AIR NEW ZEALAND

2020 CLIMATE-RELATED DISCLOSURES

TCFD | Taskforce on Climate-related Financial Disclosures

Air New Zealand's Climate-Related Disclosures are published within the 2020 Annual Financial Results and have been reproduced below.

Then, Now,
Always.

A STAR ALLIANCE MEMBER

CLIMATE-RELATED DISCLOSURES

Taskforce on Climate-related Financial Disclosures (TCFD)

Air New Zealand committed to supporting the TCFD in 2019. For the 2020 financial year, the following disclosures summarise how Air New Zealand aligns with TCFD recommendations.

Governance of Climate-Related Risks and Opportunities	
Board's oversight of climate-related risks and opportunities	The Board is ultimately responsible for the Company's response to the risks and opportunities presented by climate-related issues. Board oversight is through its Audit and Risk Committee, which oversees key risks including climate change. This Committee meets quarterly and, amongst other things, considers updates and assurance on management of strategic risks. The Board is updated following each Committee meeting. Matters meriting Board-level consideration are highlighted or dealt with as standalone Board agenda items. Strategic climate-related risks are also considered by the Board as part of the Company's Enterprise Risk Management Framework and its Group Risk Profile. Where applicable, climate risk also forms part of the Board's evaluation of material projects and capital investments.
Management's role in assessing and managing climate-related risks and opportunities	Management has day-to-day responsibility for identifying and managing climate-related risks and opportunities. Climate-related risks are identified through the Company's divisional risk registers. Climate-related workstreams are the responsibility of the full Executive team, the Executive Climate Committee (ECC) and the Sustainability Team. Management focus is given to risk identification, ensuring consistency in approach, and that the climate-related activities are adequately resourced (for example, fuel monitoring/reporting, carbon reduction programme, offsetting, regulatory compliance). The ECC reports key issues to the Audit and Risk Committee. Environmental sustainability is affirmed as a business principle within the Company's Code of Conduct and its Supplier Code of Conduct, which set expectations of employees and of those the Company does business with.
Strategy	
Climate-related risks and opportunities identified over the short, medium, and long-term	Air New Zealand has identified the impact of climate change as one of its top strategic risks. These risks (and opportunities) manifest as either: - 'physical' risks which are those risks arising from changes in the regional and global climate and the consequential impacts and events. These may include acute physical damage from variations in weather patterns (for example severe storms, coastal/ tidal flooding, drought) or chronic impacts (for example sea level rise and temperature increase); or - 'transitional' risks which are those risks related to the transition to a lower carbon economy. These include the impact of policy, legal, technological, reputational or market measures associated with climate change. **Physical risks** Short, medium and long-term physical risks (both acute and chronic) to the Company include: - In the short-term, higher rainfall and storm frequency and intensity, and, in the long-term, sea level rise and tidal/coastal intrusion causing network disruptions and loss of access to airports as well as other aviation support facilities, critical infrastructure, and supply chains; - Increase in the frequency of extreme weather events altering flight dynamics and operational planning requirements. Ultimately, extreme weather frequency and intensity may cause sustained operational disruption and network growth limitations, which may adversely impact Air New Zealand's cost base, future revenue, customer experience and reputation. **Transitional risks** The most likely and impactful transitional effects for the Company include: - Increased regulatory constraints associated with carbon emissions, resulting in higher operating costs. These in turn can impact revenue outcomes. Air New Zealand is cognisant of potential threats and opportunities arising if policy measures are not equivalent across different jurisdictions. - Changing demand for discretionary air travel due to individuals or businesses seeking to reduce their carbon footprint. This can also create opportunities for the most carbon-efficient airlines to enhance their competitive advantage.

CLIMATE-RELATED DISCLOSURES (CONTINUED)

Strategy continued	
Actual and potential impacts of climate-related risks and opportunities on the Company's strategy and financial planning	Climate-related risks and opportunities are considered as part of Air New Zealand's annual and longer-term business planning and financial planning processes, including decisions on fleet investment and aircraft weight as well as consideration of the regulatory impacts of carbon pricing. The Company's recognition of climate-related risks and opportunities helps shape the sustainability strategy, in turn guiding decisions to invest in modern and fuel-efficient fleet, development of an operational carbon reduction programme and a voluntary carbon offsetting scheme, and long-term carbon credit supply to meet compliance obligations under the New Zealand Emissions Trading Scheme. The Covid-19 crisis has had a significant and ongoing impact on Air New Zealand and on the global aviation industry. While there has been a temporary reduction in air travel, the Company acknowledges the continued need for urgent action to reduce carbon emissions. It has commenced a strategic review of its current and future operations, and the related climate change impacts, with a goal of establishing new emissions reduction targets and defining a roadmap of decarbonisation levers and actions to achieve these targets by 2050.
Resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Prior to the Covid-19 outbreak, Air New Zealand engaged third-party experts to undertake scenario modelling to quantify the impact of several physical and transitional climate-related risks, and to assess the resilience of the Company's strategy (including against three IEA Energy Technology Perspective (ETP) scenarios which were 1.5, 2 and 3-4 degree aligned). This engagement has been paused until such time as there is greater certainty over the Company's and the industry's post-Covid-19 context.
Risk Management	
Processes for identifying and assessing climate-related risks	Climate-related risks and opportunities are primarily identified, assessed, and managed, by each business unit in accordance with Air New Zealand's Enterprise Risk Management Framework (see page 68). These processes are supplemented with specialist input from functional experts, including the Sustainability, Strategy, Corporate Finance, Legal, and Risk teams, to promote consistency and completeness.
Processes for managing climate-related risks	Risks are identified at various levels of the organisation, including a "bottom up" review involving the identification of key risks by business units, review of top Divisional risks by each Executive in respect of their portfolio of functions, a collective review by the Executive team of the top risks for the Company, and periodic workshops with the Board to seek "top down" input. Risk activity is largely driven by a Risk Operating Rhythm which sets a cadence for the review of risks. Key risks identified are entered into Risk Registers, and a formal assessment process then determines the materiality of the risk.
Processes for identifying, assessing and managing climate-related risks and integrating them into overall risk management	All risks identified through the Enterprise Risk Management Framework are assigned to a responsible manager (Risk Owner), so that mitigation or minimisation actions are developed and implemented to reduce the risks to an acceptable level. These actions are also recorded in the Risk Register, tracked for progress, and reported to senior management. Significant climate-related risks are brought to the attention of the ECC and/or the Audit and Risk Committee as part of the process of reporting to those bodies, and where appropriate are escalated to the Board.
Metrics and Targets	
Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process **Reporting greenhouse gas emissions** **Targets used by the organisation to manage climate-related risks and opportunities and performance against targets**	The minimum current targets for the Company include those established by the International Air Transport Association: - an average annual efficiency improvement of at least 1.5% between 2009 and 2020 - carbon-neutral growth post 2020 (to be achieved through CORSIA) - and 2050 net emissions being 50% of 2005 emissions levels Air New Zealand also supports the New Zealand Government's goal (enshrined in legislation) of net-zero emissions by 2050. New emissions reduction targets will be finalised by management and the Board in the 2021 financial year. Air New Zealand discloses its Scope 1 and 2 emissions on an annual basis (see **2020 Greenhouse Gas Inventory** on the Air New Zealand website for further detail), its carbon emissions efficiency – measured in tonnes of emissions for every tonne of passenger and cargo carried ($CO2$ per Revenue Tonne Kilometre) and the Company also discloses volumes of carbon offset through voluntary carbon offsetting programme FlyNeutral. The impact of Covid-19 on the Company's operations has resulted in emissions for the 2020 financial year being significantly lower than normal, and inconsistent with both prior year trends and long-term expectations. The Covid-19 impacts are expected to continue at least through the 2021 financial year.