitment to ‘supercharging New Zealand’s success, socially, economically and environmentally’ can make a lasting difference.



**Sir Jonathon Porritt**  
Chair, Air New Zealand Sustainability Advisory Panel

Sir Jonathon Porritt, Co-Founder of Forum for the Future, is an eminent writer, broadcaster and commentator on sustainable development. Established in 1996, Forum for the Future is now the UK’s leading sustainable development charity, with a growing presence in the United States, India, Hong Kong, Singapore and Malaysia. He was formerly Director of Friends of the Earth, co-chair of the Green Party and as Chairman of the UK Sustainable Development Commission until 2009, he spent nine years providing high-level advice to Government Ministers. Jonathon was installed as the Chancellor of Keele University in February 2012. He is also Visiting Professor at Loughborough University and UCL. Recent books are ‘Capitalism As If The World Matters’ (2007) and ‘The World We Made’ (2013) – which seeks to inspire people about the prospects of a sustainable world in 2050. Jonathon received a CBE in January 2000 for services to environmental protection.

## Our Sustainability Advisory Panel

Chaired by Sir Jonathon Porritt, our Sustainability Advisory Panel has seven external members who were selected based on the range of skills and expertise we considered necessary to shape and inform a pioneering sustainability agenda. Our latest panellist, Dr Susanne Becken, joins in October 2016.

The Panel played a key role in establishing our overall Sustainability Framework and related goals and continues to guide and challenge as we evolve our approach. In 2016 our sessions featured a particular focus on rising to meet the challenge of transitioning our business towards a low carbon future; partnering with suppliers to encourage greater transparency and sustainability in our supply chain; and ensuring a sustainable tourism industry for New Zealand. The Air New Zealand Board and Sustainability Advisory Panel together reviewed our sustainability programme and discussed the sustainability risks and opportunities that we face.

We are also a partner of sustainable development organisation Forum for the Future, which delivers access to international tools, resources and sustainability expertise, as well as critique on the progress we are making.



**Dame Anne Salmond** (New Zealand)  
New Zealand anthropologist and writer

Dame Anne Salmond is a New Zealand anthropologist and historian best known for her writings on New Zealand history, her study of Maori culture, and her efforts to improve intercultural understanding. In 2013, Dame Anne was named the Kiwibank New Zealander of the Year and also won the Royal Society of New Zealand Rutherford Medal. Dame Anne has served as Chairwoman of the New Zealand Historic Places Trust Board. She is the only New Zealander to have been elected to both the British Academy and the National Academy of Sciences in the US.



**Sir Rob Fenwick** KNZM KStJ (New Zealand)  
New Zealand entrepreneur, director, conservationist

Sir Rob Fenwick is the first New Zealander knighted for services to both business and conservation. He co-founded the New Zealand Business Council for Sustainable Development and New Zealand's first commercial composting business, Living Earth. He established and chairs Predator Free New Zealand, The Kiwi Trust. He also chairs New Zealand Antarctic Research Institute and Sustainable Seas – a National Science Challenge. He is a founding member of the Air New Zealand Environment Trust and a director of Ngāti Whātua o Ōrākei's commercial holdings. Sir Rob has an honorary doctorate in Natural Resources from Lincoln University, and the Fenwick Ice Piedmont in Antarctica is named for him. He was the 2015 Sir Peter Blake Medallist and was inducted to the NZ Business Hall of Fame in 2016.



**Brian Pearce** (Switzerland)  
International Air Transport Association (IATA)  
Chief Economist

Brian Pearce is IATA's Chief Economist. His role is to analyse the economic and policy landscape facing the airline industry, to provide an evidence base and credible economic analysis to guide IATA's policy work. An economist with over 25 years of international experience in several industries, he is also a Visiting Professor at Cranfield University's Department of Air Transport. Prior to joining IATA he worked at Forum for the Future as its Director of Sustainable Investment.



**Derek Handley** (New Zealand)  
New Zealand entrepreneur, speaker, author

Derek Handley is a New York-based social entrepreneur from New Zealand. He founded Aera Foundation, a charitable studio investing in new companies and causes addressing social issues in innovative ways. Prior to this he was Founding CEO of The B Team, co-founded with Sir Richard Branson to form a group of global business icons catalysing better ways of doing business for people and our planet. He has helped found multiple companies in digital media and technology, is an Adjunct Professor at AUT, and a director of Sky Television (NZX: SKT). Derek has been listed as one of the top 10 most influential social entrepreneurs on Twitter and is a former New Zealand EY Young Entrepreneur of the Year.



**Suzanne Hunt** (United States)  
President, HuntGreen LLC, Biofuels expert

Suzanne Hunt founded Hunt Green LLC in 2007 to provide strategic advising on energy, agriculture, transportation, and the environment. Her clients have included private equity firms, UN bodies, government agencies, clean tech start-ups, Fortune 500 companies, and non-profits. Suzanne directed the Worldwatch Institute's bioenergy programme from 2005–2007 and from 2010–2015 Suzanne was a Senior Advisor to the Carbon War Room where she led work on renewable aviation fuels. Current projects range from converting old coal plants to battery storage and solar plants to clean tech capacity building in the finance sector.



**Dr Susanne Becken** (Australia)  
Director of Griffith Institute for Tourism and Professor of Sustainable Tourism, Griffith University, Australia

Susanne is a globally recognised expert in the field of sustainable tourism, in particular climate change, resource management, resilience, and environmental behaviour. Her published research is widely cited by academics around the world and has also influenced government policy and industry practice. Susanne acted as a contributing author to the Fourth and Fifth IPCC Assessment Reports of the Intergovernmental Panel of Climate Change and represented Asia-Pacific on the World Meteorological Organisation's Expert Team on Climate and Tourism. Susanne has undertaken consultancy work for a range of Government organisations, the United Nations and industry and contributed to linking academic theory with sustainable business and tourism management. In 2015–2016, Susanne was part of the Great Barrier Reef Water Sciences Ministerial Taskforce to advise the Queensland Government on implementing major water quality projects.

Air New Zealand provides air passenger and cargo transport services within New Zealand, as well as to and from Australia, the Pacific Islands, Asia, North and South America and the United Kingdom.

**11,500**

Air New Zealand employees based globally

**3,500**

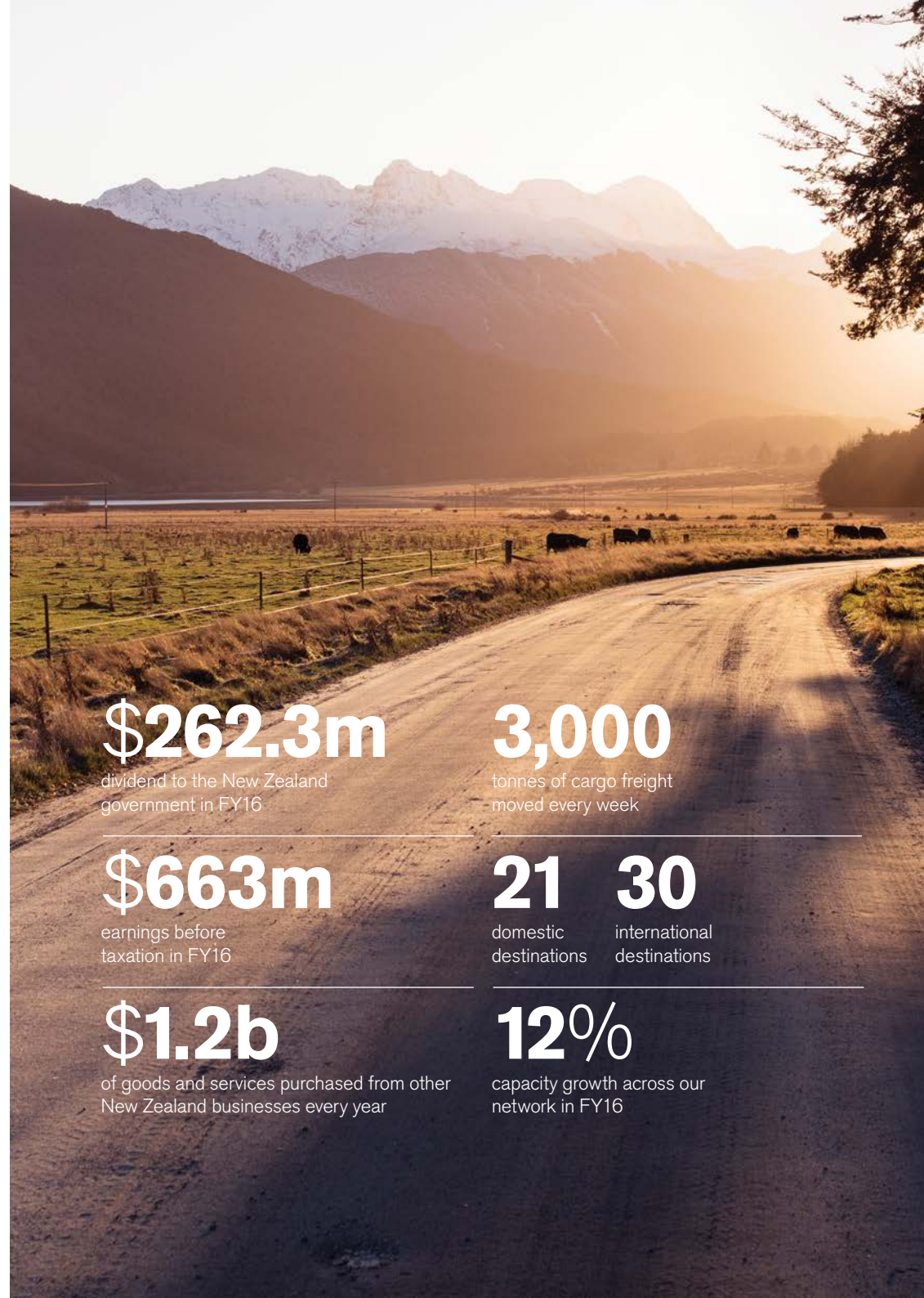
flights every week – 3,000 domestic flights in New Zealand

**\$5.2b**

in operating revenue in FY16 – an increase of 6.2%

Air New Zealand encompasses business units providing engineering and ground handling services. Subsidiaries include two regional airlines and extend to booking systems, travel wholesaling and retailing services.

Air New Zealand is a publicly listed company on the New Zealand and Australian stock exchanges, with the New Zealand government being the majority shareholder (holding 52 percent of shares).



**\$262.3m**

dividend to the New Zealand government in FY16

**3,000**

tonnes of cargo freight moved every week

**\$663m**

earnings before taxation in FY16

**21 30**

domestic destinations international destinations

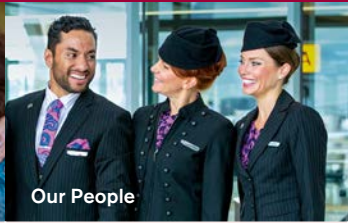




**\$1.2b**

of goods and services purchased from other New Zealand businesses every year

**12%**

capacity growth across our network in FY16



PILLARS	Our People Manaakitanga	Our Place Kaitiakitanga	Our Economy Ōhanga ora			
GOALS	 <p><b>Our Communities</b></p>	 <p><b>Our People</b></p>	 <p><b>Carbon</b></p>	 <p><b>Nature and Science</b></p>	 <p><b>Tourism</b></p>	 <p><b>Trade and Enterprise</b></p>
PRIORITIES	<p>Developing wider New Zealand through air connectivity and community programmes</p>	<p>Become a world leading employer by caring for, inspiring and upskilling our people</p>	<p>Minimise our carbon footprint through world leading fuel efficiency, biofuels and offsetting programmes, and operational excellence</p>	<p>Make a significant contribution to New Zealand's conservation and climate science programmes</p>	<p>Grow the economic value of tourism for New Zealand through destination promotion and market development</p>	<p>Invest in New Zealand and maintain a network enabling New Zealand business to succeed at home and abroad</p>
TARGETS	<ul style="list-style-type: none"> <li>Inspiring young New Zealanders</li> <li>World class knowledge sharing</li> <li>Disaster relief</li> <li>Aircraft noise</li> <li>Environmental education</li> </ul>	<ul style="list-style-type: none"> <li>People safety and wellbeing</li> <li>Diversity and inclusion</li> <li>Employee engagement</li> <li>Talent incubator</li> </ul>	<ul style="list-style-type: none"> <li>Fuel efficiency</li> <li>Sustainable biofuels</li> <li>Carbon offsetting</li> <li>Renewable electricity</li> <li>Waste management</li> </ul>	<ul style="list-style-type: none"> <li>Terrestrial biodiversity</li> <li>Marine science</li> <li>Climate science</li> <li>Environmental compliance</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable tourism</li> <li>Destination promotion</li> <li>New market development</li> <li>World class events</li> <li>Māori culture</li> </ul>	<ul style="list-style-type: none"> <li>Global connectivity</li> <li>Cargo services</li> <li>Showcasing New Zealand products</li> <li>Emerging business support</li> <li>Sustainable sourcing</li> </ul>
TARGETS	<ul style="list-style-type: none"> <li>Community programmes implemented</li> <li>Zero noise breaches</li> </ul>	<ul style="list-style-type: none"> <li>Improve people safety by a 15% reduction in reported rate of injuries compared to 2015</li> <li>40% of Senior Leadership Team to be female by June 2020</li> <li>75% employee engagement by June 2020</li> </ul>	<ul style="list-style-type: none"> <li>1.5% average annual aviation fuel efficiency improvement between 2009 and 2020*</li> <li>100% light fleet electric (where feasible) by 2017</li> <li>100% Ground Service Equipment electric (where feasible) by 2020</li> <li>Zero waste to landfill at Auckland (ground) by June 2020</li> <li>5% annual reduction in electricity use against 2011 baseline</li> </ul> <p>* International Air Transport Association, industry target</p>	<ul style="list-style-type: none"> <li>Biodiversity projects delivered with DOC and iwi partners by June 2020</li> <li>Climate science project delivered by December 2018</li> <li>Maintain zero environmental non compliances</li> </ul>	<ul style="list-style-type: none"> <li>Increase available seats into, out of and around New Zealand by 21% by June 2020 against 2015 baseline</li> <li>Grow New Zealand Tourism revenue to \$41 billion by 2025*</li> </ul> <p>* Tourism Industry Aotearoa: Tourism 2025, industry target</p>	<ul style="list-style-type: none"> <li>Emerging business support programmes implemented</li> <li>100% of suppliers compliant with Supplier Code of Conduct by June 2020</li> </ul>

ENABLERS	SUSTAINABLE PROFITABILITY	BUSINESS PROCESSES	REPORTING AND COMMUNICATION	SUSTAINABILITY GOVERNANCE
ENABLERS	<ul style="list-style-type: none"> <li>Long-term financial sustainability</li> <li>Five year profit targets</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability consideration incorporated within:                             <ul style="list-style-type: none"> <li>Business planning</li> <li>Corporate policies</li> <li>Project management office</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Annual sustainability report</li> <li>Audited GHG inventory</li> <li>Internal and external communication</li> <li>UN Global Compact Communication on Progress</li> </ul>	<ul style="list-style-type: none"> <li>Advisory Panel of external subject matter experts, the Air New Zealand Chief Executive Officer and Chief Flight Operations and Safety Officer</li> <li>Air New Zealand Board six-monthly reviews</li> </ul>

---

# Our Communities



As an airline providing services to 21 domestic destinations across New Zealand, connecting people is at the heart of what we do. We recognise that in our long yet lightly populated country, air transport connectivity is critical to helping communities prosper and thrive. With nearly 11,000 New Zealand-based employees, our company represents a hotbed of skills and experiences we can draw on to support the communities we operate in. Our goal is to contribute to the development of wider New Zealand through air connectivity and supporting communities.

### Regional air connectivity

#### Flying people not planes.

Air New Zealand is committed to operating a comprehensive domestic schedule delivering connectivity and consistency while also meeting the key needs of each community. We are investing in 29 new 68-seat ATR 72-600 turbo-prop aircraft valued at US\$725 million (at list price) to bring our total turbo-prop fleet to 52. We have also completed a \$1 million interior refurbishment of our fleet of 23 Bombardier Q300s, and a lounge programme in excess of \$100 million is currently underway, which includes significant investment in the upgrading of several of our regional lounges.

Since November 2014 we have been progressively retiring our 19-seat Beech 1900 aircraft fleet and operating the larger 50-seat Q300 aircraft in regional

centres. That transition was completed in August 2016 and as a result we can fly more capacity at lower prices into the regions, delivering a more reliable and commercially sustainable service. The majority of regional markets have responded very positively, for example on the Auckland – Kerikeri route passenger demand has increased close to 15 percent. The changes have resulted in some regional consolidation from ports where passenger volumes cannot support 50-seat aircraft and in July this year we suspended the loss making Whanganui – Auckland and Blenheim – Christchurch services. While in both cases alternatives are available via other regional airports or routes, we recognise the disruption this causes and will continue to work with these regions to understand and support the development of their tourism and trade propositions to stimulate demand.

### Sponsorship and community

#### Connecting New Zealanders.

We support a wide range of sponsorships, partnerships, and community activities that align to our Sustainability Framework. Through these investments we aim to enhance New Zealand's natural environment through conservation; promote New Zealand through our support of world class New Zealanders, events, and iconic destinations; and support New Zealand communities through inspiring young New Zealanders and sharing world class knowledge.

Our strategic priorities in this space were identified through consultation with our employees and our customers as part of a major survey we carried out in 2015 to harness new ideas and draw on our strengths as a company. From this came the creation in 2016 of two new initiatives to enhance our contribution to New Zealand communities: Airpoints™ for Schools, and the Inspiring Voices speaker series. In 2015 we also stated our aspiration to focus on environmental education to reflect the need to ensure future generations are connected to New Zealand's natural

environment. We recognise that any new programme will need to be developed in collaboration with others and have progressed discussions with potential national partners.

Alongside these strategic priorities in 2016 we continue to assist a wide range of charities and community groups at the grass roots, providing free flights worth more than \$700,000 to over 75 charities and organisations to support their cause or fundraising efforts. We have also approved more than 220 free excess baggage requests for medical and educational equipment sent to the Pacific Islands for aid.

In 2015, we announced that we would be providing our shareholders with an opportunity to reinvest dividend payments to support organisations addressing social and environmental challenges via a new third-party platform, Gividend. This platform did not advance in 2016.

### Supporting our communities

**\$700,000**

worth of free flights to over 75 charities and organisations

**220**

free excess baggage requests for medical and educational equipment



*It was a blessing to learn more about the traditional ways of my culture and observe and experience the way of life for many in Samoa.*

#### Leoni Tua

Year 12 student, Aorere College, who participated in the first Airpoints™ for Schools trip to Samoa in July 2016

”

### Airpoints™ for Schools

#### Gifting the magic of flight.

Air New Zealand has a long history of supporting young people, providing travel, financial and volunteer support to Koru Care, Starship Foundation and the Attitude Awards. In 2016 we also sponsored the Leadership and Inspiration Award at the Prime Minister's Pacific Youth Awards and supported the US-NZ Council's Mike Moore Congressional Internships.

As part of our focus on inspiring young New Zealanders, we announced a new initiative, Airpoints™ for Schools. We developed this programme to allow Airpoints members to donate their Airpoints Dollars™ to participating schools, assisting them with their travel ambitions and helping them gain new experiences and knowledge. The first year of the programme saw over 70,000 Airpoints Dollars™ donated by Airpoints™ members, including Air New Zealand employees, to the selected schools.

The Airpoints Dollars™ donated are being used by schools to redeem flights that contribute to their chosen environmental, educational or cultural projects. This year's selected projects will take place over the course of 2016 and 2017. Flights include travel to Samoa for a group of students to undertake volunteer work and immerse themselves in a local school while experiencing the islands where their parents and grandparents came from, travel to Hokitika to study whitebait habitats, and a trip to Auckland to compete in the Trash Trek First Lego League, a robotics competition with the theme of managing waste in today's world.

A very special journey is also in store for the Virtual Learning Network Primary School, a group of eight virtual rural remote schools, who have selected to use their 10,000 donated Airpoints Dollars™ to meet in person for a project camp in Wellington. This is a rare opportunity for the students to meet (many for the first time) and broaden their horizons through the magic of flight.

### Inspiring Voices

#### Lifting our sights.

With our significant global network and ability to connect to world-renowned experts, we are well positioned to drive an insightful conversation on social development, business growth and environmental topics with New Zealand's business community.

Air New Zealand Inspiring Voices speaker series invites our customers, business peers, regional agencies, SMEs, and young industry leaders to engage in thought provoking conversations that challenge what business success means in a global context. The first year of the series focused conversations around a theme of *“What is world class anyway?”*

A platform for free online interviews and live events, the series has involved partnerships with Kiwi Landing Pad and Magnify to host events in Wellington, Christchurch, Queenstown and Auckland, with more planned for regions across New Zealand. Renowned speakers explore the theme and reflect on their own lives,

sharing their trials, their wins and what experiences have helped make them successful. To date, more than 17 speakers have contributed, including New Zealanders Steve Hansen and Victoria Ransom, our Sustainability Advisory Panellist and distinguished professor Dame Anne Salmond, and international business leaders such as Aric Lapera from Buzzfeed and Savannah Peterson from Savvy Millennial. Since launching in March 2016, more than 850 people have attended events and our online content has attracted 6.6 million social impressions. The Inspiring Voices website, [airnzinspiringvoices.co.nz](http://airnzinspiringvoices.co.nz), hosts themed content from these events.

#### TARGET:

### COMMUNITY PROGRAMMES IMPLEMENTED

#### RESULT 2016:

Airpoints™ for Schools and Inspiring Voices implemented

### Greenteam

#### The power of many.

The Air New Zealand Greenteam empowers our employees and their families to support sustainability initiatives in local communities. In the past year, more than 300 Greenteam members participated in 14 events alongside our partners and conservation organisations including the Department of Conservation, Kiwis for Kiwi and the Mangarara Station to undertake a range of conservation activities including tree planting, track maintenance, beach clean ups, pest trapping and bird surveys. Building on our success in New Zealand, we are now branching out to establish Greenteam groups for Air New Zealanders in our offshore ports of Sydney and Los Angeles.

### Disaster relief

We continue to play a vital role in providing disaster relief in New Zealand and the South Pacific. In 2016,

when Cyclone Winston – one of the most powerful storms ever witnessed in the Pacific – hit Fiji, we worked with the Red Cross to fly in humanitarian aid and to transport key personnel and supplies to help the more than 350,000 people affected. We also offered travel support for Fijian employees wanting to head back to Fiji to help out those close to them and sent in our own Special Assistance Team to provide logistical and emergency response support on the ground.

Since then, we have continued to work with supporters of the Cyclone Winston recovery, waiving baggage fees for relief workers, volunteers, friends and family transporting essential equipment to Fijian communities. We also donated and delivered nearly 1,500 items of furniture from our recent Auckland office refit to be repurposed for the rebuilding of schools affected by the cyclone.

### Noise management

#### Taking it down a notch.

Aircraft noise is a significant matter for our business and the wider aviation industry. We are constantly striving to reduce our impact on the communities that we fly in and out of, and we received no notification of noise breaches from the airports we flew to over the past year. We have invested heavily in reducing noise pollution through modernising our fleet and implementing a variety of noise abatement techniques. These include adopting SMART flight approaches to mitigate overall noise levels and retrofitting noise reducing vortex generators to our older Airbus A320 fleet that do not already feature this technology, with all but one fitted at the end of June 2016.

#### TARGET:

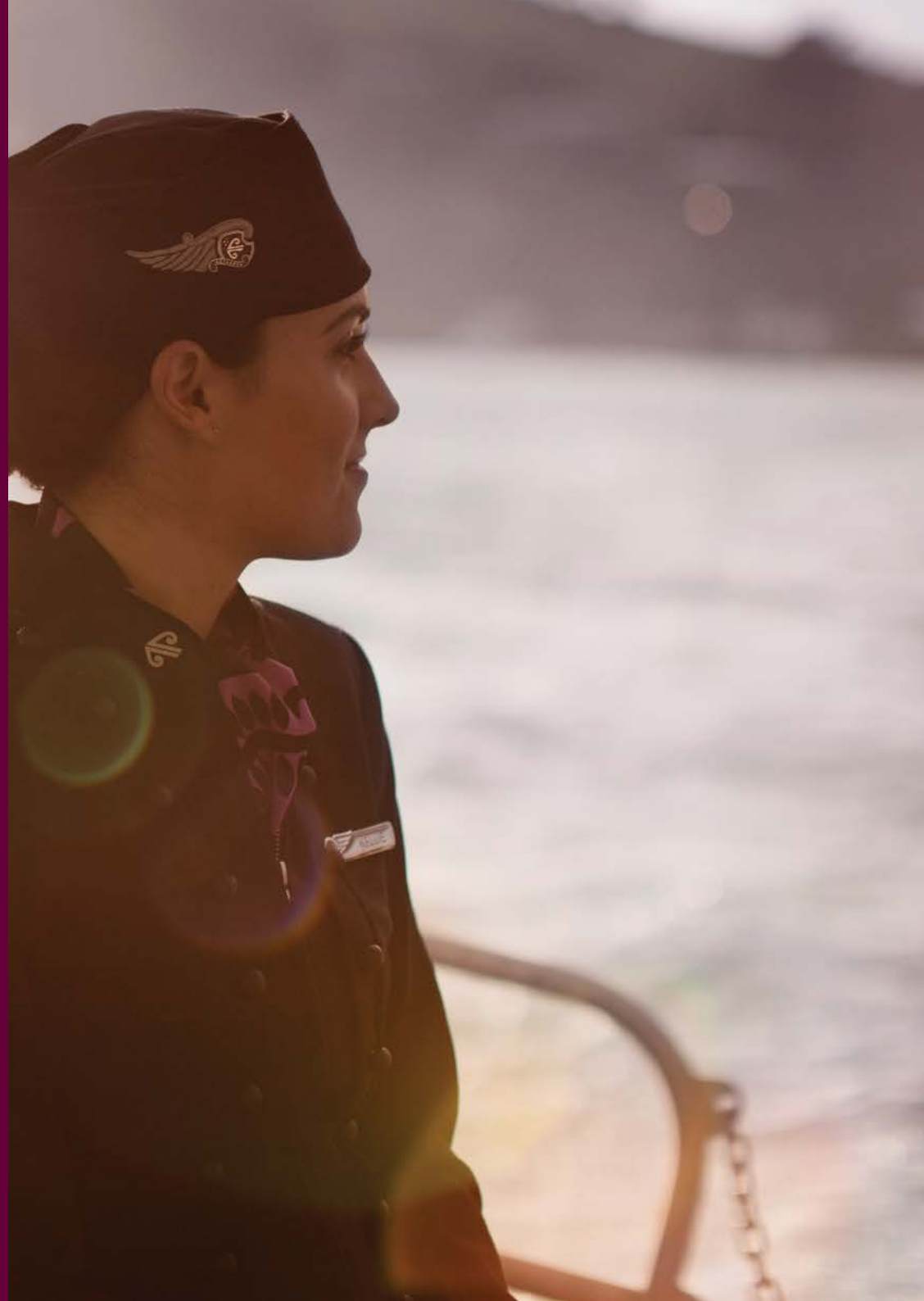
### ZERO NOISE BREACHES

#### RESULT 2016:

No notification of noise breaches

---

# Our People



Our 11,500 people are the creators of our world leading innovation and service offerings and the friendly faces who live and breathe the essence of our brand. Our top corporate reputation has enabled us to attract high quality talent and we are constantly working to build an engaged culture while delivering superior commercial results, and an enhanced customer experience. We are a multi-faceted company – a transport, customer service, tourism, hospitality, digital and engineering business.

This requires a vast range of knowledge, experience and diversity to succeed. We recognise that building an inclusive and supportive culture where we encourage, understand and respect our differences, ensures our people thrive and our customers benefit. Our priorities – alongside the absolute fundamentals of safety and security – are to strengthen our employee engagement, promote diversity and inclusion, and become a talent incubator that attracts and develops world class talent.

## People safety and wellbeing

### Seeing the whole person.

Safety is a shared value and a core business function and we are working hard to ensure it is integral to everything we do.

Our 2016 People Safety target was based on the total recordable rate of workplace injuries. We did not meet this target as the rate of recorded injuries increased by 18 percent in the past year. We know substantial improvements are necessary. At the same time, we recognise, that this single metric is a limited performance indicator that does not necessarily provide information as to how safe we actually are, severity of risk or injury, or how well we are managing risk through safety culture and capability. While the total rate of recordable incidents increased in the past year, we believe this increase is in part the result of a shift to a culture which is placing much stronger

emphasis on incident reporting. We therefore view the increase as an indicator to assist in the identification, management and control of our People Safety risks across the business.

Our safety journey in the past year has involved revamping our safety vision, mission and policy, underpinned by three guiding principles: risk, relationships and resources. Risk is a constant throughout our operations and we must empower our people to be mindful, to question and to keep the safety conversation alive, including at times when things are going right. Risks are best managed with the meaningful input of those closest to them and our approach is to therefore empower those closest to the problem to address it and find the best solutions. This is the cornerstone of all our collaboration and engagement strategies.

We are committed to ensuring all Air New Zealanders have access to the most effective resources – infrastructure, people, plant, equipment, skills and competencies – to execute our operations safely and without risk to health.

We realise that more than any other single factor, leadership sets the culture of the business. From 2016 onwards, the Board Health, Safety and Security Committee no longer holds meetings at our main offices. Instead meetings are held out in the business, enabling them to connect with those closest to the risks and to understand and experience the challenges and successes in real time.

In 2017 we will be building a stronger safety programme by introducing a wider set of metrics that will both measure the success of our new People Safety approach, and take into account our focus on severity and criticality of risk. We also plan to launch a new wellbeing strategy

across our organisation that will focus on a multi-level ('me, we, us') cross-functional approach, enabling participation of all employees to ensure a transparent and consistent approach, to build and support a health-promoting culture.

### TARGET:

**IMPROVE PEOPLE SAFETY BY A 15% REDUCTION IN REPORTED RATE OF INJURIES COMPARED TO 2015**

### RESULT 2016:

18% increase in reported rate of injuries<sup>1</sup>

*We are step changing our safety culture towards one that is just, flexible, fosters learning and encourages open and honest reporting. Such a shift is not without its challenges, and we have to be brave enough to accept that normalising reporting can increase the number of reported incidents. In 2017 we will introduce performance measures to tell us not only what we are seeing and experiencing, but also what people are saying, doing, thinking and feeling. This weighting towards positive performance indicators will see us achieve our vision of eliminating serious harm in the long term.*

Darren Evans

General Manager Group Security, People Safety and Medical, Air New Zealand

”



TARGET:

75%

EMPLOYEE ENGAGEMENT BY JUNE 2020

2016	2018	2020
69%	72%	75%

### Employee engagement

#### Designing for our people.

We aspire to have one of the most highly engaged workforces in the world. This is fundamental to creating better solutions, driving innovation and ensuring we are competitive. Since 2014 we have been working to benchmark employee engagement against international best practice. We are committed to creating a rewarding workplace for all Air New Zealanders and we can only achieve this by understanding what people value about working here, and what can be improved.

In November 2014, and again in February 2016, we asked all Air New Zealanders to participate in 'Your Voice' engagement surveys. Our 2014 result of 67 percent placed us in the top quartile of companies in Australasia and our 2016 result of 69 percent saw us placed in the top quartile of companies in Asia Pacific, a first for the company. Our target is to achieve 75 percent engagement globally by 2020, which will place us in the top quartile of companies worldwide.

In 2014 our employees told us that diversity and inclusion was an area they believed could be improved. We responded to this with the introduction of a number of new initiatives including employee networks and tailored professional development. In our subsequent 2016 survey this area showed marked improvement that we will continue to build on.

Employees also highlighted that collaboration is a key area of improvement for the business going forward. We have invested heavily in this across our operations using an approach we call High Performance Engagement (HPE), which we developed jointly with our union partners, international experts, and external facilitators. HPE follows the principle that those closest to the solution are best placed to address it. Employees are supported to step out of daily work to participate in HPE, which is facilitated by a network of steering committees and designated leaders who undergo regular training and assessment. The approach has been used to resolve a wide range of potential issues to date, including identifying nearly \$6m in savings from frontline operations; and developing a collective agreement for our regional airports bringing them under the Air New Zealand banner, which increased engagement by seven percent. In 2017 we will continue to build on the success of the HPE approach to ensure the principles are adopted company-wide as a way of doing business every day.

### Diversity and inclusion

#### Open to all.

Embracing diversity and inclusion is not only essential for our employee wellbeing, it also sets the foundation for a truly great business. The more inclusive our culture, the more our employees will offer diverse perspectives that support holistic decision-making, innovation, creativity, and problem-solving. To successfully deliver on our promise to supercharge New Zealand's success, we know we need to represent the communities we operate in – at all levels of our organisation. An open and inclusive culture also helps to drive our success in new markets.

We are focused on four strategic areas as we progress on our diversity and inclusion journey: creating an inclusive and collaborative culture, growing inclusive leadership capability, building a diverse workforce, and growing diverse talent pools.

TARGET:

40%

OF SENIOR LEADERSHIP TEAM TO BE FEMALE BY JUNE 2020

2013	2016	2020
16%	30%	40%

### Women in leadership

Strong representation of women in senior leadership roles continues to be a key business focus. In 2016 we launched our Women in Leadership programme, designed to accelerate the development of our female talent. Our first group participated in a six-month programme and we are investing in a second group in 2017.

Currently, female representation on our 81-strong Senior Leadership Team is 30 percent. While this has dropped slightly from our 2015 level of 33 percent, it is ahead of our 2013 baseline of 16 percent. We will continue to invest in female leadership and develop a broad range of initiatives, practices and solutions to achieve our target of 40 percent of the Senior Leadership Team to be female by 2020.

In the past year, Chief Executive Officer Christopher Luxon joined the Global Women's initiative Champions for Change. The initiative brings together a group of New Zealand CEOs and Board Chairs from across the public and private sectors to raise diversity and inclusion within their organisations and implement strategies to actively promote the concept among peers.

In addition to this, we are looking at other ways to broaden our support of gender diversity. Our Women's Network is open to all female employees and we have partnered with social venture Professionelle to mentor women in the early stages of their careers to help develop emerging and potential female leaders.

### Enhancing inclusivity and cultural diversity

To develop inclusive leadership capability across the organisation we initially provided unconscious bias training to a number of key groups including leadership teams and recruitment. We are now applying a diversity and inclusion lens across all of our existing leadership development programmes and it is a key consideration when designing new initiatives.

We have a range of active employee networks launched in 2015 which, alongside the Women's Network, include Young Professionals (for employees under 30), Manu (for Māori and Pasifika employees), and Pride networks (for Lesbian, Gay, Bisexual, Transgender, Queer, Questioning and Intersex employees), all of which aim to promote a sense of community and belonging, increase visibility and awareness and advance knowledge and capability. We have also continued to increase cultural awareness through celebration of cultural events including Diwali, Chinese New Year, Pasifika festival, Auckland Pride Parade, Matariki, and Māori Language Week.

As the national airline of New Zealand we recognise that Māori culture is an especially important part of New Zealand identity. We are committed to further weaving Māori culture into the fabric of our business. In 2016 we have provided executive coaching and intensive

residential, marae-based workshops for members of the Senior Leadership Team to develop greater Māori cultural fluency, while also launching a Māori language and culture app "Te Kete Tikanga Māori" and establishing our employee Māori ambassadors to promote Māori culture and the use of te reo Māori, among all Air New Zealanders.

In the coming year, we will extend our focus on cultural diversity. This will include our supporting the programme Champions for Change TupuToa, a Māori and Pasifika Corporate Pathways internship initiative, to promote and encourage young Māori and Pasifika employees into corporate careers. The programme will launch in 2016, with the first twelve week internships commencing in November 2016. In 2016 we also collaborated with the Māori Language Commission to develop the "Waha Tohu" pin, as detailed on page 51.

### Leadership and talent

#### Leadership at every level.

Our goal is for Air New Zealand to become the benchmark organisation for talent, diversity and development in the Pacific Rim. A key way we make this happen is through tailored development programmes that stretch and promote our most talented individuals, while helping all Air New Zealanders perform at their highest levels. In 2016, a major focus was supporting development of our frontline staff, and we invested in professional development for more than 400 employees through our Leadership Everyday programme, taking the total number of participants to 800. We also ran Accelerated Development Centres for close to 60 employees identified as future senior leaders of our business and supported more than 30 members of the Senior Leadership Team through a Master Coaching development programme.

In 2017 we will invest in leadership development for our middle managers, continue to support and upskill all our leaders in their coaching capabilities to create a coaching mindset across our business, and deliver programmes to build a diverse talent pipeline of emerging leaders.



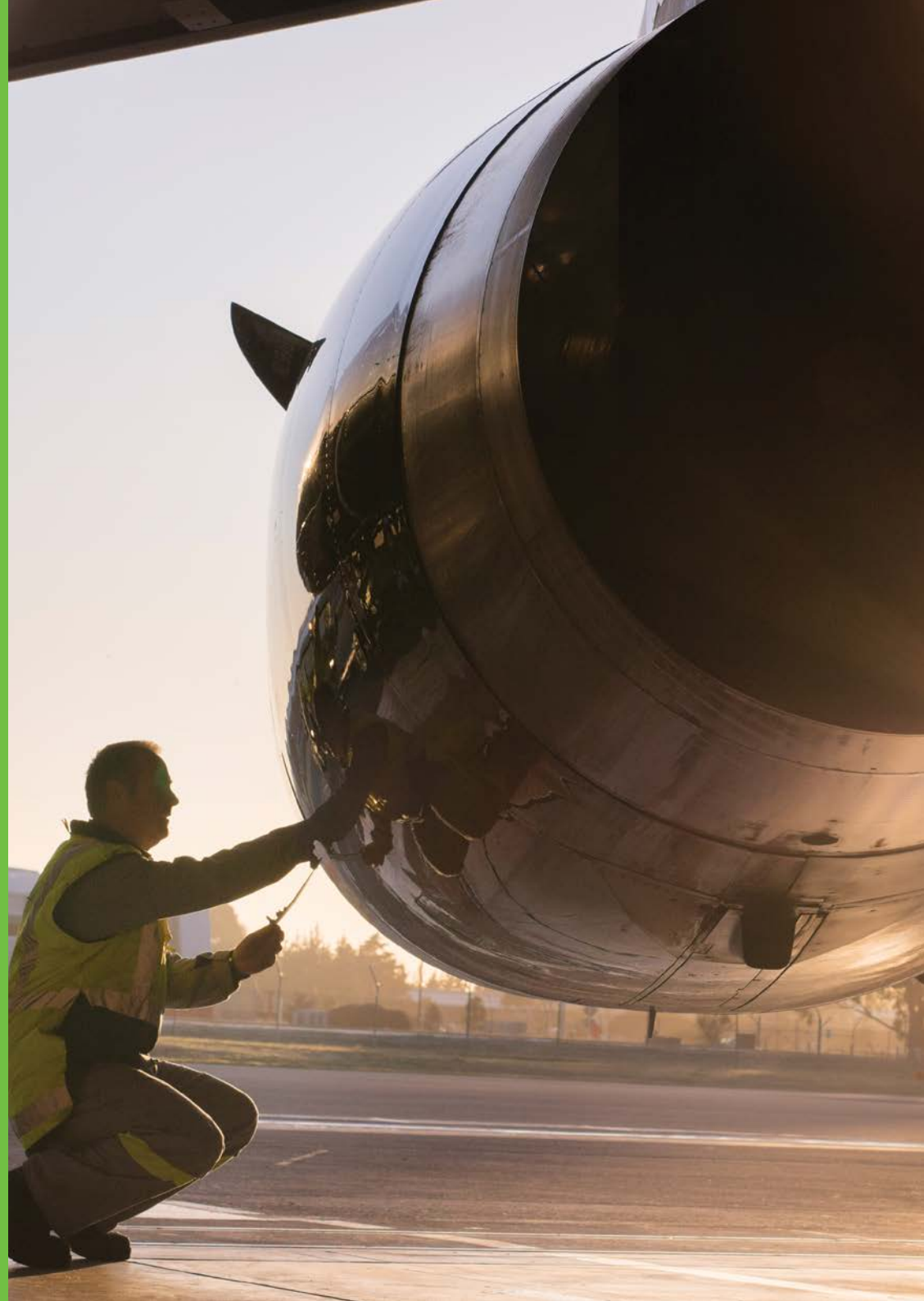
### Security

For any airline business, security is paramount. An overarching and fundamental requirement is to ensure the pace of our operations and global reach can be safely sustained to the highest of security standards internationally. An integral part of this is the safety and wellbeing of our people and our customers. We believe everyone in our business has a responsibility to uphold business security. To ensure this message is heard we are continually driving personal security awareness across every area of the business as a way to uphold operational integrity, people safety and capability building.



---

# Carbon



Air transport is essential to New Zealand's trade, exports, investment and tourism industries and has a critical role to play in connecting our people to the world, and the world to us. At the same time, our tourism and export industries rely strongly on the quality of New Zealand's natural environment and as a user of fossil fuels, we have a responsibility to address carbon emissions and their contribution to climate change. Carbon reduction is an ongoing challenge within our business and a critical issue within our sustainability agenda.

In the past year the Paris Agreement led to the creation of a legally binding global climate accord, signed by 195 countries – including New Zealand – which provides strong global recognition that pursuing a low emissions pathway is essential to avoid catastrophic climate change impacts on current and future generations. Negotiations have also been ongoing in the International Civil Aviation Organization (ICAO), to establish the framework for a global carbon offsetting scheme for international aviation. We support its goal of carbon neutral growth across international aviation from 2020.

Against this context and challenge, we aim to become the world's most fuel-efficient, long haul oceanic airline. Our goal is to minimise our carbon footprint through world leading fuel efficiency, biofuels, offsetting programmes, and operational excellence.

**International commitments**

**Up for the challenge.**

We are a member of the International Air Transport Association (IATA) and are committed to the industry's carbon targets of:

**1.5%**  
average annual aviation fuel efficiency improvement between 2009 and 2020

**Carbon neutral growth**

from 2020

**50%**  
reduction in net emissions by 2050 compared to 2005 levels

**Emissions trading**

We acknowledge all sectors of New Zealand's economy have a role to play in a low emissions future. Within New Zealand we have advocated for strong domestic climate change policies. We called for tighter obligations and the design of more sustainable offsetting opportunities within the New Zealand Emissions Trading Scheme (NZETS), which we participate in for our domestic operations.

Carbon emissions from international aviation are currently excluded from New Zealand's country target within the United Nations Framework Convention on Climate Change (UNFCCC). However these are currently being addressed through ICAO negotiations so that the industry can transition to a low carbon future.

In coming years we will be seeking to better understand how our offsetting obligations under the NZETS (and a future ICAO agreement) can be met in cost-effective ways that can support the natural environment and local economy. We are also continuing to identify new opportunities to allow customers to voluntarily offset their air travel via a new programme. We failed to launch this in 2016, but have identified carbon offsets generated from native Permanent Forest Sink Initiative projects, which we plan to make available to customers. Through this process we have learned that new permanent native forestry offset projects have not been widespread, which is in part due to the relatively low carbon price in the New Zealand market prior to 2016.

**Fleet modernisation**

**Upgrade approved.**

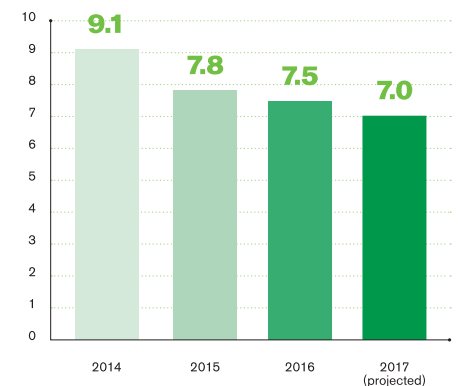
We were the first airline to take delivery of the revolutionary 787-9 Dreamliner in 2014, an aircraft 20 percent more fuel efficient than its predecessors. In the past year three new 787-9 Dreamliner aircraft

have entered our fleet, making a total of six as of June 2016. Over the next five years we plan to invest approximately \$2.1 billion in new aircraft. As of June 2016, our average seat-weighted fleet age was 7.5 years contributing to fuel efficiency gains.

**TARGET:**  
**1.5%**  
**AVERAGE ANNUAL AVIATION FUEL EFFICIENCY IMPROVEMENT**

**RESULT 2016:**  
Improvement compared to 2015: **2.9%**  
Improvement compared to 2006: **22%**

**Our average aircraft fleet age in years**  
(seat weighted)



*As a significant user of fossil fuels in New Zealand we are striving to conduct our operations as efficiently as possible and looking for future carbon solutions. Our modern fleet, adoption of innovative technology, and collaboration with partners on efficient flight paths and potential sustainable biofuel solutions, all play an important role. And on the ground we're reducing our footprint by investing in new vehicle technology that utilises New Zealand's renewable electricity.*

**Captain David Morgan**  
Chief Flight Operations & Safety Officer



### Fuel efficiency and carbon reduction programme

#### Benchmarking the best.

We are achieving fuel efficiency through a range of measures – most notably investing in a modern fleet and then operating it as efficiently as possible. In the past year our fuel efficiency improved 2.9 percent and by 22 percent over the period 2006 to 2016<sup>2</sup>. While we continue to improve our fuel efficiency, overall our carbon emissions increased by 7.6 percent as a result of new routes and increased services. We recognise that achieving the international aviation industry target of carbon neutral growth from 2020 will therefore require substantial investment in carbon offsets and alternative fuels, alongside fuel efficiency measures.

In 2016, we engaged an independent IATA Operational Efficiency team to conduct an on-site review of our operations, benchmarking our performance against carbon management international best practice, and identifying potential new initiatives to reduce our carbon emissions and fuel costs. The results of the IATA review indicates that – comparative to savings identified at global airline peers – we are one of the world's most fuel-efficient airlines. The average airline carbon reduction measures identified by IATA are five percent.

The savings identified for Air New Zealand were much less at 1.46 percent (approximately 37,000 tonnes of carbon emissions per annum). This indicates that we are well on the way towards world leading fuel efficiency improvements.

In the past year we launched a new Carbon Reduction Programme that will enable us to realise further carbon savings. Recognising that significant fuel savings can be made through route optimisation and tailored arrivals and departures with minimal direct Air Traffic Control intervention, we have now engaged with external stakeholders including the Civil Aviation Authority and Airways New Zealand to help drive industry-wide initiatives. Senior members of Air New Zealand and Airways New Zealand will oversee the new programme to ensure initiatives are on track.

Additional ongoing carbon reduction measures we are implementing include onboard weight reductions – for example, we now use lighter containers for baggage and smaller cargo shipments on all our wide-bodied aircraft. This saves up to 170 kilograms of weight per sector flown or approximately 2,300 tonnes of carbon emissions per year.

### Greenhouse gas inventory for Air New Zealand

Scope 1 and 2

Total Operational Emissions Scope	GHG emissions sources	Tonnes CO <sub>2</sub> -e FY15	Tonnes CO <sub>2</sub> -e FY16
Scope 1	Aviation Fuel, LPG, Natural Gas, Ground Diesel, Ground Bio Diesel, Ground Petrol	3,073,455	3,308,947
Scope 2	Electricity	5,543	3,701
Totals		3,078,998	3,312,648
Biomass (Wood Pellets)		880	1,235

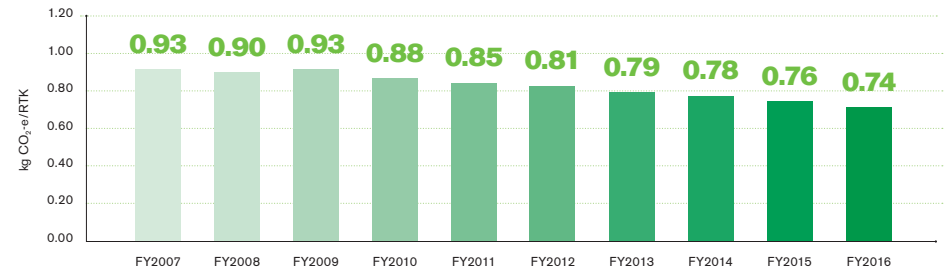
For more detail on our greenhouse gas emissions, see our 2016 Air New Zealand Greenhouse Gas Inventory Report and a copy of the assurance statement from Deloitte at [www.airnewzealand.co.nz/sustainability](http://www.airnewzealand.co.nz/sustainability)

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

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

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

### Fuel efficiency: CO<sub>2</sub>-e per Revenue Tonne Kilometre



Revenue Tonne Kilometres (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 the International Air Transport Association (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.

### Sustainable biofuels

#### Pitching for ideas.

We remain active in our commitment to investigate options for locally produced aviation biofuel. In March 2016 we issued 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 received a number of credible responses and are continuing discussions with prospective suppliers.

We are a member of the Sustainable Aviation Fuels User Group (SAFUG), the Roundtable on Sustainable

Biomaterials (RSB) and support second generation biofuels that have a robust lifecycle scale assessment of carbon and do not directly compete with food production crops. We also continue to support Crown Research Institute SCION in the development of the New Zealand Biofuels Roadmap launched in December 2015, which sets out to define optimum pathways for the large-scale production and use of biofuels in New Zealand.

Currently aviation jet fuel use comprises approximately 99.5 percent of our carbon emissions.<sup>3</sup> However, we are also committed to reducing our environmental impacts at every level of our operations. This includes ground services emissions encompassing transport, buildings and waste management.

### Electric vehicles

#### Making a simple switch.

We aim to lead the way on the ground by operating one of New Zealand's most technologically advanced, renewably powered electric ground fleets. Over 80 percent of New Zealand's electricity is from renewable sources and we believe electric vehicles are a critical component of New Zealand's low emissions pathway for the transport sector. Last year we announced that by the end of 2017 our entire light vehicle fleet will be electric (where viable options exist), and we are on track to achieve this.

In the past year, our entire light electric vehicle (EV) fleet order was placed. Since then we have begun to transition more than 75 light vehicles to electric. At the end of June 2016 we had 10 EVs in our light vehicle fleet. In total, 37 fully electric BMW i3 vehicles have been ordered for our sales force, along with 28 Renault Kangoo Maxi ZE 100 percent electric vans for use at airports. We have also ordered 13 Mitsubishi Outlander Plug-in Hybrids for longer range trips due to current regional limitations of charging infrastructure. These measures are expected to save our business around 65,000 litres of fuel per year.

We have also installed charging points at our key car parking sites to support the new vehicles. We aim to have 40 chargers installed by December 2016.

In 2015, we also set a target for our Ground Service Equipment (GSE) motorised fleet of more than 600 vehicles to be 100 percent electric by 2020, where viable options exist. The current transition to electric options is on track, with 45 percent of our New Zealand-based GSE currently powered by electricity.

<sup>3</sup> Scope 1 and 2 Greenhouse Gas emissions – refer to Air New Zealand 2016 Greenhouse Gas Inventory Report and a copy of the assurance statement from Deloitte at [www.airnewzealand.co.nz/sustainability](http://www.airnewzealand.co.nz/sustainability)

<sup>4</sup> Ten electric light vehicles joined the fleet by June 2016, of the total number of 78 light vehicles that will be transitioned to electric by June 2017, with 100 percent of orders placed. Total fleet is made up of 102 light vehicles, of which for 24 there are currently no feasible electric alternatives.



TARGET:  
**100%**

GROUND SERVICE EQUIPMENT  
**ELECTRIC BY 2020** (WHERE FEASIBLE)

RESULT 2016:  
**45%**  
up from 32% in 2015

TARGET:  
**100%**

LIGHT FLEET  
**ELECTRIC BY 2017** (WHERE FEASIBLE)

RESULT 2016:  
**13%** in fleet  
**100%** of orders placed<sup>4</sup>

TARGET:

5%

**ANNUAL REDUCTION IN ELECTRICITY USE AGAINST 2011 BASELINE**

RESULT 2016:

Improvement compared to 2015 **15%** Improvement compared to 2011 **40%**

**Electricity**

In the past year we continued to reduce electricity consumption across all areas of our New Zealand business operations. This has contributed to a 40 percent reduction of electricity consumption across our New Zealand ground operations since 2011. Our chosen New Zealand electricity provider's generation portfolio is based entirely on renewable sources, and in the coming year we will be developing new electricity intensity targets.

**Sustainable buildings**

In 2016 we released new Sustainable Building Guidelines that apply to capital works, new builds, office fit-outs and retrofits. These guidelines will ultimately lead to more sustainable buildings, improved operational efficiency and higher quality workplace environments.

**Waste management**

In the past year we exceeded our target to divert 70 percent of our domestic ground waste from landfill with 73 percent of waste being diverted. We have also set a zero waste to landfill target for all Auckland ground sites by 2020 and achieved a recycling rate of 74 percent in 2016.

Our reuse and recycling programme for our corporate uniform continues, with seven tonnes of textile waste estimated to have been diverted from landfill in the past year. We have also collaborated with R&D company The Formary and other New Zealand corporates to explore long term solutions for textile re-use.

Following a series of office refits in 2016, we donated 1500 pieces of used office furniture to Fijian schools rebuilding after Cyclone Winston, with a further 1650 pieces donated to 14 community groups and not-for-profit organisations in New Zealand.

TARGET:

**ZERO WASTE**

**TO LANDFILL AT AUCKLAND (GROUND) BY JUNE 2020**

RESULT 2016:

**74%** diversion from landfill up from 65% in 2015



**Inflight recycling**

**Rethink, reuse, recycle.**

This year a key focus was to gain a better understanding of our inflight waste. We collaborated with our Auckland-based inflight catering provider LSG Sky Chefs and the New Zealand Ministry for Primary Industries (MPI) to develop a new international inflight waste minimisation pilot programme for galley waste. The programme identified inflight catering products from our flights (including international) that, if unused, could be diverted from waste and re-introduced to the supply chain by our caterer. Examples include unopened and non-perishable snacks, dry goods and sealed beverages. Although unopened and untouched, these items would have previously gone to landfill due to biosecurity protocols. MPI has since reviewed and approved potential inflight catering products coming off flights that have the ability (subject to biosecurity and food quality conditions) to be reused for future flight services. The programme has also enabled greater recycling of certain low biosecurity risk packaging off international flights. We will be seeking to maintain and enhance these recycling protocols in coming years.

We also continue to support Auckland International Airport's waste minimisation initiative for non-food cabin waste on inbound flights to New Zealand. This project was initiated by the Air New Zealand Cleaning Team and Operations Delivery Team, who recognised an opportunity to re-introduce unused product back onto flights. The team works with Auckland International Airport's waste management contractor OCS WasteLine, who processes cabin waste and isolates Air New Zealand product. As the initiative gains momentum we now have an Inflight Waste and Recycling team made up of cabin crew representatives, who are focused on encouraging fellow crew members to raise awareness and return unused items back to their allocated stowage positions to avoid the product ending up in landfill. For the year ended June 2016 the project achieved landfill diversion rates of almost 48 percent by recycling drywaste products that pose no biosecurity risks.

---

# Nature and science



New Zealanders' love for the great outdoors and conserving our natural beauty is almost unrivalled throughout the world. It is what defines us as a nation and who we are as a people. Our deep respect and passion for nature is what has also earned New Zealand an enviable position as one of the world's leading destinations. We know international visitors travel great distances to experience New Zealand's stunning landscapes and natural scenery. But our natural environment is under increasing pressure. In fact, New Zealand faces one of the highest rates of biodiversity loss in the world. Changing temperatures and weather patterns brought about by climate change are further impacting natural ecosystems and the environment. We know that business alongside government, iwi and communities all have a role to play together in ensuring our natural environment is sustained for the wellbeing of future

generations. The recent Government announcement of the goal of 'Predator Free New Zealand by 2050' is testament to the important role nature plays in the future success of New Zealand's people, environment and economy. Our goal is to make a significant contribution to New Zealand's conservation and climate science programmes. In doing so we hope to restore and protect ecosystems and New Zealand's natural heritage.

**TARGET:**  
**BIODIVERSITY PROJECTS DELIVERED WITH DOC AND IWI PARTNERS BY DECEMBER 2020**

**RESULT 2016:**  
 Biodiversity projects active on three Great Walks (Lake Waikaremoana on hold), species transfer programme fully supported

*As kaitiaki of the rohe that includes Totaranui within Abel Tasman National Park we work closely with the Department of Conservation to protect all of the values in this special place. We are really enthusiastic to have Air New Zealand come in to support conservation at Totaranui on the Abel Tasman Great Walk. Their collaboration will help us to control the pests and allow the song of our native birds to ring out again as it did in the past. This is truly conservation for our people and our place.*

**John Ward-Holmes**

One of the Kaumatua of Manawhenua Ki Mohua (the three tribes: Ngāti Tama, Te Āti Awa and Ngāti Rārua o Te Tau Ihu)



**Great Walks**

**Closer to nature.**

In the past year, we extended our Department of Conservation/Te Papa Atawhai (DOC) partnership until 2020 and we are working with DOC and iwi partners Ngāi Tahu, Ngāi Tūhoe and Manawhenua ki Mohua to support a series of biodiversity projects across the Great Walks. To date our Great Walks biodiversity contribution has been focused on establishing pest-eradication projects around New Zealand's showcase Great Walks in our national parks. These projects focus on controlling pests such as stoats, rats and possums – known to predate native fauna as well as destroy forest habitats. Together with DOC and iwi we are striving to bring back birdsong to New Zealand's signature walking tracks so that New Zealanders and overseas visitors alike can have richer experiences in nature, and so that native flora and fauna can flourish.

In 2016 we have supported DOC and Manawhenua ki Mohua to launch a new trapping network for predator control in and around the Totaranui headland in the northern part of the iconic Abel Tasman National Park. This project adjoins one of DOC's most utilised campsites, with over 17,000 people annually visiting the Totaranui campsite on the Abel Tasman Great Walk track. Our partnership work complements other pest control activity being undertaken in other parts of the park by DOC and other committed partners,

and in time we hope to see native forest bird populations thriving here, as they once did. In the past year project work has also successfully enabled DOC and iwi to release native birdlife including pāteke on the Milford Track and whoo on the Routeburn Track. Additional highlights in the past year include close to 50 whoo ducklings being surveyed in the Arthur Valley on the Milford Track, where predator trapping networks have been established; bird counts in the Routeburn Valley evidencing increasing numbers of robin (kakarūwai), fantail (piwakawaka), brown creeper (pipipi), and rifleman (titipounamu). In the past year, we also launched a brand campaign to further promote and protect New Zealand's natural environment. Featuring DOC's Threatened Species Ambassador, Nicola Toki, the campaign encouraged New Zealanders to spend time connecting with nature, explore their own back yard and demonstrated that nature is really "closer than you think". This campaign resulted in over 8.2 million online impressions.

Since our partnership with DOC began, patronage and revenue on the Great Walks continues to rise. In fact, bookings on the Great Walks has increased by 48 percent since our partnership commenced (13 percent in the past year), and bed nights (huts and tent sites) have increased by 13 percent in 2016.

**Great Walk achievements**

**13%**

increase in Great Walks bookings in 2016

**13%**

increase in hut and tent bed nights in 2016

**Precious cargo**

**First class flyers.**

In partnership with DOC we have continued our support relocating endangered indigenous species to safer new breeding habitats throughout New Zealand. In the past year we have enabled the movement of close to 500 native creatures spanning 12 different species, including tuatara, kea, kiwi, kākāpō, takahē, pāteke, whio and native gecko on our network. Since the beginning of our partnership in 2012 more than 2000 animals have been relocated.

**Marine reserve research**

Our marine environment is a precious part of New Zealand and is cherished by New Zealanders and tourists alike. It is also an integral component of our economy. We proudly fund marine monitoring and research within the marine reserves managed by DOC and have promoted 'Coastal Gems' marine reserve experiences through our marketing channels.

With 80 percent of New Zealand's indigenous biodiversity estimated to be underwater in the marine environment, DOC's research will help gain a better understanding of the health of marine reserves, the

habitats of our native species, and how land use and other pressures are affecting them. Rock lobsters, blue penguins, reef fish and fur seals are among some of the species that research and development has focussed on as part of the partnership.

**Google Trekker**

**Smart minds at work.**

To complement the Great Walks campaign, in late 2015, we also partnered with Google and DOC to launch Google Trekker to provide panoramic views of seven of New Zealand's Great Walks on Google Maps. A collection of images taken from the tracks over the past four years uses Google's Street View technology to provide stunning 360-degree views of the Milford, Kepler, Abel Tasman, Waikaremoana, Heaphy, Routeburn and Rakiura (Stewart Island) Great Walk tracks.

The aim of Google Trekker is to promote some of the lesser-known Great Walks, which will help DOC manage visitor demand as well as benefit regions of New Zealand that have strong potential to develop as iconic Kiwi tourism destinations. It also provides adventurers and people from around the world who are not able to travel to, or trek, the Great Walks, a unique opportunity to experience them.



**Antarctic ecosystems research**

We have partnered with Antarctica New Zealand and New Zealand Antarctic Research Institute (NZARI) to make a significant contribution to climate research in Antarctica. While very few people will ever visit Antarctica, changes in this precious and fragile ecosystem have wide-reaching effects across the globe. That's why we believe it is crucial to both understand and connect what is happening in Antarctica with what is happening around the rest of the world.

Our support has enabled the launch of a new three year ecosystems project that examines the impact of climate change on life in Antarctica. The aim of the project is to determine the adaptation or resistance potential of Antarctic species and ecosystems to environmental stressors such as ocean warming, increased freshwater runoff in the ocean and ocean acidification, each of which are indicators of large-scale changes to the planet from increasing levels of carbon dioxide.

**TARGET:**

**CLIMATE SCIENCE PROJECT DELIVERED BY DECEMBER 2018**

**RESULT 2016:**

**Antarctic Ecosystems project commencing October 2016**



The significant challenge that we are helping to understand is the difference between local and seasonal changes and long-term trends that signal a changing state of the planet. This is why the scientists are turning their attention to ecosystems in Antarctica. These ecosystems are already highly adapted to seasonal variability and any annual changes can indicate globally significant change.

The comprehensive scope of research covers Antarctic life ranging from lichens and mosses on land and marine organisms in coastal habitats, as well as micro-organisms present in all ecosystems. The programme will work across a range of environments including terrestrial and freshwater systems on land and coastal marine systems.

Our support has helped NZARI to secure a diverse range of experts from research institutes across the world including New Zealand, South Africa, England, Spain, Finland and Italy. The science programme was peer-reviewed by an International Science Panel and, in the coming season, the researchers will use a combination of field measurements and novel experimental approaches to assess how sensitive and adaptable Antarctic ecosystems are to environmental change. In October 2016, the first of two teams deploy to Antarctica to dive beneath the sea ice at Cape Evans (close to Scott's Terra Nova Hut) and Terra Nova Bay, 350 kilometres north of New Zealand's Scott Base. In the late summer of 2016/17 an additional team begins onshore research in lakes in the McMurdo Dry Valleys and in melt ponds at Bratina Island during the peak of the summer ice melt.

As part of our partnership, each summer season two Air New Zealanders join Antarctica New Zealand's team to support Scott Base logistics and operations as well as gain valuable skills for the benefit of both our organisations.

## Environmental compliance

In addition to the ISO14001 environmental management system at our head office, we have waste and resource management programmes running across the business to ensure we comply with all hazardous substance approvals and resource consents. We aim to have zero environmental non compliance at all our operating sites, and had no non compliances in the year ended June 2016<sup>5</sup>.

This year we also modified our Environmental Management System (EMS) to meet stage one of an IATA environmental assessment programme, enabling us to assess and improve our environmental management specifically as an airline. Over the next two years we will implement stage two of this programme, resulting in a certified EMS covering the breadth of our operations, representative of global best practice for airlines.

### TARGET:

**MAINTAIN  
ZERO  
ENVIRONMENTAL  
NON COMPLIANCES**

### RESULT 2016:

**Zero environmental  
non compliances**



5. While we have recorded five minor environmental incidents in 2016 (for example, a small amount of paint residue was discharged to stormwater), these were all quickly resolved, and did not result in any sanctions or fines for non compliance from the relevant councils, who were all kept fully informed.

---

# Tourism



*While it's great to see inbound tourism continuing to grow, we have a responsibility to ensure we protect and enhance our unique natural environment which our industry relies so heavily on, and to make sure that our visitors have a great experience and aren't disappointed when they come here.*

**Christopher Luxon**

Chief Executive Officer, Air New Zealand  
Board Member, Tourism Industry Aotearoa

”

Tourism is crucial to New Zealand's economy and a vital source of employment for New Zealanders. In 2015, New Zealand's tourism industry again became our country's largest export earner – generating nearly \$12 billion, or more than 17 percent of all foreign exchange earned, and employing more than 12 percent of our population. International visitor arrivals were up by 11 percent in 2016 and have steadily increased since 2013, with 46 percent arriving on Air New Zealand or our alliance partners. By 2022 the number of visitors to New Zealand is expected to reach 4.5 million – a growth of more than five percent annually. While visitor numbers have steadily

increased, visitor value is growing at an even faster rate. The spend by international visitors increased by 18 percent, with the average spend per visitor up six percent in 2016.

Our goal is to grow the economic value of tourism to New Zealand through destination promotion and market development. We recognise that genuine sustainable development outcomes are key to ensuring the long-term success of the industry.

## Sustainable tourism

### Sharing the load.

New Zealand boasts some of the most stunning landscapes and natural scenery in the world. A mecca of outdoor beauty, our natural landscapes are a key reason why visitors choose New Zealand as a destination. As visitor numbers grow it is vitally important that we continue to preserve and protect our natural environment. It is also crucial that New Zealand's communities and tourism infrastructure are able to keep pace with forecast tourism growth.

Last year we signalled that sustainable tourism growth was a key area of focus for the business. Subsequently, our Tourism team has worked with our Regional Affairs and Strategy teams to advance a strategy that identifies key areas where we can transform business approaches to better support long term, sustainable outcomes for the industry. Our objectives include increasing holiday arrivals in New Zealand's shoulder season (April – October) as well as promoting tourism to New Zealand's regions so that all communities benefit, all year round.

We also continue to support safe driving experiences and in 2016 launched a Safe Driver app onboard our inflight entertainment to help educate overseas visitors about driving in New Zealand. This app has been viewed by over 360,000 passengers since it launched in September 2015.

## New market development

### Connecting east and west.

In 2016 we launched year-round direct services into Houston (USA) and Buenos Aires (Argentina) and a seasonal direct service to Ho Chi Minh City (Vietnam). We commenced our service into Beijing (China) operated by our new revenue share alliance partner Air China, complementing our own Auckland – Shanghai service in what is now New Zealand's

second biggest inbound tourism market. We also entered a revenue share alliance with United Airlines, which covers all services to the United States – an important step as the US represents the third largest tourism market for New Zealand.

Growing the economic value of tourism to New Zealand means not only investing and operating a route network that will support tourism growth, but also investing in destination promotion and the development of new markets, including consumer marketing campaigns and trade education. For example, in June 2016 we launched a campaign featuring Argentinian rugby legend Agustin Pichot, promoting shoulder season travel to New Zealand and a number of activities including rafting, jet-boating and golf.

### TARGET:

GROW  
NEW ZEALAND  
TOURISM  
REVENUE TO

\$  
**41b**  
BY 2025<sup>6</sup>

RESULT AS AT MARCH 2016:

**\$32.5b (estimate)<sup>7</sup>**

6. Tourism Industry Aotearoa: Tourism 2025 industry target.

7. Tourism revenue estimate derived from Tourism Industry Aotearoa: "Tourism 2025 Two Years On"

While we undertake our own activity to market Air New Zealand and our country, we also recognise the importance of collaboration. We invest more than \$10m each year in partnership with Tourism New Zealand and other industry partners to promote New Zealand in key offshore markets and develop new tourism markets. Our activity with Tourism New Zealand has resulted in visitor numbers from Argentina increasing from 4,000 per annum to over 12,000 since we launched direct services to Buenos Aires. Tourism from the USA has also been boosted following the launch of our services to Houston, with total USA arrivals increasing ten percent and arrivals from Texas specifically increasing 19 percent, to June 2016.

### Destination promotion

#### Shoulder season, must-do events.

In 2016, we increased our seat capacity into, out of and around New Zealand by seven percent and as part of our commitment to New Zealand's regions we provide services to every region in the country. In the past year we have flown close to an additional 690,000 seats around New Zealand and in May we were the first airline to commence commercial after-dark flights into Queenstown.

Strong growth in tourism demand from all markets provides unique opportunities to travel beyond key tourism locations, enabling New Zealand to accommodate increased visitors, and help broaden the distribution and benefits of tourism. From north to south, we continue to work closely with regional stakeholders to develop unique tourism propositions that reflect and complement the distinctive aspects of each region in a way that is compelling to prospective visitors, both domestic and international. In partnership with Regional Tourism Organisations (RTOs) we look to create compelling marketing campaigns to attract more visitors to regional centres and to sell "all of New Zealand" – not just the popular tourist nodes. In 2016, Air New Zealand hosted a Destination Brand workshop attended by 20 RTOs to support them with developing and communicating their brand proposition for their respective regions.

In Northland we engaged with key stakeholders – including local council and tour operators representing

#### TARGET:

**INCREASE AVAILABLE SEATS INTO, OUT OF AND AROUND NEW ZEALAND BY**

**21%**  
**BY 2020**  
**AGAINST 2015**  
**BASELINE**

#### RESULT 2016:

**7%**  
increase compared to 2015

the wider community – to help rebrand the Bay of Islands as a means of stimulating growth in visitor demand. The combined efforts of the community, major enhancements to the Paihia town centre, the opening of the new Waitangi Te Kōngahu museum, and the development of the new marina in Opuia are collectively attracting a steady increase in visitor numbers. We have welcomed the opportunity to support these initiatives. In May this year, as part of our sponsorship strategy to support world class events throughout New Zealand during the shoulder seasons, we promoted and hosted the inaugural Air New Zealand Hawke's Bay International Marathon. The event was fully subscribed during a traditionally low visitor period and more than three-quarters of the 5,000 participants were from outside the Hawke's Bay region.

In Dunedin we have worked closely with the City Council, Dunedin Airport, Chamber of Commerce, Enterprise Dunedin and Otago Southland Employers' Association to develop a stronger value proposition enhancing both tourism and trade to the city. Our sponsorship of the iD Dunedin Fashion Week has also further helped to put Dunedin in the spotlight.

In addition to our regular promotion of regional destinations in our inflight magazine KiaOra, we promoted the Art Deco festival in Napier, Bluff Oyster Festival in Southland, Hokitika Wildfoods Festival on the West Coast, and the annual World of WearableArt exhibition in Wellington. We continue to work closely with regional stakeholders to identify, promote and support initiatives that increase demand for regional tourism.



Master carver Arekatera Maihi designing and carving the 'Waha Tohu'.

### Sharing Māori culture

We recognise Māori culture as a foundation of New Zealand's heritage. As the national carrier, we are in a unique position to embrace and share Māori culture with New Zealanders and overseas visitors. We regularly use te reo to greet our customers and in 2016 have improved the use of te reo in other ways across our business.

We now farewell our customers using "Mā te wā" translating closely to 'see you again', we invested in training an initial 25 cabin crew to become ambassadors of the Māori language and culture onboard our flights, and we launched "Te Kete Tikanga Māori" – our own Māori language and culture app for employees. We have also worked with the Te Taura Whiri i te Reo Māori (Māori Language Commission) to introduce the "Waha Tohu", a Māori language identifier pin that can be worn by fluent te reo speaking New Zealanders, including Air New Zealanders.



---

# Trade and Enterprise



Strengthened and comprehensive air connectivity – domestic and international – is crucial for enabling Kiwi businesses to thrive. It is also essential for boosting both import and export trade opportunities. As an established global business, we believe the experience and knowledge we have gained in the markets we service can help New Zealand businesses better understand and succeed in their own markets internationally and at home.

We also make a substantial contribution to the New Zealand economy, paying a dividend to the New Zealand government of \$262.3 million in 2016, tax of \$200 million, contributing more than \$1 billion in wages to the nearly 11,000 people we employ in New Zealand, and purchasing more than \$1.2 billion of goods and services from other New Zealand businesses every year. Our goal is to invest in New Zealand and maintain a network enabling New Zealand businesses to succeed at home and abroad.

# \$262.3m

dividend to the New Zealand Government in 2016

# \$1.0b

in wages to the nearly 11,000 people we employ in New Zealand

# \$1.2b

of goods and services purchased from other New Zealand businesses every year

## Global connectivity

### Trade alliances not just tourism.

In 2016 we experienced 16 percent growth in our long haul international network, enabling enhanced global connectivity for New Zealanders and international visitors. We launched three new international services: Buenos Aires, Ho Chi Minh City and Houston and now fly direct to 30 destinations throughout the world. We have also established revenue share alliance partnerships with United Airlines and Air China, and a codeshare agreement with Aerolineas Argentinas. These new routes enhance export opportunities and we continue to work with partners to open doors where we can. For example, our inaugural flight to Houston carried key exporters who participated in a trade familiarisation with potential US buyers.

In January 2016 we took the difficult decision to suspend services between Auckland and Vanuatu because our ongoing concerns about the condition of the runway at Port Vila International Airport became a critical safety concern. We recognise the impact that

a reduction of air services has on the local economy and it is encouraging that the Vanuatu Airports Taskforce and Vanuatu Government are taking the safety concerns seriously. Following temporary runway repairs we are comfortable to potentially operate charter flights subject to Vanuatu Government approval. We will consider resuming regular scheduled services to Vanuatu once the proposed permanent solution for the runway has been secured.

## Cargo services

### Adding value.

Cargo services play a crucial role in moving and processing time-sensitive, high value exports and imports. Our cargo network processes the majority of New Zealand's air freighted imports and exports and contributes \$350m to our revenue. We are responsible for moving approximately 3,000 tonnes of cargo in any given week and our airfreight services enable New Zealand's high value export chain to grow.

Since 2015 our direct cargo network has expanded to operate in 27 cities in 18 countries and we continue to have a strong cargo network with more than 50 partner airlines and 15 land-based operators. Together with these partners we service more than 120 destinations globally, enabling our exporters and importers to buy and sell goods almost anywhere throughout the world.

In the past 12 months the percentage of air freighted exports we carried increased to 35 percent and was valued at more than \$2.5b – a \$500m increase from 2015. In the same period the value of air freighted imports we carried grew from \$3.4b to \$3.6b.

## Airpoints™ for Business

### The benefits of doing business.

Last year we committed to developing programmes to enhance the capabilities of emerging New Zealand businesses.

The launch of Airpoints™ for Business gave us an opportunity to further engage with an important customer segment – small to medium enterprises (SME). The programme rewards business owners for their support by earning additional Airpoints Dollars™ on their travel and everyday business expenses. It was important to us that Airpoints™ for Business help connect regional businesses. With more than 40 percent of members coming from outside of Auckland, Wellington and Christchurch, we have exceeded our goal of 30 percent of Airpoints™ for Business members coming from the regions in our first year. As part of the Airpoints™ for Business launch, we also offered business owners the opportunity to win a mentorship with a New Zealand business leader to gain insight into how to supercharge the success of their own businesses. Mentors included: Julie Christie, Sir George Fistonich, Dame Trelise Cooper, Theresa Gattung, Phillip Poole and Air New Zealand's Deputy Chair Jan Dawson.

This year we continued to work closely with Chambers of Commerce throughout New Zealand. We supported several local initiatives including the Emerging Business Award category at the annual Auckland Westpac Business Awards.

We intend to further support emerging businesses in the coming years and will use insights gained from creating Airpoints™ for Business to help us explore additional opportunities.

### TARGET:

**EMERGING BUSINESS SUPPORT PROGRAMMES IMPLEMENTED**

### RESULT 2016:

**Airpoints™ for Business launched**  
No dedicated programmes yet implemented

*We know our supply chain is complex in terms of the breadth of products and services we purchase, the number of suppliers we partner with and the significant number of destinations we operate in. Our challenge is to collaborate with our suppliers to better identify and address sourcing risks and opportunities, through transparent and sustainable supply chains – we've made a positive start to that journey.*

**Andy Richards**  
GM Procurement, Air New Zealand



## Sustainable sourcing

### Supply chain certainty.

In order to be a sustainable business, we must take responsibility for what we purchase, the way our products and services are used, and how they are disposed of. Last year we launched our new Supplier Code of Conduct which outlines the best practice behaviours we expect from suppliers, particularly around sustainability and improving transparency. Our Procurement team worked hard to reach our goal in year one of ensuring at least 80 percent of our purchasing spend complied with the Supplier Code of Conduct. In recognition of their efforts, our Procurement team won the Best Contribution to Corporate Responsibility for its collaborative role in the launch of the Sustainability Framework at the Chartered Institute of Procurement and Supply (CIPS) Australasian Supply Management Awards for 2016.

From this year until 2020, our Procurement team will be steadily engaging with our remaining suppliers to achieve our goal of 100 percent compliance with the Supplier Code of Conduct. These suppliers are lower in monetary spend, but they make up the majority of our supplier base in numerical terms, so developing effective engagement approaches will be key.

While compliance is critical, it is only the beginning. From stationery to jet engines, we seek to positively influence our supply chain by working closely with our suppliers to identify opportunities and achieve a common, sustainable vision. For example, in 2016 we finalised a Joint Business Plan with LSG Sky Chefs, our inflight caterer, which includes expectations to advance the traceability of inflight food and beverages. We have also worked together to reduce the waste of unused inflight catering products, as noted on page 37.

In 2016 we also became the first large company to sign a preferred supplier agreement with innovative and socially conscious start-up Eat My Lunch – now our preferred caterer for internal events. Eat My Lunch produces healthy, quality lunches while delivering genuine social benefits to New Zealand communities. For every lunch ordered the organisation provides a lunch to a child in need. In the first five months of the partnership with Eat My Lunch, we have enabled more than 6,000 lunches to be distributed to Kiwi kids at low decile schools in Auckland. A number of our employees have also been inspired to volunteer with Eat My Lunch by helping to prepare meals.

TARGET:

100%

OF SUPPLIERS  
COMPLIANT WITH  
SUPPLIER CODE OF  
CONDUCT BY 2020

RESULT 2016:

Suppliers representing **80%**  
of our spend are compliant

## Showcasing New Zealand wine

### Telling a richer story.

We are passionate about promoting home-grown wines and showcasing New Zealand as a destination for wine tourism. We are proudly one of the country's biggest servers of New Zealand wine and we are celebrating thirty years of sponsorship of the New Zealand Wine Awards this year.

From our world famous Marlborough Sauvignon Blanc and Otago Pinot Noir, to the rising stars of earthy Hawke's Bay Syrah and Gisborne Albariño, we believe New Zealand wine tells a fabulous story about regional New Zealand that we can help communicate to the world. This year we have developed a number of new initiatives to encourage New Zealanders and international travellers alike, to learn and explore more about our world class vintages.

In February 2016, we created a unique 'Wine Flight' with New Zealand Winegrowers for more than 60 of the world's most influential wine media, trade and sommeliers. On board two of our Q300 aircraft, VIP passengers from 11 countries enjoyed wines from Marlborough, Nelson, Martinborough/Wairarapa, Hawke's Bay and Gisborne, while flying over those regions. The extensive media reach of our selected

guests created significant exposure for the New Zealand wine industry and New Zealand as a destination for wine tourism.

In 2016 we also supported 65 cabin crew members with training with Villa Maria wine experts to become wine specialists, identified by a black apron with the distinction of 'Wine Specialist' embroidered on the front. The training covers the characteristics of wine, food and wine matching, the wine making process, and our Wine Specialists can even offer wine tastings at 30,000 feet.

In September 2016 we introduced inflight entertainment content to inspire and educate our customers about New Zealand wine and launched "Fine Wines of New Zealand" in our Business Premier cabins. The Fine Wines of New Zealand is the country's most prestigious wine selection and has been compiled by a panel of six of the nation's leading independent wine experts. From their selection, our consultants carefully select wines to complement the menus designed by award-winning New Zealand chefs Peter Gordon and – from 2017 – Michael Meredith.

## Sustainability Targets – Progress 2016

Target	2015/Baseline Year	2016	Status
<b>Our Communities</b>			
Community programmes implemented	n/a	Airpoints™ for Schools and Inspiring Voices implemented	✓
Zero noise breaches	No notified noise breaches	No notified noise breaches	✓
<b>Our People</b>			
Improve people safety by a 15% reduction in reported rate of injuries compared to 2015 <sup>1</sup>	12% reduction in reported rate of injuries compared to 2014	18% increase in reported rate of injuries compared to 2015	✗
40% of senior leadership team to be female by June 2020	16% in 2013	30%	⌚
75% employee engagement by June 2020	67% in 2014	69%	⌚
<b>Carbon</b>			
1.5% average annual fuel efficiency improvement between 2009 and 2020 <sup>2</sup>	2.2% compared to 2014 20% compared to 2005	2.9% compared to 2015 22% compared to 2006	✓
100% light fleet electric (where feasible) by 2017	0%	13% 100% of orders placed	⌚
100% GSE electric (where feasible) by 2020	32%	45%	⌚
Zero waste to landfill at Auckland (ground) by June 2020	65%	74%	⌚
5% annual reduction in electricity use against 2011 baseline	8.5% compared to 2014 28.5% compared to 2011	15% compared to 2015 40% compared to 2011	✓
<b>Nature and Science</b>			
Biodiversity projects delivered with DOC and iwi partners by December 2020	Projects active on three Great Walks (Lake Waikaremoana on hold), species transfer programme fully supported	Projects active on three Great Walks (Lake Waikaremoana on hold), species transfer programme fully supported	⌚
Climate science project delivered by December 2018	n/a	Antarctic Ecosystems project commencing October 2016	⌚
Maintain zero environmental non compliances	Zero environmental non compliances achieved	Zero environmental non compliances achieved <sup>3</sup>	✓
<b>Tourism</b>			
Increase available seats into, out of and around New Zealand by 21% by 2020 against 2015 baseline	n/a	7%	⌚
Grow New Zealand tourism revenue to \$41 billion by 2025 <sup>4</sup>	\$29.9 billion (as at March 2015)	\$32.5 billion (estimate as at March 2016) <sup>5</sup>	⌚
<b>Trade and Enterprise</b>			
Emerging business support programme implemented	n/a	Airpoints™ for Business launched. No dedicated programme for emerging business launched	✗
100% of suppliers compliant with Supplier Code of Conduct by 2020	n/a	Suppliers representing 80% of our spend compliant	⌚

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

2. IATA industry target.

3. While we have recorded five minor environmental incidents in 2016 (for example, a small amount of paint residue was discharged to stormwater), these were all quickly resolved, and did not result in any sanctions or fines for non compliance from the relevant councils, who were all kept fully informed.

4. Tourism Industry Aotearoa: Tourism 2025 industry target.

5. Tourism revenue estimate derived from Tourism Industry Aotearoa: "Tourism 2025 Two Years On".





## The year ahead

Since launching our Sustainability Framework a year ago, we have moved from announcing our aspiration to supercharge New Zealand's success – socially, economically, and environmentally – to making it a reality. We recognise that the scale of many of the challenges that we face globally can only be achieved through strong collaboration, learning by doing, and sharing the failures as well as success.

### **As we look ahead, we will be focused on:**

Building on existing programmes to inspire youth through travel, and develop New Zealanders through world-class knowledge sharing

Embedding safety as a shared value and a core business function

Strengthening employee engagement, promoting diversity and inclusion and becoming a talent incubator

Improving the way that we weave Māori culture into our organisation

Supporting additional biodiversity projects on three of New Zealand's Great Walks at Lake Waikaremoana, Whanganui River Journey, and Heaphy Track

Implementing our new Carbon Reduction Programme

Continuing to transition our electric ground fleet and encouraging others

to do the same

Implementing our new Sustainable Building Guidelines

Continuing to improve our waste management, on the ground and in the air

Supporting Antarctica New Zealand and New Zealand Antarctic Research Institute's new Antarctic Ecosystems project

Championing a sustainable tourism plan for New Zealand

Working towards 100 percent Supplier Code of Conduct compliance by 2020, and pursuing greater transparency and sustainability in our supply chain

While we have considered international reporting frameworks in preparing this report, we have not adopted a specific reporting standard. Some of our key data, particularly our carbon dioxide emissions data for aviation fuel has been subject to a level of assurance as stated on page 33. We welcome reader feedback on our progress and future targets.

[sustainability@airnz.co.nz](mailto:sustainability@airnz.co.nz)