

# Statement from the CEO

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

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

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

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

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

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

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

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

We also remain committed to fulfilling our responsibility as a signatory of the United Nations Global Compact, and our 2018 communication on progress can be found below.



Christopher Luxon,  
Chief Executive Officer,  
Air New Zealand

# Demonstrating our commitment

---

This report serves as our communication on progress regarding Air New Zealand's implementation of the ten principles of the UN Global Compact, which we joined in 2015. The information provides specific detail on policies, procedures and practices in respect of the UNGC's principles, and should be read alongside our 2018 Sustainability Report, which sets out Air New Zealand's progress in relation to its Sustainability Framework. This Communication on Progress covers the timeframe 1 July 2017 – 30 June 2018.

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

- Air New Zealand's [Code of Conduct](#) sets out our commitment to the principles enshrined in the United Nations Global Compact, and the standards of behaviour we expect from our employees globally. The Air New Zealand Business Principles detailed in each section below are derived from our Code of Conduct.
- Agreement to abide by our Code of Conduct is included in our current individual employment agreement templates, and some collective employment agreements.
- All employees (under all contract forms) are required to abide by our Code of Conduct, which is communicated as part of training modules before employment commences. Refresher training is provided to all employees on an annual basis. Code of Conduct training completion is reported to the Air New Zealand Policy Management Committee and the Audit Committee.
- In 2015, we refreshed our [Supplier Code of Conduct](#), which sets out our support of the UNGC principles and minimum expectations of our suppliers, particularly around sustainability and transparency. At least 93 percent of our suppliers by procurement spend comply with our Supplier Code of Conduct and we are working to achieve compliance from all suppliers (excluding fuel and labour) by 2020. In 2017 the Supplier Code of Conduct was updated to highlight Air New Zealand's ongoing commitment to observe, as a minimum, the same conduct, standards and behaviours that it expects of its Suppliers when conducting business.
- We encourage all employees to raise concerns about inappropriate conduct, including potentially unethical or illegal conduct, while assuring confidentiality and protection against retaliation or any form of harassment. Employees are able to raise concerns via their manager or human resources business partner, or through an independent, 'Speak Up' service (phone, email or post). Our Just Culture and Reporting policy is intended to create an environment of mutual trust which encourages employees to report issues while being clear on the distinction between acceptable and unacceptable behaviour.
- Our [Group Compliance Policy](#) sets out our commitment to conducting our business activities in a manner that will best ensure compliance with the requirements of all relevant laws, regulations, codes of practice, contractual agreements company policies, and relevant third-party obligations that regulate its operations.
- Air New Zealand's 2017 [Slavery and Human Trafficking Statement](#) under the Modern Slavery Act 2015 (UK), further embeds and elaborates on Air New Zealand's commitment to the UNGC principles by ensuring that there is no modern slavery or human trafficking in our supply chain or in any part of our business.

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

# Human Rights

Global Compact principle	Air New Zealand Business principle
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	We will treat people fairly, with dignity and will pursue equality of opportunity and inclusion for all employees through our employment policies and practices. We value diversity of people and thought.
Principle 2: make sure that they are not complicit in human rights abuses.	We will recruit, select and develop our people on merit – irrespective of age, race, colour, origin, gender, religious beliefs, disability, family or marital status, sexual orientation or other prohibited grounds.
	We will take into account social, ethical and environmental considerations in our procurement and supply chain decisions.

- Our Code of Conduct and Supplier Code of Conduct positions on Human Rights are supported by our Sustainability Framework ([see our 2018 Sustainability Report](#)), and the following Air New Zealand Group policies (publicly available policies are linked):
  - Disciplinary Policy and Disciplinary Guidelines
  - [Equality, Diversity and Inclusion Policy](#)
  - Procurement Policy
  - Just Culture and Reporting Policy
  - Workplace Bullying and Harassment Policy and the Workplace Bullying and Harassment Group Guidelines
- At the date of this COP, 11,278 of Air New Zealand's employees are based in New Zealand, with 710 further employees based in Argentina, Australia, Canada, China, Cook Islands, Fiji, French Polynesia, France, Great Britain, Hong Kong, Japan, Samoa, Singapore, Tonga, and United States of America.
- We take legal advice in the local jurisdictions we operate in about human rights compliance and require managers across the organisation to comply with all company policies. Employment contracts are reviewed for compliance in each local jurisdiction and we seek compliance with policy and contract through governance and management structures.
- See the Air New Zealanders section of our [2018 Sustainability Report](#) for discussion of our goals, implementation and outcomes relating to people safety (health, safety and wellbeing), employee engagement, diversity and inclusion, and the future of work and lifelong learning.
- A Bullying and Harassment awareness campaign and training was rolled out in May 2018 for employees. Bullying and Harassment representatives are in place and receive ongoing training, with further representative recruitment planned in early 2019 to ensure employees can easily access a representative, wherever they work. HR systems and processes have also been subject to review and update to refine the process where a bullying or harassment claim is lodged and the confidentiality and actions following reporting.
- See the Sustainable Procurement section of our [2018 Sustainability Report](#) for discussion of our goals, implementation and outcomes relating to sustainable procurement.

# Labour

Global Compact principle	Air New Zealand Business principle
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	We will work in good faith, within the appropriate legal framework, with trade unions and other bodies that our people collectively choose to represent them.
Principle 4: the elimination of all forms of forced and compulsory labour;	We will not tolerate child labour and are committed to the elimination of all forms of forced and compulsory labour.
Principle 5: the effective abolition of child labour; and	We will not accept any form of discrimination, harassment or bullying.
Principle 6: the elimination of discrimination in respect of employment and occupation.	We will take into account social, ethical and environmental considerations in our procurement and supply chain decisions.

Our Code of Conduct and Supplier Code of Conduct positions on Human Rights are supported by our Sustainability Framework (see our 2018 Sustainability Report), and the following Air New Zealand Group policies (publicly available policies are linked):

- Airline Fatigue Risk Management Policy
  - Airline Safety Policy
  - Disciplinary Policy and Disciplinary Guidelines
  - [Equality, Diversity and Inclusion Policy](#)
  - Just Culture and Reporting Policy
  - Performance Improvement Policy
  - People Health and Safety Policy
  - Workplace Bullying and Harassment Policy and the Workplace Bullying and Harassment Group Guidelines
  - [Palm Oil Position Statement](#)
  - Procurement Policy
  - [Slavery and Human Trafficking Statement](#)
  - Sustainability Policy
- See the Air New Zealanders section of our [2018 Sustainability Report](#) for discussion of our goals, implementation and outcomes relating to people safety (health, safety and wellbeing), employee engagement, diversity and inclusion, and the future of work and lifelong learning.
  - See Sustainable Procurement section of our [2018 Sustainability Report](#) for discussion of our goals, implementation and outcomes relating to sustainable procurement.
  - Air New Zealand respects and supports the role of unions in the workplace. 73% of our employees are covered by 34 collective agreements.
  - For our airline Cabin Crew, in addition to Code of Conduct training, during initial and recurrent training we provide training on management of customers with disabilities and non-discrimination in this area. The guiding document in this regard is the 'We Care Disability Guide'. In 2018, we introduced a human trafficking awareness training module, and crew also completed a training module focused on wellbeing and mental health.
  - Air New Zealand's 2017 [Slavery and Human Trafficking Statement](#) under the Modern Slavery Act 2015, further embeds and elaborates on Air New Zealand's commitment to the UNGC ten principles.

# Environment

Global Compact principle	Air New Zealand Business principle
Principle 7: Businesses should support a precautionary approach to environmental challenges;	We will work in good faith, within the appropriate legal framework, with trade unions and other bodies that our people collectively choose to represent them.
Principle 8: undertake initiatives to promote greater environmental responsibility; and	We will not tolerate child labour and are committed to the elimination of all forms of forced and compulsory labour.
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	We will not accept any form of discrimination, harassment or bullying.
	We will invest in society and communities ensuring effective use of our resources and in line with our mission..
	We will take into account social, ethical and environmental considerations in our procurement and supply chain decisions.

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

- Sustainability Policy
- Procurement Policy

- See the Carbon and Waste and Plastics Reduction sections of our [2018 Sustainability Report](#) for discussion of our goals, implementation and outcomes relating to our aviation carbon reduction approach, low carbon stationary energy, low carbon ground transport, waste management, and property and infrastructure.

During the reporting year, we achieved our target of zero environmental non-compliances. We also achieved stage 2 certification with the International Air Transport Association Environmental Assessment (IEnvA) programme, which independently assesses airline environmental management.

- In addition to our operational activities, Air New Zealand also partners with the New Zealand Department of Conservation, Antarctica New Zealand, and New Zealand Antarctic Research Institute, providing support for biodiversity projects, marine reserves, and climate science. Several hundred Air New Zealand staff support conservation related projects every year, through participation in the company Greenteam.
- See the Sustainable Procurement section of our [2018 Sustainability Report](#) for discussion of our goals, implementation and outcomes relating to sustainable procurement.

# Anti-Corruption

Global Compact principle	Air New Zealand Business principle
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	We will comply with all applicable domestic and international laws and regulations, appropriate standards and principles, including all competition, anti-trust and anti-money laundering laws.
	We will not tolerate any form of bribery, including improper offers of payments or gifts to or from employees.
	We will avoid any activity or contracts that may lead to, or suggest, a conflict of interest between personal activities and Air New Zealand.
	We will take into account social, ethical and environmental considerations in our procurement and supply chain decisions.

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

- [Anti-bribery and Corruption Policy](#)
- [Audit Independence Policy](#)
- Competition Law Policy
- [Compliance Policy](#)
- [Continuous Disclosure Policy](#)
- Conflicts of Interest Policy
- Gifts and Entertainment Policy
- Procurement Policy
- [Securities Trading Policy](#)

- See Sustainable Procurement section of our [2018 Sustainability Report](#) for discussion of our goals, implementation and outcomes relating to sustainable procurement.
- We review corruption risk as part of our due diligence on new flight routes.
- We provide training on competition law for employees and specific groups, who work in an environment where they may interact with competitors to ensure that they understand and are able to recognise behaviours that may have an anticompetitive purpose.