AIR NEW ZEALAND

2023

Annual Report

A STAR ALLIANCE MEMBER

Management commentary
(no financial statements)

Kia ora

Front cover, clockwise from top:

Simon and Christine
Lounge Leaders

Varun and John
Components Production Coordinator and Engineer

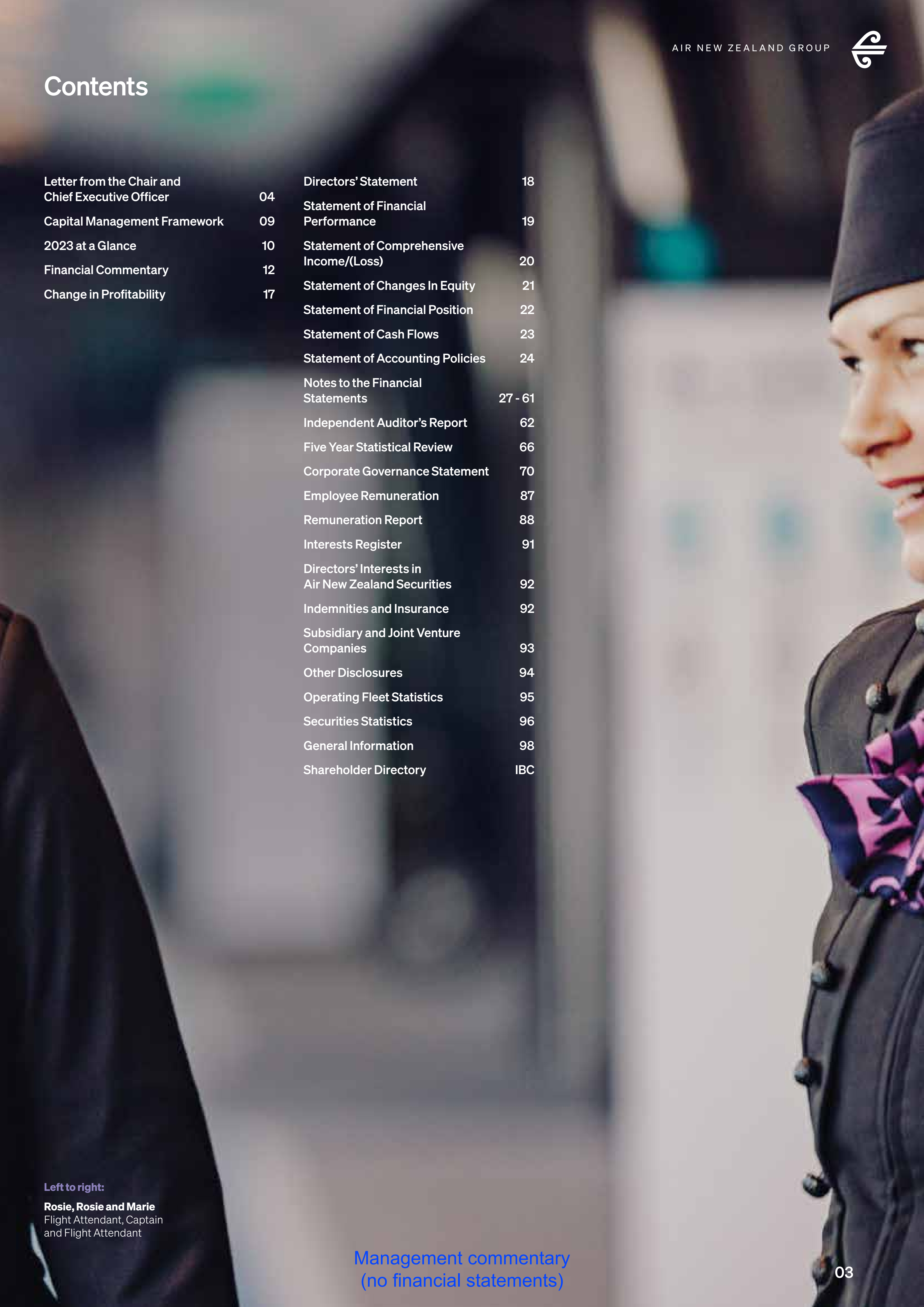
Sam and Natalia
Terminal Manager Cargo and Customer Service Consultant Cargo

Johnny, Dave, Patricia and Cameron
Chapter Lead SA Customer Direct Sales and Service, Client Site Manager Mailroom, Export Channel Manager and Studio Traffic Manager

Anne-Maree
Inflight Service Manager

Rosie, Maria, Ashleigh and Hahale
Flight Attendants, First Officer and Flight Attendant

Management commentary
(no financial statements)



Contents

Left to right:

Rosie, Rosie and Marie
Flight Attendant, Captain
and Flight Attendant

Management commentary
(no financial statements)

Dame Therese Walsh
Air New Zealand Chair

Greg Foran
Air New Zealand Chief Executive Officer

Letter from the Chair and Chief Executive Officer

Kia ora koutou.

In delivering our Annual Report on the first full year of flying since the Covid-19 pandemic, we are conscious that a strong financial result for the airline comes at an increasingly uncertain time for many of our customers and the wider economy.

Our result was delivered in the context of an extraordinary operating environment which provided unique tailwinds for the business.

Following three years of significant losses, this year marked a return to profitability. We have hired more than 3,000 people, returned to all of our international destinations, and improved on-board service while delivering on key initiatives that differentiate Air New Zealand from global competitors. All this while facing a series of operational and climate change related challenges that impacted our performance and disrupted customers.

Management commentary
(no financial statements)

Letter from the Chair and Chief Executive Officer (continued)

We are proud of the Air New Zealand whānau, who have produced a well-rounded result that has seen us deliver on key areas of our strategy, improve our customer experience, support our people and the communities we serve, and announce innovative new products and enhancements for the year ahead.

While this result does not reflect the new normal, we are delighted to have achieved so much and to deliver a special dividend to our shareholders while also helping fund large aircraft and infrastructure investments.

When New Zealand's borders reopened in July 2022, Kiwis' desire to travel exceeded all expectations. Even though we made an early start retraining pilots, undertook our biggest hiring programme ever and brought aircraft back from desert storage as quickly as was safely possible, supply was constrained.

The research and development undertaken when we could not fly is improving our on-board service and there are exciting developments to come. New menus, a revised snack offering, and an enhanced app are now in place, and we have announced the new cabin layout for our widebody aircraft arriving in the 2025 financial year, including the world first Skynest™, offering options for a great sleep in every cabin.

At our interim results we spoke candidly about challenges with contact centre wait times, flying on time, mishandled baggage and the time taken to process refunds.

We have not fully resolved these issues, but performance is much improved, with contact centre average wait times decreasing 75 percent since December, a digitised baggage system including an enhanced app with baggage tracking which will be rolled out in the coming months, and a step change in on-time performance of flights. Refunds are being processed more quickly but still lag what customers deserve. This remains a top priority.

Our loyal and hardworking team deserve a huge thank you. Air New Zealanders continued to work with pride and determination, whether answering calls, flying planes, or improving the customer experience, and we thank them for their dedication. In recognition of this, all eligible staff will receive an incentive payment.

Kia Mau

Our Kia Mau strategy, focused on ensuring resilience and delivering great customer and employee experiences, continues to guide us. Domestically, we are almost at pre-Covid capacity. We have carried more than 360,000 customers

Letter from the Chair and Chief Executive Officer (continued)

on our three new domestic Airbus A321neos since they started flying. We have also boosted regional flights in and out of Auckland and Christchurch as we fly more often to many of our regional centres, and we have announced two new ATR72 turboprop aircraft for regional routes.

New Zealand is one of the most well-connected countries in the world in terms of domestic air services. On average, we fly 425 flights a day across 20 domestic destinations. And we are aiming to do even more in the future.

On our international network we are adding two new Airbus A321neos, as well as eight new Boeing 787 Dreamliners as we retire our Boeing 777-300's over time. And we are retrofitting our existing 14 787s with our new Business Premier™ Luxe and refreshed cabins.

We gained more than 368,000 Airpoints™ members over the past financial year, with 4.2 million people now part of our loyalty programme, an all-time high. We are transforming our Loyalty and Customer Care platforms to streamline the customer experience.

Sustainability remains a significant challenge for our business. This year we welcomed Kiri Hannifin as our Chief Sustainability Officer, a newly created role on the Executive team, which recognises the importance of this growing issue. The increasing frequency of climate events here and overseas reminds us how critical our net zero target is. We have provided detail on our performance and progress in a separate Sustainability Report issued alongside this Annual Report. It details progress being made toward next generation aircraft for our domestic fleet and work with Government to investigate the viability of sustainable aviation fuel production in New Zealand.

Left to right:

Tyron, Joshua, Peturi and Whittaker
Certified Engineer QCA RTS Shift, Engineering Trainee, Aircraft Engineer and 2IC Shift

Management commentary
(no financial statements)

Letter from the Chair and Chief Executive Officer (continued)

Earnings before other significant items and taxation[1] was $585 million compared to a loss of $725 million in the prior year. Statutory earnings before taxation were $574 million compared to a loss of $810 million and net profit after tax was $412 million.

Financial summary

Operating revenue for the year was $6.3 billion, driven by passenger revenue of $5.3 billion, reflecting the full reopening of New Zealand's borders. The network grew 80 percent compared to the prior year, with increased capacity in the second half as the airline returned its remaining widebody aircraft to service and resumed flying to all offshore destinations. The strength of customer demand, particularly 'visiting friends and relatives' and leisure-based travel, remained over the course of the year, supporting higher yields in an environment where capacity was limited as airlines around the world worked hard to ramp-up their operations.

The cargo business was a key contributor to the result again this year, with revenue of $628 million. While this represents a decline from the prior year which included substantial government support, it still reflects high levels of performance.

The ramp-up in flying activity that occurred this year is reflected in the airline's operating costs of $5.0 billion. Costs increased across all areas as the airline restored the international network and increased operational resilience.

Fuel represented the largest cost this year at $1.5 billion, driven primarily by increased flying, higher average jet fuel prices, and a weaker New Zealand dollar. Labour was our second largest cost, at $1.4 billion, reflecting the ramp-up of the workforce to support the recovery of the network at scale after three years of substantially reduced flying due to Covid-19 related restrictions.

The balance sheet remains strong, fortified by the prior year's capital raise, this year's operating performance and continued strength in customer bookings for future travel. Liquidity as at 30 June 2023 was $2.6 billion and gearing was 16.4 percent.

1. Refer to Financial Commentary section on page 12.

Management commentary
(no financial statements)

Letter from the Chair and Chief Executive Officer (continued)

Left to right:
Peejay and Amrinder
Cargo Airline Clerks

Special dividend and revised capital management framework

A one-off, fully imputed special dividend of 6.0 cents per share has been declared by the Board today, in recognition of the exceptional financial result delivered in the 2023 financial year.

The Board believes a special dividend is the best way to provide a return to shareholders at this time, given the unique market dynamics that have contributed to such a strong result, and is pleased to be able to provide shareholders with a return much earlier than previously anticipated. However, we do not expect to have imputation credits to attach to any future dividends declared until such time as the airline absorbs cumulative tax losses and begins paying cash tax.

The Board has also reviewed the airline's capital management settings to ensure we maintain financial resilience and flexibility in a post-Covid world and has today announced a revised capital management framework, effective from the 2024 financial year. Within this framework the airline has set an ordinary dividend payout ratio of 40 percent to 70 percent of net profit after taxation. More information can be found on page 9 of this report.

Outlook

The airline notes that the 2023 financial year was particularly unique with significant customer demand, constrained market capacity and lower fuel prices in the second half, and as such, we believe the 2024 financial year will be more reflective of future financial performance.

Looking ahead to the first half of the 2024 financial year, customer demand remains strong across our markets. We are mindful of the uncertain economic environment however and acknowledge there are a number of factors that may impact future customer demand and profitability. These factors include increased international competition, volatile fuel prices, a weaker New Zealand dollar, ongoing wage inflation and increased airport charges.

Given the uncertainty and volatility of some of these macroeconomic factors, the airline will not be providing guidance at this time.

Thank you

We are proud of the result Air New Zealand has delivered this financial year, and of the value we have created for our shareholders. We would like to recognise the hard work and determination of the remarkable team of Air New Zealanders who delivered it.

We would also like to thank our shareholders and our customers for their ongoing support of the airline. A strong Air New Zealand is good for New Zealand and although there are challenging times ahead, we are well positioned to face those challenges.

Ngā mihi nui

Dame Therese Walsh
Air New Zealand Chair
24 August 2023

Greg Foran
Air New Zealand Chief Executive Officer
24 August 2023

Management commentary
(no financial statements)

Capital Management Framework

Over the course of the year, the Board reviewed the airline's capital management settings, with a particular focus on appropriate liquidity and leverage targets that would enable the Company to maintain investment grade credit rating metrics, as well as consideration of shareholder distribution parameters. The revised capital management framework is effective from the 2024 financial year.

REVISED CAPITAL MANAGEMENT FRAMEWORK FROM FY24

ENABLING FINANCIAL RESILIENCE AND FLEXIBILITY TO DELIVER ON STRATEGY

Maintain financial resilience and flexibility

- Target liquidity range of $1.2 billion to $1.5 billion
- Net Debt to EBITDA ratio of 1.5x to 2.5x

Underpinned by our commitment to maintain investment grade credit rating metrics

Invest in core operations

- Fleet and infrastructure investments above WACC through the cycle
- Investment to support the airline's decarbonisation ambitions

Distributions

- Ordinary dividend pay-out ratio of 40% to 70% of underlying net profit after tax (NPAT)
- Return excess capital via special dividends or share buybacks

Growth capex

- Disciplined investment in value accretive capex
- Target ROIC above pre-tax WACC

Dan
Loader

Management commentary
(no financial statements)

A year in the air

169,251
flights flown across our network

Took off to New York for the first time

114,000
tonnes of cargo carried into and out of Aotearoa New Zealand

15.8m
customers carried onboard our aircraft

UNDER $150

4.34m
fares under $150 for Kiwis

9,184 pets
transported around the Globe including an owl and a frog!

Our customers

400
Kiwi products submitted in the Air New Zealand Great Kiwi Snack Off

5.1 million
delicious meals dished up to our customers on our aircraft

Aotea skincare
Welcomed into our Business Premier™ and Premium Economy amenity kits

Our sustainability efforts

$1.5+ million
committed to the next phase of a sustainable aviation fuel study

198
threatened species and conservation dogs translocated through our partnership with DOC

Welcomed our first shipment of Sustainable Aviation Fuel into Aotearoa New Zealand

2023 at a Glance

Management commentary
(no financial statements)

Our people

Biggest recruitment drive in the airline's history

241,000
hours spent training our people

A refreshed uniform announced for our people

11,474
Air New Zealanders doing amazing things

Our aircraft

Seven
777-300ER aircraft returned to service

1.2m hours
maintaining our fleet

3 new A321neo Domestic aircraft welcomed into our fleet

Our partnerships

Welcomed the Black Ferns to our whānau

First full Te Reo Māori immersion flight for Te Matatini

Our Airpoints™ Members

290,492
items bought via the Airpoints™ store

368,331
new Airpoints™ members

Management commentary (no financial statements)

Financial Commentary

The 2023 financial year represents a pivotal turning point in Air New Zealand's recovery, with the airline returning to profitability after three years of pandemic related losses.

For the 2023 financial year, Air New Zealand has reported earnings before other significant items and taxation[1] of $585 million[2] which compares to a loss of $725 million in the prior year. Including the impact of other significant items, statutory earnings before taxation were $574 million, compared to a loss of $810 million last year. Net profit after taxation was $412 million.

Operating revenue for the year increased 132 percent to $6.3 billion as a result of the full reopening of New Zealand's borders and ongoing strength in passenger demand in a capacity constrained operating environment. There was a 2.1 percent negative impact from foreign exchange. Total capacity (Available Seat Kilometres, ASK) including cargo-only flights, increased 80 percent, reflecting further restoration of the network as the airline returned its remaining widebody aircraft back into service and resumed flying to all remaining offshore destinations.

Passenger revenue grew to $5.3 billion as capacity, excluding cargo-only flights, more than doubled driven primarily by increased international flying. Demand (Revenue Passenger Kilometres, RPK) increased by significantly more than capacity, resulting in a load factor of 84.7 percent, an increase of 17.6 percentage points on the prior period. Revenue per Available Seat Kilometre (RASK) increased 11.6 percent excluding FX, as a combination of capacity constraints and strong customer demand contributed to high yields.

International long-haul capacity increased significantly during the 2023 financial year following the removal of the remaining international border restrictions and the launch of ultra long-haul flights to New York. Demand on long-haul routes relative to capacity growth saw load factors increase 26.9 percentage points to 84.4 percent. International long-haul RASK increased by 55 percent excluding the impact of foreign exchange. Changes in foreign exchange provided a 2.1 percent improvement in RASK during the period. Compared to pre-Covid, International long-haul RASK was up 41 percent, or 39 percent excluding the impact of foreign exchange.

1. Earnings before other significant items and taxation represent Earnings stated in compliance with NZ IFRS (Statutory Earnings) after excluding items which, due to their size or nature, warrant separate disclosure to assist with the underlying financial performance of the Group. Earnings before other significant items and taxation is reported within the Group financial statements which are audited by the external auditors. Further details are contained within Note 3 of the Group financial statements.

2. In the prior year, Covid-19 related travel restrictions significantly impacted the Airline's financial performance. The phased removal of those restrictions from March to July 2022 has resulted in significant movements when making comparisons between periods.

Management commentary
(no financial statements)

International short-haul capacity increased by almost three times, as trans-Tasman and Pacific Islands flights ramped-up, and load factors increased 12.4 percentage points to 85.1 percent. International short-haul RASK was up 30 percent, or 29 percent excluding the impact of foreign exchange. Compared to pre-Covid, international short-haul RASK was up 45 percent, or 44 percent excluding the impact of foreign exchange.

Domestic capacity increased 36 percent this year, taking into account that the prior year was impacted by Covid-19 travel restrictions in New Zealand, in particular the closure of Auckland's regional boundary from mid-August 2021 to mid-December 2021. Demand increased 64 percent, with load factors improving 14.8 percentage points to 84.9 percent. Domestic RASK was up 47 percent, or 46 percent excluding the impact of foreign exchange. Compared to pre-Covid, Domestic RASK is up 28 percent or 27 percent excluding the impact of foreign exchange.

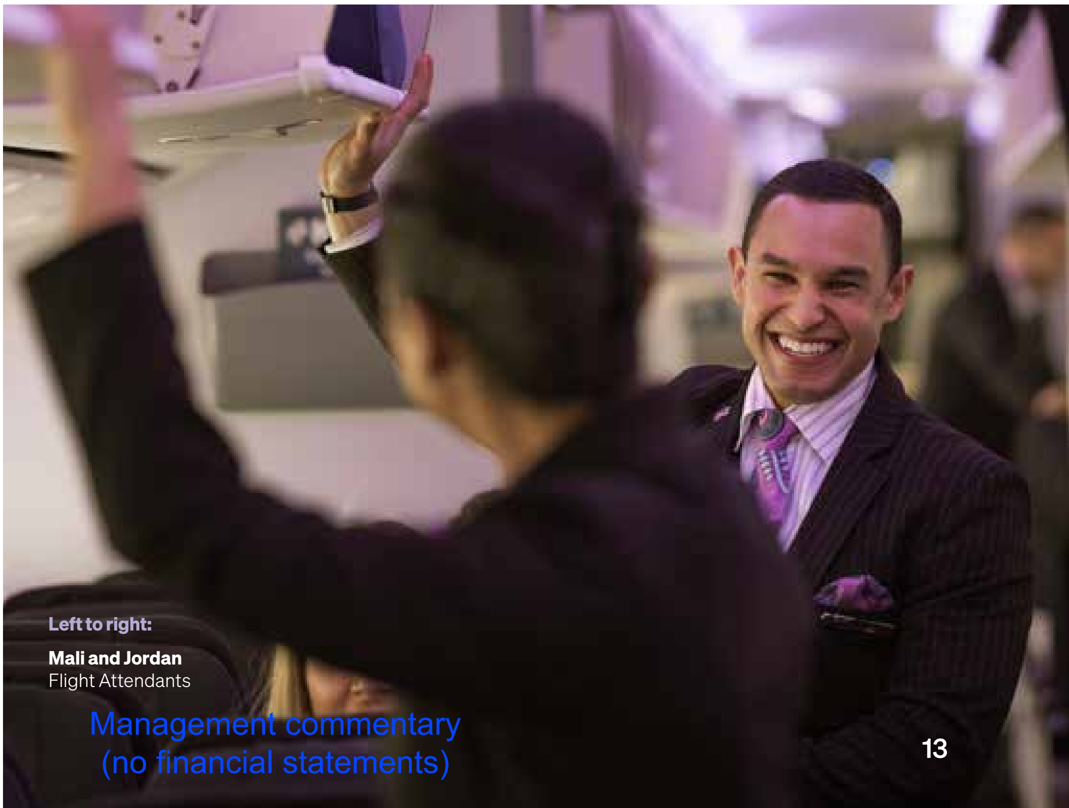
Cargo revenue was $628 million, a decrease of 38 percent. The decrease was driven by a $305 million reduction in cargo subsidies due to reduced flying under the New Zealand and Australian Government's air freight schemes as international passenger flights ramped up. Freight yields declined 8.0 percent, reflecting higher levels of competition as more international carriers return to the New Zealand market. Foreign exchange had a nominal impact.

Contract services and other revenue was $353 million, an increase of 46 percent, driven primarily by increased passenger activity including the reopening of international lounges and valet operations, which were closed for the majority of the prior year, as well as increased third-party maintenance margins and ground handling revenue. This was offset by a decline in third-party maintenance volumes in advance of the closure of the Gas Turbines business, as well as less charter revenue due to the absence of Managed Isolation and Quarantine (MIQ) charter flying this year. There was no impact from foreign exchange.

Expenses

Operating expenditure was substantially higher than last year at $5.0 billion, reflecting the significant increase in flying activity. Costs increased across all areas as the airline further restored the international network and increased operational resilience. Reported costs per ASK (CASK) increased 2.6 percent, largely as a result of higher fuel prices. Underlying CASK, which excludes the impact of fuel price, foreign exchange and third-party maintenance as well as the reduction in wage support subsidies, improved by 15.0 percent. This was a result of efficiencies from greater network activity partly offset by non-fuel price inflation of approximately 6 percent and a change in the flying mix due to a reduction in lower cost cargo-only services and a proportionally greater increase in long-haul and short-haul passenger flights.

Labour costs were $1.4 billion, an increase of $465 million or 48 percent from the prior year. Full-Time Equivalent labour (FTE) increased 29 percent to approximately 11,500 compared to 8,900 in the prior year.



Left to right:

Mali and Jordan
Flight Attendants

Management commentary
(no financial statements)

Financial Commentary (continued)

Earnings before taxation of

$574 million

Net profit after tax of

$412 million

Special dividend of

6.0 cents per share

The increase in FTE was driven primarily by the need for increased levels of operational staff to support a significant increase in flying activity, as the airline restored scale to the international network. Investments in temporary labour support were also made in the second half of the financial year to address operational challenges across key operational areas including the contact centre, airports. In addition to increased staffing levels, salary increases, higher provisions for incentive payments and a reduction in government wage subsidies also contributed to higher labour costs.

Fuel costs were $1.5 billion for the year, increasing by $939 million compared to last year. Higher levels of consumption, fuel prices and unfavourable foreign exchange movements due to the weaker New Zealand dollar, all contributed to the movement. Fuel consumption increased almost 90 percent due to greater flying activity, resulting in an additional $557 million in costs. A 6 percent increase in the underlying Singapore Jet fuel price and, to a lesser extent, increases in the price of domestic carbon offsets, along with fewer hedging gains contributed $262 million of the additional cost relative to the prior period. A weaker New Zealand dollar contributed $120 million to the increase in fuel costs.

Aircraft operations, passenger services and maintenance costs were $1.4 billion, up 81 percent on the prior year driven primarily by increased flying, the recommencement of all remaining international routes and inflationary pricing impacts driving higher costs in these areas.

Sales, marketing and other expenses were $685 million, growing 66 percent primarily due to greater market development and brand activity, increased commissions on higher revenue and digital services including contact centre costs related to disrupt support. Also included within sales, marketing and other expenses, was about $30 million of costs related to the operation of a wet lease aircraft to support operational resilience from November 2022 until the end of the financial year. The lease will remain in place until the end of October 2023.

Tui
Cargo Warehouse Agent

Management commentary (no financial statements)

Financial Commentary (continued)

Operating revenue of
$6.3 billion

Passenger revenue of
$5.3 billion

Liquidity at
$2.6 billion

Ownership costs were $740 million, a nominal decrease compared to the previous financial year. Increased interest income due to higher cash levels reduced net interest costs. This was partially offset by increased depreciation costs associated with new aircraft deliveries and the recommencement of depreciation following the reversal of impairment of a previously grounded Boeing 777-300ER widebody aircraft.

The impact of foreign exchange rate changes on the revenue and cost base resulted in an unfavourable foreign exchange movement of $124 million. After taking into account a $7 million favourable movement in hedging, overall foreign exchange had a net $117 million negative impact on the Group result for the period.

Share of Earnings of Associates

Share of earnings of associates were $39 million, up $12 million due to an increase in earnings from the Christchurch Engine Centre as a result of continued strong business performance, favourable foreign exchange movements and hedging gains.

Other Significant Items

Other significant items of $11 million relate primarily to unrealised foreign exchange losses on foreign denominated debt offset by the reversal of impairment on Boeing 777-200ER aircraft sold during the period.

Dividend record date:
8 September 2023

Ex-dividend date:
7 September 2023

Dividend payment date:
21 September 2023

Financial Commentary (continued)

Cash and Financial Position

Cash on hand at 30 June 2023 was $2.2 billion, an increase of $434 million on 30 June 2022. This increase reflects strong operating cash flows resulting from increased flying activity. It also reflects proceeds from the New Zealand retail bond issued during the period, partially offset by the repayment of $200 million in Redeemable Shares as well as fixed asset purchases across the year. In May 2023, $275 million of cash was transferred to restricted cash (classified "Other assets" in the Statement of Financial Position) as part of a commercial arrangement to provide security over the airline's New Zealand-based credit card obligations.

Cashflow and Debt

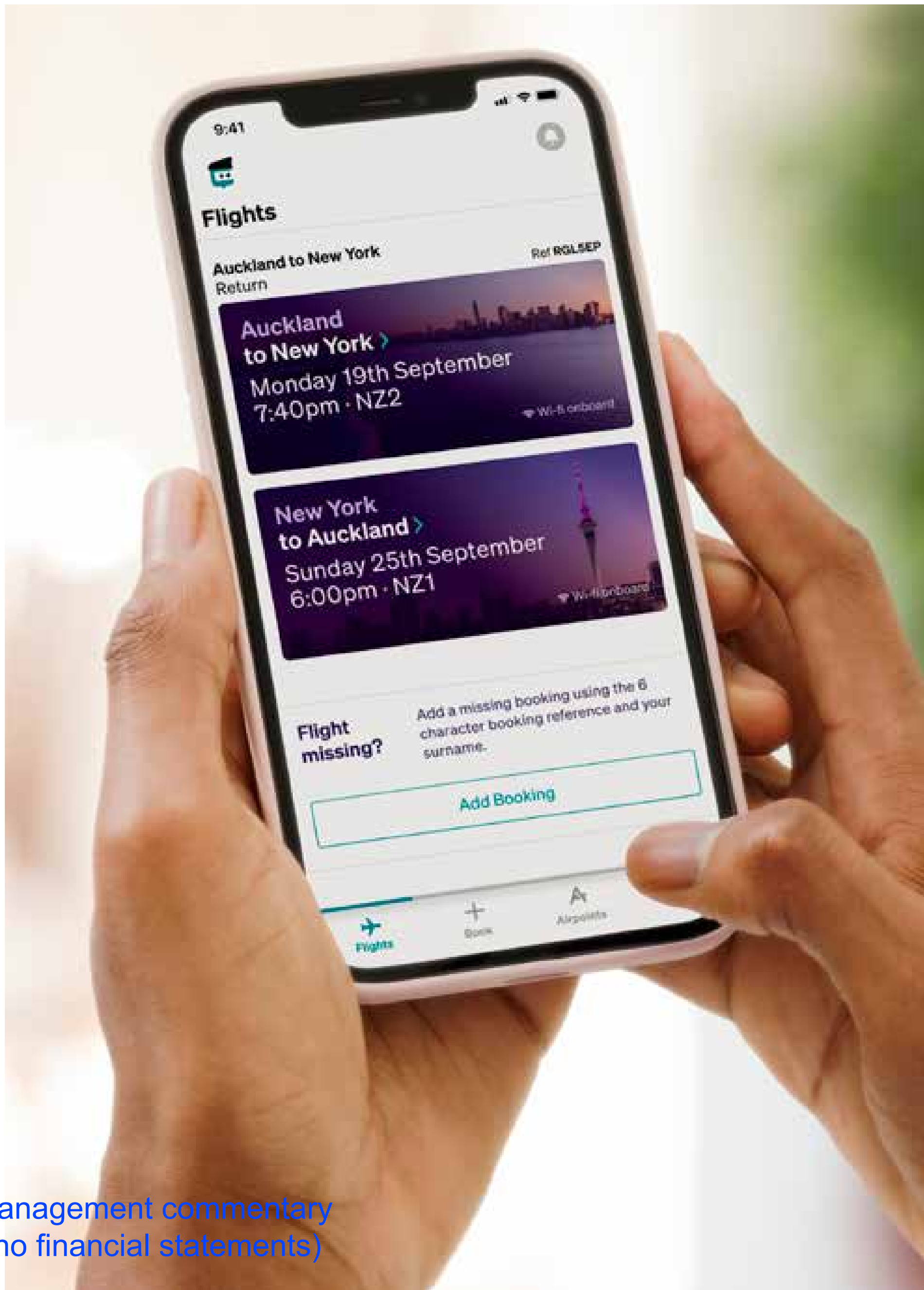
Operating cash flows represented a net inflow of $1.9 billion, reflecting positive cash earnings. Net gearing improved 29.0 percentage points to 16.4 percent, driven by increased profitability over the year, offset by cash purchases of aircraft. Net debt to EBITDA[1] improved significantly to 0.3 times. While this is outside the target range of 1.5 times to 2.5 times, Management and the Board have a number of tools that will be utilised in the coming period to prudently transition the metrics back into the target range.

Further information on liquidity and leverage targets and the airline's new capital management framework, which is effective from the 2024 financial year, can be found on page 9.

Distributions

A one-off, fully imputed special dividend of 6.0 cents per share has been declared by the Board, in recognition of the strong financial result delivered in the 2023 financial year.

The Board believes a special dividend is the best way to provide a return to shareholders at this time, given the unique market dynamics that have contributed to such a strong result this year.



1. EBITDA refers to earnings before interest, taxation, depreciation and amortisation.

Management commentary
(no financial statements)

Change in Profitability

The key changes in earnings, after isolating the impact of foreign exchange movements, are set out in the table below*:

June 2022 loss before taxation	-$810m	
Passenger capacity	$2,162m	- Capacity increased by 222 percent (excluding cargo-only flights) due to the relaxation of travel restrictions and reopening of borders. Including cargo-only flights capacity increased by 80 percent. - Domestic capacity increased by 36 percent following nationwide lockdowns and extended non-essential travel restrictions in the Auckland region in the prior year which eased from mid December 2021. The lockdowns were followed by a period of high infection rates in the second half of the 2022 financial year which reduced Domestic flying. - International short-haul capacity increased by 284 percent. The prior year was impacted by travel restrictions and isolation requirements with staged border reopenings occurring from March 2022. From July 2022 to early August 2022 fifteen routes were restarted across the Tasman and Pacific Islands network. - International long-haul capacity increased 468 percent due to the removal of travel restrictions and border reopenings commencing in the latter half of the 2022 financial year. In July 2022 Covid related border restrictions for non-visa waiver visitors into New Zealand were removed and there was a significant build-back of capacity.
Passenger RASK	$1,664m	- Overall Group RASK increased by 11.6 percent excluding FX and was impacted by strong recovery of passenger demand and greater flight activity compared to the prior year when there was limited international flying, as well as domestic travel restrictions following closure of the Auckland boundary in the first half of the 2022 year. A change in mix of flying impacted Group RASK due to a higher proportion of International flying having a lower RASK than Domestic due to the difference in sector length. Loads increased by 17.6 percentage points to 84.7 percent. - Domestic Revenue per Available Seat Kilometre (RASK) increased by 46 percent excluding FX with load factors increasing 14.8 percentage points to 84.9 percent. There was strong demand from New Zealanders reconnecting with friends and family as well as the return of international visitors and business travellers. - International short-haul RASK improved by 29 percent excluding FX with load factor increasing 12.4 percentage points to 85.1 percent. Strong demand particularly from the Visiting Friends and Relatives segment increased load factors and RASK as demand exceeded supply. - International long-haul RASK increased by 55 percent excluding FX with load factors increasing 26.9 percentage points to 84.4 percent. Prior to March 2022 there were limited passenger services which were primarily for essential travel and repatriations, that supplemented cargo services. Strong demand in the current year resulted in higher load factors and fares as market demand outstripped supply.
Cargo revenue	-$390m	- Cargo revenue declined following a reduction in cargo subsidies ($305 million) provided under the New Zealand Government Maintaining International Air Connectivity scheme (MIAC) and Australian International Freight Assistance Mechanism (IFAM) scheme, as borders reopened and passenger demand recovered. Yield reduced due to an increase in market capacity and softening demand.
Contract services and other revenue	$101m	- Recovery of ancilliary revenue following an increase in customer activity, including reopening of international lounges and valet parking which were closed for the majority of the prior period as well as higher third-party maintenance and ground handling offset by a reduction in charter revenue.
Labour	-$415m	- Higher labour costs due to a significant increase in operating activity as borders reopened and customer demand recovered strongly, wage inflation and an increase in staff incentive provisions. As scale was restored to the network investments were made in temporary labour support to address operational challenges.
Wage subsidy support	-$47m	- Receipt of wage subsidies in the prior period as a result of regional lockdowns and national Covid-19 restrictions.
Fuel	-$819m	- The average fuel price net of hedging increased 31 percent compared to the prior year resulting in an increase in costs of $262 million. MOPS price increased by 6 percent. Consumption increased by 87 percent ($557 million) compared to an increase in capacity of 80 percent.
Maintenance, aircraft operations and passenger services	-$597m	- Higher costs related to an increase in flying activity, maintenance checks on B773 widebodies returning to service and recommencement of international routes.
Sales and marketing and other expenses	-$252m	- Higher market development and brand spend to support sales activity, increased sales commissions, costs associated with a wet lease aircraft brought in to ensure operational surety during aircraft maintenance checks, higher customer activity related to customer contact centre and increased digital investment.
Ownership costs	$8m	- Increased interest income on higher cash holdings offset by recommencement of depreciation on a grounded widebody aircraft fully impaired in the prior year and new aircraft deliveries.
Net impact of foreign exchange movements	-$117m	- Net unfavourable impact of foreign exchange movements on revenue and costs offset by hedging gains.
Share of earnings of associates	$12m	- Increase in earnings from Christchurch Engine Centre driven by hedging gains and foreign exchange movements.
Other significant items	$74m	- Reversal of aircraft impairment on disposed widebody aircraft, software impairment and de-designation of hedges as a result of forecast transactions no longer being expected to occur recognised in the prior year which did not repeat, and lower foreign exchange losses on uncovered debt.
June 2023 profit before taxation	$574m	

*The numbers referred to in the Financial Commentary on the previous page have not isolated the impact of foreign exchange.

Management commentary
(no financial statements)

Directors' Statement

The directors of Air New Zealand Limited are pleased to present to shareholders the Annual Report and financial statements for Air New Zealand and its controlled entities (together the "Group") for the year to 30 June 2023.

The directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Group as at 30 June 2023 and the results of the Group's operations and cash flows for the year ended on that date.

The directors consider the financial statements of the Group have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept in accordance with the requirements of the Financial Markets Conduct Act 2013.

The directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

This Annual Report is signed on behalf of the Board by:

Dame Therese Walsh
Chair

Alison Gerry
Director

24 August 2023

AIR NEW ZEALAND

2023

Sustainability Report

A STAR ALLIANCE MEMBER

Management commentary
(no financial statements)

Contents

Sections

This Sustainability Report (Report) has been prepared for the purpose of providing investors with information regarding our approach to sustainability issues related to our business. It has not been prepared as financial or investment advice or to provide any guidance in relation to the future performance of Air New Zealand.

This Report contains forward-looking statements and statements of opinion. These may include statements regarding sustainability plans and strategies, the impact of climate change and other sustainability issues, energy transition scenarios, actions of third-parties, and external enablers such as technology development and commercialisation (including with respect to sustainable aviation fuels), policy support, market support, and energy and carbon credit availability. Any such statements are made only as at the date of this Report. Readers are cautioned not to place undue reliance on such statements, particularly in light of the long-time horizon that this Report discusses and the inherent uncertainty in possible policy, market and technological developments.

No representation or warranty is made regarding the accuracy, completeness or reliability of the forward-looking statements or opinions contained in this Report, or the assumptions on which either is based. All such information is, by its nature, subject to significant uncertainties outside of the control of Air New Zealand, and actual results, circumstances and developments may differ materially from those expressed or implied in this Report. Except as required by applicable laws or regulations, Air New Zealand does not undertake to publicly update or review any forward-looking statements, whether as a result of new information or future events. To the maximum extent permitted by law, Air New Zealand and its officers do not accept any liability for any loss arising from the use of the information contained in this Report.

Management commentary
(no financial statements)

Letter from the Chair and Chief Executive Officer

Greg Foran
Air New Zealand Chief Executive Officer

Dame Therese Walsh
Air New Zealand Chair

As we pen this opening letter for our 2023 Sustainability Report, the world has just experienced its hottest month on record. The devastating impact of the climate crisis is being felt right across the globe, with droughts, floods, forest fires and intense heat impacting peoples' lives and livelihoods.

The profound impact of the changing climate has been felt here in our own country too with the Auckland floods in January and Cyclone Gabrielle a few weeks later.

The future of our entire planet depends on the global transition to net zero by 2050. Air New Zealand has its part to play, both here in Aotearoa and as part of the global aviation sector. To carry on connecting New Zealanders with each other and the world, we must decarbonise our operations. As we witness this threat to the planet unfold, we have never felt more resolute about the work we have ahead of us.

We know the challenges are significant. Aviation is one of the hardest sectors to abate, there are very few levers available to us, and we don't control them all.

For example, while we can deliver greater operational efficiency, other pathways to decarbonisation, such as sustainable aviation fuel and next generation aircraft, will require global collaboration, enabling policy landscapes, and often significant advances in technology.

Our approach is not to wait for a solution to come to us. Over the past year, Air New Zealand has worked with both local and global stakeholders to advance the scaling up of high integrity and affordable sustainable aviation fuel production, and we have continued to partner with aircraft developers and innovators to give them confidence that we will be an early adopter of new lower emissions aircraft. We want – and need – a seat at the global table as all airlines grapple with the need to decarbonise and dramatically reduce emissions.

Last year we set an interim 2030 science-based carbon reduction target, validated by the Science Based Targets initiative. This year we have developed the roadmap to guide our progress to the end of the decade. We know achieving the target will be difficult. Some of what we need to happen is beyond our control, and we'll need a village to help us meet it, but it's important for Air New Zealand to be ambitious. There is a lot at stake.

We also have much to achieve in the circular economy space, with a need to refocus our efforts to increase our diversion from landfill rates. The detailed waste audits we carried out this year, and passionate circular economy champions across the airline, will be instrumental in setting and delivering on our new waste targets and strategy going forward.

This year we farewell Sir Jonathon Porritt from our Sustainability Advisory Panel. His nearly decade-long service to the airline has been phenomenal. He has never shied away from challenging our sustainability agenda, and we are richer for it. Sam Mostyn AO takes over the reins as Chair. She has been on the panel for over two years and brings vast sustainability, commercial and governance experience to the role.

Our sincere thanks to the Air New Zealand team for their unwavering dedication to making a positive difference across Aotearoa. Thank you also to our valued customers and stakeholders for pushing us to excel and holding us responsible, and to the Sustainability Advisory Panel for their guidance, rigour and support for us to always do better. The year ahead is no doubt going to be just as challenging as the last, but we go into it with a good plan to help navigate such critical change.

Dame Therese Walsh
Air New Zealand Chair
August 2023

Greg Foran
Air New Zealand Chief Executive Officer
August 2023

Management commentary
(no financial statements)

Greg Foran, Air New Zealand Chief Executive Officer; Kiri Hannifin, Air New Zealand Chief Sustainability Officer; Laurissa Cooney, Air New Zealand Independent Non-Executive Director.

Governance of sustainability at Air New Zealand

At Air New Zealand, governance of sustainability covers environmental and social matters. It is a broader concept than climate-related matters alone.

Board of Directors
The Air New Zealand Board of Directors has overarching responsibility for sustainability at the airline and has signed-off on significant sustainability initiatives, including the airline's Sustainability Framework. In addition to regular reporting from Management to the Board, more detailed oversight of elements within the Sustainability Framework is exercised through the Board's People, Remuneration and Diversity Committee, Health, Safety and Security Committee, and Audit and Risk Committee. The governance of Air New Zealand's climate-related risks and opportunities is detailed on page 13 of the Climate action section of this report.

The Executive
The Sustainability team reports to the Executive on how we are tracking against our Kia Mau strategic priorities each month, and our progress against our objectives, key results, and performance indicators that are set as part of the Quarterly Business Review (QBR) process.

The QBR is a recurring process that results in Air New Zealand-wide alignment and transparency on work plans to meet the airline's strategic priorities. As part of the airline's QBR process, business priorities, including those relating to sustainability, are identified and reviewed every quarter, to ensure the airline is aligned to progress expected deliverables within that quarter.

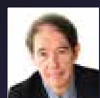
In November 2022, Kiri Hannifin joined the Executive as the airline's first dedicated Chief Sustainability Officer. This appointment builds on the foundation Air New Zealand has already laid and signals a step change for sustainability at Air New Zealand.

Sustainability Advisory Panel
Our Sustainability Advisory Panel meets twice a year to independently advise us and challenge all aspects of our sustainability work programme. Panel members, with their wide range of expertise, also provide guidance to Air New Zealand in between these meetings. Members of Air New Zealand's Board and Executive also join the Sustainability Advisory Panel meetings. To find out more about the panel, click here.

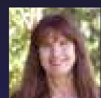
This year we farewell our Panel Chair, Sir Jonathon Porritt. Sir Jonathon's contribution to the airline as the Panel's Chair since its inception in 2014 has been immense. Air New Zealand has greatly valued his incredible leadership and challenge to our sustainability agenda. A globally recognised advocate for environmental protection, Sir Jonathon has been influential in driving the airline's sustainability initiatives and setting the airline up to continue to take ambitious action. Current Panel member, Sam Mostyn AO has been appointed as the new Panel Chair. Sam's extensive experience in executive and governance roles across business, sustainability, and climate change will ensure the Panel's role as a critical advisor to the airline continues.

Sustainability Advisory Panel Members

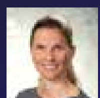
Sir Jonathon Porritt
Founder of Forum for the Future, Advisory Panel Chair and sustainability thought leader



Katherine Corich
Chairman and Founder of Sysdoc and Non-Executive Director of the Civil Aviation Authority (UK)

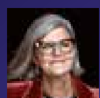


Dr Susanne Becken
Professor of Sustainable Tourism, Griffith University, Australia

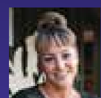


Professor Tim Jackson
Professor of Sustainable Development, University of Surrey, Director of the Centre for the Understanding of Sustainable Prosperity

Sam Mostyn AO
Non-Executive Director and Sustainability Adviser. Incoming Chair of Advisory Panel



Nadine Toe Toe
Director of Kohutapu Lodge & Tribal Tours



Management commentary
(no financial statements)

Our reporting approach

This Sustainability Report provides a comprehensive update on the progress the airline has made to deliver on our Sustainability Framework and how we are tracking against key targets. Data and commentary in the Report is for the financial year starting 1 July 2022 and ending 30 June 2023, unless otherwise stated.

Air New Zealand's organisational boundary for sustainability reporting encompasses the companies listed on page 4 of **Air New Zealand's 2023 Greenhouse Gas Inventory Report**[1].

This year Air New Zealand is releasing its Sustainability Report alongside its Annual Report to ensure stakeholders can obtain a cohesive picture of the airline's impact in 2023.

In addition, the Sustainability Report incorporates the following:

- Climate-related Disclosures
- Workforce Profile
- Gender Pay Report

Deloitte Limited was engaged to provide reasonable assurance over the scope 1 and scope 2 components of the 2023 Greenhouse Gas Inventory detailed in this Sustainability Report, and limited assurance over the relevant categories of scope 3 emissions[2]. Refer to Air New Zealand's 2023 Greenhouse Gas Inventory Report for Deloitte Limited's Independent Assurance Report on the 2023 Greenhouse Gas Inventory.

Air New Zealand is committed to ongoing climate-related disclosures. This year, the Climate action section of the Sustainability Report has been structured with reference to the Aotearoa New Zealand Climate Standards (NZ CS). The year commencing 1 July 2023 will be the airline's first year of mandatory reporting under the new standards. New Zealand's External Reporting Board aimed to align the NZ CS with the International Sustainability Standards Board's (ISSB) draft global climate-related disclosures prototype, which is closely aligned with the framework developed by the Taskforce on Climate-related Financial Disclosures (TCFD).

The contents of this report have been informed by the Global Reporting Initiative (GRI) sustainability reporting standards and the Sustainability Accounting Standards Board Standards for the Airline Industry (SASB). The **GRI and SASB content indices** in the Appendices of this report, provide an overview of the relevant GRI and SASB standards for our material topics and where to find related information.

We welcome feedback and comments – please contact us at **sustainability@airnz.co.nz**

1 Air New Zealand's 2023 Greenhouse Gas Inventory Report is available on the Sustainability reporting and communications page on Air New Zealand's website. 2 Scope 3 assurance excludes employee commuting (category 7). Further work to quantify employee commute emissions will be undertaken in 2024.

Management commentary
(no financial statements)

Q and A with the Chair of the Sustainability Advisory Panel

Sir Jonathon Porritt
Chair of Air New Zealand's Sustainability Advisory Panel

Q What are your key reflections on progress made with Air New Zealand's sustainability agenda in your nearly decade-long time as Chair?

A This will be my last contribution to an Air New Zealand Sustainability Report. After a wonderfully rewarding decade, first as an advisor and then as Chair of Air New Zealand's Sustainability Advisory Panel, I stepped down in August this year, handing over to my good colleague Sam Mostyn.

And what a decade it's been for Air New Zealand - and for aviation as a global industry! Up until the Covid pandemic hit in 2020, there were two contrasting data sets that dominated the industry: year-on-year growth in terms of passengers carried, and year-on-year growth in terms of the resulting carbon emissions.

Most "leaders" in the industry were focused almost exclusively on the former, and were largely dismissive of the latter – as in: "aviation's contribution is a mere 2% of total global emissions, there are no immediately available technological solutions to sort out those emissions, and people want to keep on flying, come what may".

I've always been keen to celebrate the fact that Air New Zealand took a very different stance throughout that time. Uncomfortable though it might have been to acknowledge its full carbon footprint, there was no denial, no sweeping things under the carpet for an easy time – with the result that Air New Zealand is now as well-placed as any airline in the world to push forward with a genuinely coherent decarbonisation strategy.

Q What are the greatest challenges and opportunities that lie ahead for Air New Zealand?

A This is an easy one: read the Report!

It's true that the decarbonisation challenge is by far the most important for all airlines, but they have a host of other responsibilities – to their own people, to the communities in which they operate, on waste issues, biodiversity, tourism, and so on.

Right from the start, our Panel was keen to see all this reflected in an integrated Sustainability Framework (see page 11). It's fair to say that performance against a number of the key targets in the Framework has clearly been affected by the Covid pandemic. Which means there's still a lot to be done to achieve the kind of excellence which we know both the Executive Team and the Board aspire to.

Q Looking ahead, what do you want to see next for Air New Zealand?

A Above all, I want Air New Zealand to take its "special relationship" with New Zealanders much more seriously than it does today.

As the nation's much-loved carrier, 51% owned by the Government on behalf of all New Zealanders, with very high levels of trust, it would be all too easy to interpret that relationship as a "license" to go on giving New Zealanders what they want, to keep Ministers sweet by way of providing steady dividends, to stay just below the radar on the massive controversies in which the global aviation industry is already up to its neck – and to steer clear of the hard stuff in the way it engages with New Zealanders as its customers. And what a wasted opportunity that would be!

This airline has a uniquely privileged opportunity to help New Zealanders (both those who fly with it and those who don't) understand just what's coming down the track at them in terms of climate change and the wider sustainability story. That would mean using its "special relationship" to open up a different kind of discourse with its customers, to help strip away some of the entitled delusions that New Zealand is somehow better placed than most countries to "cope" with worsening climate chaos, and to co-create over the next decade a truly sustainable airline for the future – however different that might look from the kind of airline that does such a good job today.

Sir Jonathon Porritt
Chair of Air New Zealand's Sustainability Advisory Panel
August 2023

Management commentary
(no financial statements)

About Air New Zealand

Air New Zealand plays a fundamental role in enabling the connections Aotearoa New Zealand needs to prosper.

This was especially apparent in 2023, where the airline flew almost 16 million customers, operated 169,251 flights, and carried 114,000 tonnes of cargo around the globe and close to 37,000 tonnes of Aotearoa New Zealand exports.

At the heart of achieving these outcomes are incredibly dedicated Air New Zealanders who deliver on our promise of Manaaki – taking care further than any other airline, every day.

The past year has proven that an increasingly dynamic operating environment is here to stay. Airlines across the globe have dealt with the challenges of restarting in a post-Covid world and Air New Zealand has not been exempt from these challenges. Over the past 12 months, the airline has faced supply chain issues, staff shortages, the rising costs of inflation, and significant weather events, all of which have had an impact on our customers. We would like to thank customers for their patience while the airline gets back on track.

With all borders being opened for the first time since the pandemic, the extensive ramp up of operations in 2023 has led to a substantial increase in carbon emissions compared to 2022.

Taking real action and demonstrable steps towards delivering the ambitions outlined in our Sustainability Framework, especially those around climate action, will be a key component of enhancing our operational resilience and maintaining our social licence to operate.

Management commentary
(no financial statements)

Enrich Aotearoa New Zealand by connecting New Zealanders to each other and Aotearoa New Zealand to the world

About Air New Zealand

15.8m
customers flown

114,000
tonnes of cargo carried around the globe

20
domestic network regions serviced across Aotearoa New Zealand

30
international ports Air New Zealand flies to across Australia, the Pacific Islands, North America, and Asia

4.2m
Airpoints™ members, up 9.7 percent from the prior year

3.8m
tonnes of scope 1, 2 and 3 CO_2-e emissions[2]

1.2m
litres of SAF imported to Aotearoa New Zealand, representing 0.11 percent of total fuel use

Mission Next Gen Aircraft
launched to make next generation aircraft a reality in Aotearoa New Zealand

FTSE4Good
Air New Zealand is a constituent of the FTSE4Good Index Series[3]

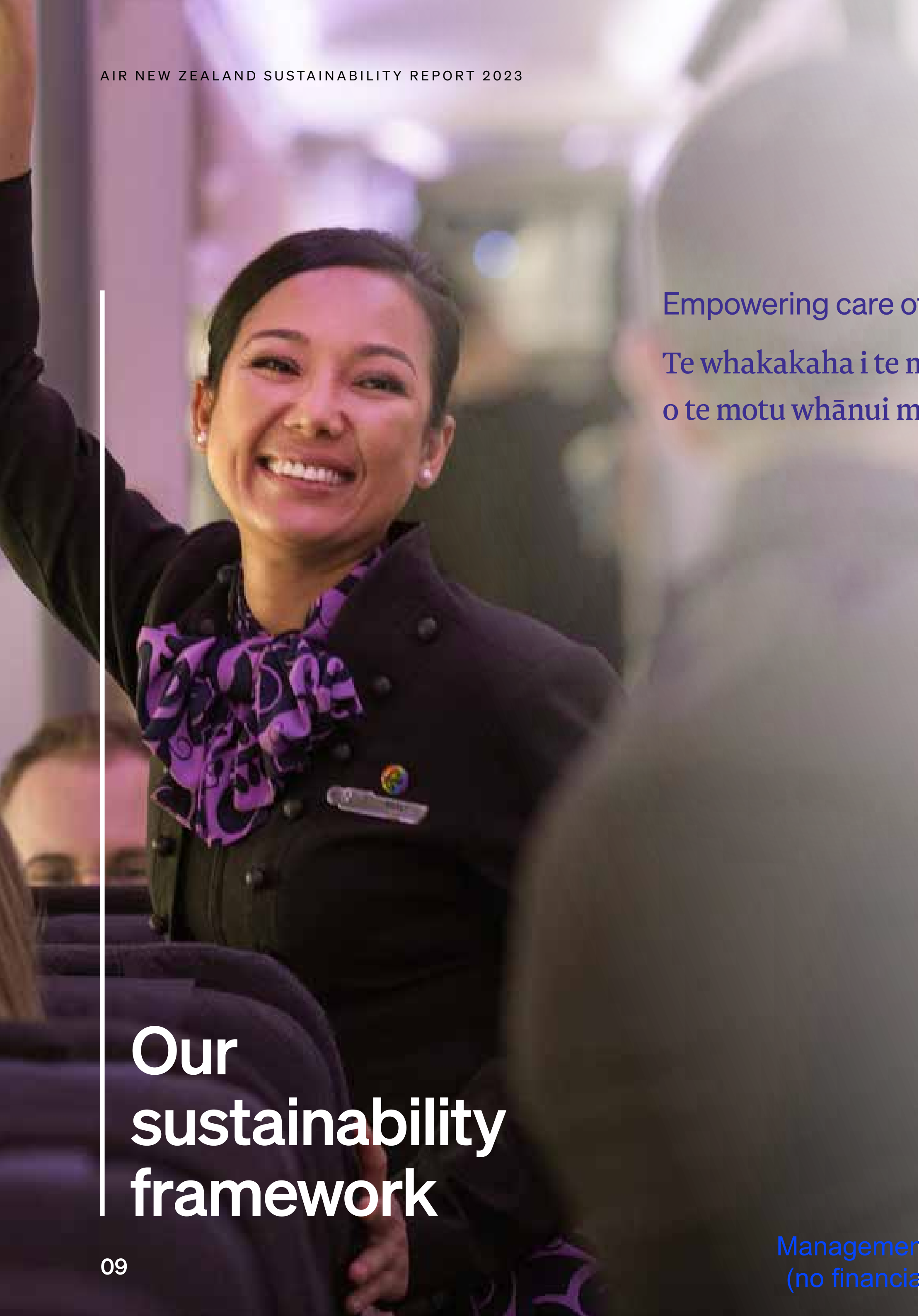
#1
Corporate Reputation in New Zealand based on 2023 Kantar Corporate Reputation index

2023
Airline of the Year awarded by AirlineRatings.com

2023
Most Attractive Employer awarded by Ranstad

Management commentary
(no financial statements)

2 Scope 3 emissions excludes category 7 (employee commute emissions). **3** The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices.



Our sustainability framework

Empowering care of our people, communities, country and planet

Te whakakaha i te manaakitanga o te tangata, o te hapori, o te motu whānui me te ao hoki

Air New Zealand's Sustainability Framework details the four priorities of our sustainability agenda, which this Sustainability Report is framed around:

- **Caring for New Zealanders**
- **Climate action**
- **Driving towards a circular economy**
- **Sustainable tourism**

Key focus areas and targets are outlined under each of these priorities to drive the delivery of ambitious action and hold us to account.

The focus areas and targets that sit underneath the priorities of the airline's Sustainability Framework are reported on annually. In addition, initiatives to progress our sustainability agenda are identified as part of the QBR process.

A number of targets detailed in the Sustainability Framework expired in 2023. As part of a refresh of our Sustainability Framework, new targets will be introduced in 2024. These new targets will also take into account the Māori Strategy which was presented to the Board in 2023.

<u>**Framework development**</u>

To develop Air New Zealand's Sustainability Framework, we considered feedback from Air New Zealand's Board of Directors, Executive, Senior Leaders Forum, and our independent Sustainability Advisory Panel. We also considered feedback from our stakeholders, including customers, investors, communities, partners, key industry and sustainability organisations.

This consultation provided the foundation for our materiality assessment and enabled us to consider the feedback alongside the airline's strategic priorities, key risks and opportunities, and competitive environment.

We then interviewed key internal subject matter experts from across the business, and asked stakeholders to identify environmental, social and governance opportunities and risks related to Air New Zealand's operations over the short, medium and long-term, as well as rate the extent to which these impacted the following factors:

- Significance of the issue to stakeholders
- Importance of the issue to Air New Zealand
- Air New Zealand's ability to control and/or influence the issue

The material issues identified through this consultation process were then shared with our Sustainability Advisory Panel, the Executive and the Board of Directors for further consultation as part of the development of Kia Mau, our company-wide strategy.

The insights gained from this materiality assessment and continued engagement with our key stakeholders enabled us to identify the four priorities of our Sustainability Framework.

At the centre of the United Nations 2030 Agenda for Sustainable Development are the 17 Sustainable Development Goals (SDGs).

The SDGs are an urgent call for action by all countries to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity. Air New Zealand has the ability to positively impact ten of the SDGs through the four priorities of our **Sustainability Framework**. The applicable SDGs are referenced within the four priorities of our Framework.

Sustainable Development Goals

Management commentary
(no financial statements)

Sustainability Framework

Empowering care of our people, communities, country and planet
Te whakakaha i te manaakitanga o te tangata, o te hapori, o te motu whānui me te ao hoki

	Caring for New Zealanders Te manaaki i ngā tāngata o Aotearoa	Climate action He mahinga taiao tūturu	Driving towards a circular economy Te whai i te ōhanga whai hua	Sustainable tourism He Tāpoi Mau Roa
Our priorities	Caring for New Zealanders Te manaaki i ngā tāngata o Aotearoa	Climate action He mahinga taiao tūturu	Driving towards a circular economy Te whai i te ōhanga whai hua	Sustainable tourism He Tāpoi Mau Roa
Our focus areas	• Care for Air New Zealanders and nurture a diverse, equitable and inclusive workplace • Care for our customers and communities • Support Aotearoa's social and economic revival	• Decarbonisation target and roadmap • Customer education and engagement on climate action • Strong governance and climate-related disclosures • Support biodiversity and native forestry offsetting	• Design and procure with a circular mindset • Reduce single-use plastics • Support new infrastructure and innovation • Drive waste minimisation culture and awareness • Diversion from landfill	• Sustainable tourism thought leadership for Aotearoa • Endorse Qualmark • Embrace Tiaki Promise and conservation in regions • Support regional and Māori tourism
Our targets	Air New Zealand's employee engagement score being in Glint's Global Top Engagement Index[1]. Grow access to and use of employee assistance support tools (including Employee Assistance Programme, Peer Support Network and Bullying and Harassment Contacts). Double our spend with Māori and Pasifika-owned businesses and social enterprises to $24 million, and double our diverse sourcing relationships to at least 50 suppliers by the end of 2024. Better connecting Aotearoa New Zealand exporters to the world by increasing cargo load factors on our widebody international network to 85%[2] by 2025 (from 67% in 2019).	Set a science-based carbon reduction target. Net zero emissions by 2050. 10% of Air New Zealand's total fuel uplift is SAF by 2030.	Removal of 50% of single-use plastic items on our international flights by 2023 from a 2021 baseline. This amounts to the removal of over 28 million forecasted single-use plastic items. 65% of total solid waste diverted from landfill by 2023[3].	Increase annual growth in bookings for Qualmark-awarded operators on Air New Zealand's website by 100% by 2023 from a 2021 baseline. 60% of New Zealanders aware of Tiaki Promise by calendar year 2023[4].
United Nations Sustainable Development Goals				

1. Glint's Global Top Engagement Index is based on employee survey results across more than 750 companies surveyed around the globe and 175 million data points.
2. Based on the volumetric utilisation of available belly capacity (including passenger bags) unless a 100% gross weight load factor is achieved sooner.
3. This target covers Air New Zealand's domestic ground sites and airports serviced by our main waste provider. It excludes hazardous waste.
4. As measured by Air New Zealand's Market Monitor that surveys 400-500 Aotearoa travellers each month.

01

Climate action

He mahinga taiao tūturu

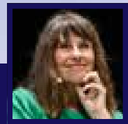
Our climate is rapidly changing. This year, Aotearoa New Zealand experienced the impact of distressing and destructive weather events first hand.

In January, our hub at Auckland International Airport experienced flooding in the terminal and Auckland city experienced widespread damage and destruction. Less than a month later Cyclone Gabrielle devastated the East Coast of Aotearoa New Zealand, causing loss of life, displacement, and severe infrastructure damage. Flooding wreaked havoc in Nelson in August 2022. The need to address activities that are continuing to worsen the climate emergency and simultaneously prepare for a warmer future becomes more urgent every day.

As part of an industry reliant on fossil fuel, climate change and the transition to a low emissions economy presents a significant challenge for Air New Zealand and the aviation industry as a whole. The airline is committed to playing its part in addressing this challenge by taking steps to implement its decarbonisation strategy.

This Climate action section of the Sustainability Report details the airline's progress and challenges it has faced in the year. It is structured with reference to the Aotearoa New Zealand Climate Standards (NZ CS) and the Taskforce for Climate-Related Financial Disclosures (TCFD).

The disclosures do not fully comply with NZ CS. From 1 July 2023, the airline will be required to disclose in accordance with NZ CS. Work is ongoing to enable the airline to comply with the new reporting regime.



Source: Mark Coote

Kiri Hannifin
Chief Sustainability Officer at Air New Zealand

"It's easy to fall in love with aviation, especially in a country like New Zealand where flying is often the only option we have to visit friends and whānau. And, as an island nation in the South Pacific, it is also how we see the world. Our purpose is to connect our people with each other and to bring the world closer – we get deep joy out of living this purpose every day. But we are very mindful that flying causes greenhouse gases that are contributing to the climate emergency. For a business driven by strong values, and a deep love, respect and connection to our land, this is immensely challenging. I am proud to work for a business that recognises becoming sustainable is its greatest challenge, and I am grateful to have a team of more than 11,000 Air New Zealanders committed to undertaking the mahi we need to overcome this. The task is immense – aviation is one of the most difficult sectors to abate – but Air New Zealand's ambition to this transition is unwavering."

TCFD

GOVERNANCE

Governance body oversight

Sir Jonathon Porritt, Chair of Air New Zealand's Sustainability Advisory Panel

The Board of Directors considers and provides direction on the airline's consideration of the impacts of climate change.

The Board is ultimately responsible for the airline's response to the risks and opportunities presented by issues related to climate change mitigation and adaptation.

Board oversight is primarily through its Audit and Risk Committee (ARC), which oversees key strategic risks including climate change.

The full Board has oversight responsibility and is closely engaged as the airline continues to develop its strategic position, monitor technological developments, and establish its reporting frameworks under NZ CS. The Board receives updates from the Chief Sustainability Officer on areas of responsibility and performance against targets on a quarterly basis. In addition, the Board engages with Management on sustainability matters, including the airline's roadmap to its 2030 science-based target, and considered and approved the climate scenarios being employed by the airline to test the resilience of its strategy.

Biannually, the Board receives an update on carbon compliance obligations, addressing the airline's compliance with domestic and international obligations, including the New Zealand Emissions Trading Scheme (NZ ETS) and the International Civil Aviation Organization's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

Additional sustainability-related matters that the ARC deals with in its quarterly schedule, including as part of the identification and management of strategic risks, are advised to the Board following each Committee meeting through the Committee's verbal report to the Board or as standalone Board agenda items where appropriate.

Strategic climate-related risks are also considered by the Board as part of the airline's Group Risk Profile which is an output of the airline's Enterprise Risk Management Framework (ERMF). Climate change risk, currently rated 'Very High' is the highest rated risk on Air New Zealand's Group Risk Profile.

The Board is comprised of directors who bring diverse perspectives, and demonstrate a variety of skills, experience and competencies. On climate-related issues, the Board continue to actively increase their knowledge of climate change, its impacts and the mitigation and adaptation options available to the airline and the aviation industry. The Board is committed to developing its climate capability to continue to provide effective oversight of climate-related risks and opportunities.

The airline's external Sustainability Advisory Panel (refer to page 4) provides independent advice to the Board and Management on the climate-related aspects of the airline's sustainability strategy. This assists the airline to improve and develop its strategic response to the impacts of climate change. The Sustainability Advisory Panel meets with the Board biannually.

In addition to their contributions at the Air New Zealand Board table, Dame Therese Walsh, Laurissa Cooney and Jonathan Mason have been recognised by their peers as advocates for boards addressing climate change and appointed to the Steering Committee of Chapter Zero New Zealand, with Dame Therese being named as Chair.

Chapter Zero New Zealand is part of a global network of board directors committed to taking action on climate change. It is the local chapter of the Climate Governance Initiative, and hosted by the New Zealand Institute of Directors, with a mission to mobilise, connect, educate and equip directors and boards to make climate-smart governance decisions, thereby creating long-term value for both shareholders and stakeholders.

In December 2022, Air New Zealand Sustainability Advisory Panel Chair, Sir Jonathon Porritt and members Sam Mostyn AO and Professor Tim Jackson presented at a Chapter Zero New Zealand event sharing international governance insights, on behalf of Air New Zealand.

TCFD

GOVERNANCE

Governance body oversight

Progress against our 2030 science-based carbon reduction target has been incorporated into the airline's Short-Term Incentive Scheme with effect from the 2024 financial year. The Scheme includes a broad range of business measures to promote collaboration through shared objectives[1]. 15 percent of the incentive will be based on meeting the annual carbon intensity target.

The airline's Risk Appetite Statement guides the Board when developing and overseeing implementation of the airline's strategy. In December 2022 the Board implemented a new Risk Appetite Statement, including a section dedicated to climate change, to provide clarity about the nature and degree of risks that can be taken and the rationale for those positions.

There is a requirement for Board papers to include explicit discussion of the sustainability impacts of the topic or proposal being presented. This includes (but is not limited to) consideration of alternatives where possible, climate-related risks and opportunities and where applicable will quantify any change in greenhouse gas emissions. Board papers also consider relevant risk appetite factors, and provide visibility of compliance of material climate risk impacts with the Board's risk appetite.

The metrics and targets for managing climate-related risks and opportunities are primarily guided by the airline's roadmap to meet its 2030 science-based target. This roadmap defines the annual waypoints and milestones on the path to achieving the science-based carbon reduction target. Commencing in the 2024 financial year, the Board will receive six-monthly updates on progress against the target.

Additional metrics and targets may be identified by the Board, ARC or Management that are focused on specific climate-related risks or opportunities and appropriate to the management of those risks within the broader framework.

TCFD

1 Refer to the Corporate Governance Statement in the 2023 Annual Report for more detail on the full Short-Term Incentive Scheme.

GOVERNANCE

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.

In November 2022, Kiri Hannifin joined the airline as the airline's first Chief Sustainability Officer. The Chief Sustainability Officer is a member of the Executive and reports to the Chief Executive Officer.

Climate-related workstreams are the responsibility of the full Executive, the Chief Sustainability Officer, operational management, and the Sustainability team.

Management focus is given to risk identification and ensuring that climate-related activities are adequately resourced and implemented, for example, programmes of work relating to Sustainable Aviation Fuel (SAF), next generation aircraft, operational optimisation, and regulatory compliance. Key issues are reported up to the Board and the ARC as appropriate.

Management prepare Quarterly Business Review memos outlining priorities for the next quarter. As a pillar of the company wide strategy, Kia Mau, climate matters are capable of being elevated to ensure sufficient resource is dedicated to climate-related projects.

Given the airline's 2030 science-based carbon reduction target, Management has agreed a quarterly governance cadence to monitor the airline's performance against its target to ensure focus is maintained across all identified mitigation levers, throughout the organisation. Progress reports will be provided to the Board on a six-monthly basis. These meetings will commence in the 2024 financial year.

Embedding climate risk in business decisions remains a focus area for the airline and Management. In 2023, Air New Zealand piloted an internal carbon tax on its flagship ultra long-haul route, Auckland to New York return - NZ1 and NZ2. An internal carbon tax applies an internal carbon price to an activity, and creates a dedicated revenue or investment stream which Air New Zealand ringfenced for investment in sustainability initiatives.

The internal carbon tax pilot has been extended for the next financial year. It has been expanded to include operations to and from Chicago and Houston. The expanded pilot will provide learnings to inform consideration of a permanent internal carbon tax on select routes, as well as a broader shadow carbon price to help inform internal decision making.

The Corporate Governance Statement in the 2023 Annual Report includes details of Air New Zealand's organisational structure, showing where Board and Management-level positions and committees lie.

Governance focus for next financial year:

- Commence 2030 science-based carbon reduction target governance forum to monitor and drive progress against target
- Establish the system and process for better incorporating climate risk in investment decisions, capital deployment and financial planning
- Continue to build climate capability, awareness and competence

TCFD

STRATEGY

Current impacts

Climate change is already directly and indirectly impacting the airline and its operations. In the reporting period, the following impacts have been realised.

Carbon pricing

In 2023, the airline faced compliance obligations relating to greenhouse gas emissions.

New Zealand Emissions Trading Scheme

Air New Zealand is a participant in the NZ ETS and has an obligation to report greenhouse gas emissions generated from fuel use on all domestic flights and then purchase and surrender to the Government an equal number of New Zealand Units to match those emissions. In the 2022 calendar year, the airline's NZ ETS obligation was 557,841 tonnes CO_2-e. The airline's compliance cost for the same period under the ETS was $27.1 million, up from $14.4 million in the 2021 calendar year, $14.5 million in the 2020 calendar year and $14.6 million in the 2019 calendar year.

The airline continues to advocate for NZ ETS auction proceeds to be used to accelerate the development and deployment of technologies to enable aviation decarbonisation and to ensure voluntary purchases of SAF can be fully recognised by the party investing in the emissions reductions (as allowed in other emissions trading schemes internationally). As such, the airline's import of SAF in September 2022 was not recognised in the NZ ETS in the 2022 calendar year.

International Civil Aviation Organization's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)

For emissions generated in international airspace, Aotearoa New Zealand participates in the International Civil Aviation Organization's (ICAO) CORSIA scheme. This requires the airline to monitor, report and verify its annual international emissions and purchase and cancel eligible units for any sectoral growth over a 2019 baseline. In the 2022 calendar year, the airline did not face an obligation under the CORSIA scheme.

Scope of international aviation regulation

At the 41st ICAO Assembly in October 2022, ICAO Member States adopted a collective long-term global aspirational goal of net zero carbon emissions by 2050. Member States also agreed on a new lower CORSIA baseline from 2024, defined as 85 percent of CO_2 emissions in calendar year 2019. These changes did not result in any financial impact in the year.

Access to SAF

Premium paid on import of SAF

In September 2022, the airline imported 1.2 million litres of SAF to Aotearoa New Zealand. The purpose of the import was to test the supply chain and understand the true cost of importing SAF to Aotearoa New Zealand. As Aotearoa New Zealand does not offer any subsidies or incentives for SAF, the airline faced the full cost of the product, paying a premium of around 4 times the price of jet fuel. The emissions reductions were not recognised under the NZ ETS.

Investment in Feasibility Study

In June 2023, following a detailed evaluation process, the airline in partnership with the New Zealand Government, announced it would proceed to the second phase of a detailed feasibility study considering the viability of domestically produced SAF. The second phase of the study will involve LanzaJet and Fulcrum BioEnergy considering the viability of SAF production in Aotearoa New Zealand using woody biomass and municipal solid waste as feedstocks respectively. Air New Zealand will commit research and development funding in excess of $1.5 million to the studies (with the funding being provided in the 2024 financial year).

TCFD

STRATEGY

Current impacts

Air New Zealand acknowledges that climate change will increase the frequency and / or the severity of adverse weather events. Disclosures are provided on the basis that the following weather events were made more intense, more likely, or both due to climate change.

Auckland flooding event

In January 2023 a significant rainfall event occurred in the Auckland area, resulting in widespread surface flooding and damage across many suburbs and parts of Auckland. A State of Regional Emergency was declared in Auckland on the evening of 27 January.

While consistent rainfall commenced on 26 January, the serious deluge commenced in the early evening of 27 January. Rainfall continued through to 3 February. The rainfall stressed the stormwater systems of the city and those of individual buildings and sites, to the point that widespread flooding and water ingress damage resulted.

The National Institute of Water and Atmospheric Research (NIWA) reported that the expected rain for the entire summer (258mm) fell within one day (27 January)[2]. NIWA noted that the event was made more intense due to the influence of climate change[3].

Air New Zealand is headquartered in Auckland and its main hub is located in Auckland. The domestic and international terminal buildings are owned and operated by Auckland International Airport Limited. Certain areas of each terminal are leased to the airline.

The entire ground floor of the international terminal was inundated with flood water to a depth of up to 300mm. Parts of the domestic terminal also experienced water ingress. Automatic bag drop machines, baggage belts and fittings in the dedicated Air New Zealand check-in area of the international terminal experienced damage.

Employees and customers were displaced until the working environment was temporarily restored. Both loss of equipment and facilities caused mass disruption to the airline's operations. All domestic and international travel was suspended due to damage sustained by the airline and to airport facilities. 821 flights were cancelled, impacting 49,000 customers, including 6,500 international customers. Domestic flights resumed on 28 January, and international flights resumed on 29 January.

The event impacted the airline's operations, employees and customers, and the Group Emergency Management Team was activated.

Refer to the Responding to crisis section on page 44 for more information.

Cyclone Gabrielle

Within a fortnight of the Auckland flooding event, from 11 to 14 February, Aotearoa New Zealand faced Cyclone Gabrielle. Northland, Auckland, Waikato, Tairāwhiti Gisborne and Hawke's Bay experienced heavy rain, strong winds, river flooding and landslides.

Analysis conducted by NIWA and World Weather Attribution[4] found evidence in rainfall measurements that very heavy rainfall is now more common in the areas affected by the cyclone, with climate change by far the most likely explanation[5].

The Group Emergency Management Team was activated in advance of Cyclone Gabrielle reaching Aotearoa New Zealand. Preventative measures were taken prior to the arrival of the cyclone, including the relocation of aircraft to other parts of the country and pre-emptive cancellation of flights.

The airline experienced no damage to assets caused by the cyclone. However the airline did experience significant business interruption due to flight cancellations.

The airline, in coordination with Government agencies deployed a special assistance flight, carrying communication support, emergency supplies and airport operational staff into Tairāwhiti Gisborne.

The cost of Cyclone Gabrielle on the business will not be recoverable under insurance policies held.

Refer to the Responding to crisis section on page 44 for more information.

2 The National Institute of Water and Atmospheric Research. 2023, *Auckland suffers wettest month in history*, accessed 2 August 2023, <https://niwa.co.nz/news/auckland-suffers-wettest-month-in-history> **3** Ibid. NIWA Climate Scientist Dr Sam Dean stated "The Earth has warmed by about 1.1 °C already because of human activity and this extra heat gives more power to extreme rainfall. All other things being equal, we would expect climate change to contribute between 10-20% more rain in the most intense part of this storm." **4** The World Weather Attribution is an initiative led by climate scientists from Imperial College London that works to quantify the role of climate change in extreme weather events. **5** The National Institute of Water and Atmospheric Research. 2023, *In the wake of Gabrielle*, accessed 2 August 2023, <https://niwa.co.nz/publications/water-and-atmosphere/water-atmosphere-29-june-2023/in-the-wake-of-gabrielle#:~:text=The%20rapid%20nature%20of%20the,far%20the%20most%20likely%20explanation>

TCFD

STRATEGY

Scenario analysis

In 2023, the airline conducted scenario analysis to identify climate-related risks and opportunities, to test the resilience of the airline's current decarbonisation strategy and to prepare the airline to meet its regulatory obligations under NZ CS.

Transition risks were analysed over three different time horizons: short-term (0 – 3 years), mid-term (3 – 10 years) and long-term (10 – 30 years). Physical risks[6] were analysed out to 2100. The airline's four climate change scenarios each represent different climate warming and transition trajectories.

These four trajectories were chosen to align with the NZ CS requirement to develop at least three scenarios, including at least one 1.5˚C scenario and at least one 3˚C or greater scenario.

The four scenarios use Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathways (SSP) and Representative Concentration Pathways (RCP) as a foundation to ensure plausibility and were developed with reference to the External Reporting Board (XRB) guidance to form internally consistent scenarios.

Ambitious	Steady	Delayed	Insufficient
1.5°C SSP1; RCP1.9	**2.7°C** SSP2; RCP4.5	**3.6°C** SSP3; RCP7.0	**4.4°C** SSP5; RCP8.5
• CO_2 emissions reach net zero by 2050 as green energy dominates • Aotearoa New Zealand invests heavily in green energy and experiences sharply increasing carbon prices • Aviation decarbonises rapidly, bolstered by rapid technology advancement, favourable policy settings, and customers prioritising climate-conscious businesses	• CO_2 emissions remain at current levels until 2050 as green energy becomes the majority source • Aotearoa New Zealand experiences a sharp rise in carbon prices and increased investments in green energy • Aviation technology advances steadily, with policy settings supporting the industry's transition. Customers prioritise climate-focused businesses if price is comparable	• CO_2 emissions double by 2100, with incremental gains in green energy • Aotearoa New Zealand experiences a carbon price increase and moderate green energy investment • Aviation technology advances slower than anticipated, with limited policy support and limited SAF incentives. Customers prioritise price over climate concerns	• CO_2 emissions double by 2050, with no gains in green energy • Aotearoa New Zealand's carbon price remains stable; there is minimal investment in green energy • Aviation technology advances significantly slower than anticipated, with no policy support or SAF incentives. Customers prioritise price over climate concerns

6 The physical analysis considered Aotearoa and the Pacific Islands. The rest of the Air New Zealand network will be considered in the 2024 financial year.

TCFD

STRATEGY

Scenario analysis

The scenarios were developed by making selections across four sets of parameters:

Parameters	Key parameter categories	Approach
1. Global climate and socioeconomic pathway	• Temperature outcomes • Socioeconomic outcomes	• **Each scenario starts with a global climate and socioeconomic base** • Pathways were **adopted from IPCC AR6 scenarios** – they are derived from Shared Socioeconomic Pathways (SSP) and Representative Concentration Pathway (RCP) combinations
2. Global energy pathway	• Electricity (renewables) • Hydrogen (green) • Liquid fuel (SAF)	• Global energy pathways generally flow from IPCC scenarios • Some assumptions made on basis of **'what needs to be true' for the global climate pathways to hold**
3. Aotearoa New Zealand-specific impacts	• Aotearoa New Zealand physical and climate impacts • Aotearoa New Zealand energy impacts • Aotearoa New Zealand market and financial impacts (incl. cost of carbon)	• Aotearoa New Zealand-specific assumptions made on basis of **'what needs to be true' for global climate and global energy pathways to hold** • Informed by **best estimates from Aotearoa New Zealand research papers and expert and internal input,** adjusted for scenarios
4. Aviation-specific developments	• Technology development • Operations • Policy environment • Customer demand for aviation	• Aviation-specific assumptions made on basis of **'what needs to be true' for global climate, global energy pathways, Aotearoa-specific impacts to hold** • Informed by **best estimates from aviation research papers and expert and internal input,** adjusted for scenarios

Further physical risk analysis will continue in the 2024 financial year. The first phase of modelling considered activities and assets in Aotearoa New Zealand and the Pacific Islands. The next phase of physical climate risk analysis will extend to activities and assets in the rest of the global network, including Australia, Asia and North America.

The transition risk modelling demonstrated the interconnected nature of the risks faced by the airline and revealed areas of the airline's climate strategy requiring further analysis. The airline will continue to build on this scenario analysis to deepen its understanding of the impacts of climate change under different warming scenarios, the resilience of the airline's strategy in the face of these, and the potential resulting material financial implications.

TCFD

STRATEGY

The transition risks defined below have been informed by the climate-related scenario modelling outlined above.

Time frame: S Short-term = 0-3 years M Mid-term = 3-10 years L Long-term = 10-30 years

Transition Risks

TCFD risk category	Climate-related risk	Potential financial impact	Term	Strategic response and mitigations
	General			
Policy and legal	The risk of new or increased regulation to monitor and / or address activities, organisations or sectors that contribute to climate change. This could include: • Expansion of the NZ ETS to include international aviation emissions • Establishment of domestic aviation carbon reduction targets for Aotearoa New Zealand • Inclusion of non-CO_2 emissions in CORSIA[7] and / or NZ ETS • CORSIA fails to implement sufficient offsetting requirements resulting in unilateral regulation and as a consequence competitive distortions	Increasing the coverage of the NZ ETS to include international aviation emissions would increase the price of fossil jet fuel, increasing operating expenditure and contributing to higher airfares. However, increasing the price of fossil jet fuel would close the commercial gap between fossil jet fuel and SAF. Domestic aviation carbon reduction targets could result in policies that limit domestic aviation growth. However, policies could also be established that support the use and affordability of SAF in Aotearoa New Zealand. Including non-CO_2 emissions in CORSIA and / or NZ ETS would increase the coverage of the schemes and would thereby increase the price of fossil jet fuel and contribute to higher airfares. If CORSIA is perceived to be inadequate, unilateral country-specific compliance obligations could arise, leading to competitive distortions and presenting a risk to revenue.	S M L	Implementation of the airline's decarbonisation strategy to achieve reductions in gross carbon emissions, including improvements to operational efficiency, ongoing fleet renewal, investment in and advocacy for accelerating the availability and commercial viability of SAF, and advocacy and planning for next generation aircraft. Future carbon pricing assumptions considered in operational and strategic planning. Advocacy: • to ensure emissions reductions enabled by voluntary purchases of SAF are properly reflected and allocated in the NZ ETS (as they are in other emissions trading schemes internationally). • for domestic policies that support and accelerate gross emissions reductions within the aviation sector. • providing ongoing support for a robust CORSIA scheme to reduce the risk of unilateral regulation arising. Engagement with: • the New Zealand Climate Change Commission regarding its consideration of international aviation emissions. • Sustainable Aviation Aotearoa regarding domestic aviation targets, international aviation emissions, non-CO_2 emissions and policy measures that will drive gross emissions reduction from the sector. Monitoring international regulatory developments to understand risk and opportunities.
Market	The risk associated with the way markets could be affected by climate change, including through shifts in supply and demand. This could include: • Changing consumer behaviour • Uncertainty in market signals • Increased cost of raw materials	Increasingly climate conscious customers – leisure and business travellers seeking to reduce their own emissions footprint may reduce air travel consumption, resulting in reduced demand and reduced revenue. By the airline moving early to reduce its emissions, fares may need to increase before competitor fares do causing price sensitive customers to switch airlines, resulting in reduced demand and reduced revenue. Access to capital and insurance could reduce and the cost of capital and insurance could increase if demonstrable progress is insufficient.	S M L	Implementation of the airline's decarbonisation strategy to achieve reductions in gross carbon emissions, including improvements to operational efficiency, ongoing fleet renewal, investment in and advocacy to accelerate the availability and commercial viability of SAF, and advocacy and planning for next generation aircraft. Raise industry decarbonisation expectations and support mechanisms like international and domestic mandates that result in all airlines facing similar SAF costs. Building on current carbon reporting provided to corporate customers, providing Air New Zealand-specific carbon data to better inform customers as to their emissions footprint from travel. Developing a corporate and cargo SAF purchasing programme, to enable emissions reductions in-line with the Science Based Targets initiative guidelines.
Reputation	The risk to reputation and brand associated with changing customer or community perceptions of the aviation sectors contribution to climate change. This could include: • Shifts in consumer preferences • Stigmatisation of the aviation sector • Increased stakeholder concern	Increasingly climate conscious customers – leisure and business travellers seeking to reduce their own emissions footprint may reduce air travel consumption, resulting in reduced demand and reduced revenue. Stakeholders, including customers, employees, investors, lenders, suppliers and insurers may push for more ambitious action from the airline.	S M L	Position the airline as progressive on climate matters, by implementing the airline's decarbonisation strategy to achieve reductions in gross carbon emissions, including improvements to operational efficiency, ongoing fleet renewal, investment in and advocacy to accelerate the availability and commercial viability of SAF, and advocacy and planning for next generation aircraft. Provide transparent public disclosures to inform and educate stakeholders.

Transition risks

TCFD

7 The International Civil Aviation Organization's Carbon Offsetting and Reduction Scheme for International Aviation.

STRATEGY

Time frame: S Short-term = 0-3 years M Mid-term = 3-10 years L Long-term = 10-30 years

Transition Risks

TCFD risk category	Climate-related risk	Potential financial impact	Term	Strategic response and mitigations
	SAF related transition risks			
Policy and legal	The risk of limited, delayed or non-existent government support for SAF adoption. This could include: • Lack of government support for SAF adoption in North America and / or current policy support is removed • Lack of government support for SAF adoption in Aotearoa New Zealand, Australia and Asia • Globally approved Book and Claim mechanisms do not develop as expected resulting in Air New Zealand having to procure physical SAF in Aotearoa New Zealand • The risk of exposure to litigation or greenwashing claims based on SAF related statements	Lack of government support and / or removal of existing subsidies could result in increased SAF costs, increasing operating expenditure. Lack of government support for SAF in the Asia Pacific region could result in less SAF supply in the region and more expensive product, increasing operating expenditure and creating competitive distortions. Lack of policy support in Aotearoa New Zealand could result in limited access to physical SAF domestically. The introduction of SAF mandates in the Asia Pacific region without associated incentives to address the cost of the product could increase operating expenditure. Access to a globally endorsed Book and Claim mechanism would enable access to SAF without having to physically procure SAF in Aotearoa New Zealand resulting in access to lower cost SAF. Greenwashing claims, litigation or fines could increase costs and / or reduce demand for services.	M L	**Advocacy in Aotearoa New Zealand** • Advocacy to support the supply and commercial viability of SAF in Aotearoa New Zealand. This includes advocating for a SAF specific mandate, access to feedstocks, SAF incentives, and SAF-specific policies to support the establishment of import supply chains and domestic production (including for Power-to-Liquid SAF). • Engagement in Sustainable Aviation Aotearoa, the public private body designed to support aviation decarbonisation in Aotearoa New Zealand, including the working group dedicated to increasing access to and supply of SAF in Aotearoa New Zealand. • Partnership with the New Zealand government to explore domestic SAF production in Aotearoa New Zealand, to secure local supply and improve fuel security. • Engagement with New Zealand government on the use of SAF in the NZ ETS. • Engagement with New Zealand government, Trade and Tourism industries regarding the role of SAF. **Advocacy in Asia-Pacific region** • Advocacy and engagement with Australian government, policy makers and the Australian Jet Zero Council to support the supply and commercial viability of SAF in Australia. • Advocacy for SAF via Bioenergy Australia and the Sustainable Aviation Fuel Alliance Australia and New Zealand (SAFAANZ). • Advocacy and engagement with governments and policy makers to support the supply and commercial viability of SAF in Asia. • Advocacy to prioritise feedstocks for hard to-abate sectors. • Participation in World Economic Forum's Clean Skies for Tomorrow Coalition. • Advocate for robust sustainability criteria for SAF within regulatory frameworks (including mandates) and within the sector for voluntary SAF purchases. • Advocate for and support the development of Power-to-Liquid SAF to reduce reliance on biogenic SAF.

Transition risks, continued

Time frame: S Short-term = 0-3 years M Mid-term = 3-10 years L Long-term = 10-30 years

Transition Risks

TCFD risk category	Climate-related risk	Potential financial impact	Term	Strategic response and mitigations
	SAF related transition risks (continued)			
Technology	The risk associated with substitution of fossil jet fuel with SAF to support the transition to a low emissions economy. This could include: • SAF feedstock limitations • Operating and capital costs for SAF pathways do not decline as expected • Power-to-Liquid SAF and already approved SAF technology pathways do not deliver expected emissions reductions as they scale • Unsuccessful investment in new technologies	Cost of SAF is around 2 to 5 times the cost of fossil jet fuel. Uplift of SAF will increase operating expenditure. SAF supply limitations could result in increased compliance costs and associated reputational damage. Research and development expenditure in feasibility studies considering domestic production of SAF.	S M L	**Support for Book and Claim** • Advocacy and engagement in support of robust Book and Claim mechanisms with the Roundtable of Sustainable Biomass and the World Economic Forum (WEF) SAFc programme. • Participation in the WEF SAFc trial in June 2023. • Advocacy and engagement with New Zealand government and stakeholders regarding the role and recognition of Book-and-Claim in Aotearoa New Zealand. • Education for customers regarding Book-and-Claim. **SAF Procurement and supply** • Geographically diversify SAF supply. • Diversify across feedstocks with varying emissions reduction factors. • Negotiate contractual mechanisms with potential SAF suppliers including provisions to exit or reduce volume if subsidies are not available or are rescinded. • Collaboration with partner airlines on developing global SAF supply, including via Star Alliance membership. • Adhere to strict sustainability criteria for SAF procurement. **Disclosures** • Provide transparent public disclosures regarding SAF, including the proportions of SAF and fossil jet fuel purchased.
Market	The market risk associated with SAF. This could include: • Inability to access sufficient SAF supply to meet public targets • SAF prices fall but contractually locked into higher offtake prices, particularly in the Asia Pacific region • SAF prices increase, but not fast enough to contract at lower prices, particularly in North America region • Air New Zealand enters into contracts with unfavourable terms relative to competitors	Not accessing sufficient volumes of SAF to meet public targets could result in reputational damage. Inability to secure competitive SAF prices could result in increased operating expenditure and competitive distortions.	S M L	
Reputation	The risk to brand and reputation associated with the use of SAF. This could include: • Use of SAF feedstocks that offer limited environmental benefits or cause perverse environmental outcomes • Customers may not accept SAF as an abatement lever • The risk of exposure to litigation or greenwashing claims based on SAF related statements	Adhering to robust sustainability criteria in the procurement of SAF may result in lower SAF supply and / or higher prices, resulting in increased operating expenditure. Greenwashing claims, litigation or fines could increase costs and / or reduce demand for services. Greenwashing claims or litigation could erode trust in the brand.	S M L	

Transition risks, continued

TCFD

Time frame: S Short-term = 0-3 years M Mid-term = 3-10 years L Long-term = 10-30 years

<table>
<tr><th></th><th>TCFD risk category</th><th>Climate-related risk</th><th>Potential financial impact</th><th>Term</th><th>Strategic response and mitigations</th></tr>
<tr><td rowspan="5">Transition Risks</td><td></td><td colspan="2">Next generation aircraft related transition risks</td><td></td><td></td></tr>
<tr><td>Policy and legal</td><td>The risk of limited, delayed or non-existent government support for next generation aircraft development and use. This could include:
• Aviation regulator in Aotearoa New Zealand limiting or delaying the use of next generation aircraft in Aotearoa New Zealand
• Protracted development of regulatory, compliance and safety standards for next generation aircraft
• Lack of government support for green hydrogen development and adoption in Aotearoa New Zealand
• Lack of government support for scaling of renewable electricity generation in Aotearoa New Zealand
• The risk of exposure to litigation or greenwashing claims based on limited progress against stated next generation aircraft aspiration</td><td>Delayed regulations could slow or constrain the use of new technologies (and the pace of development of new technologies), limiting the ability to generate revenue from these new aircraft. Lack of government support could result in increased cost of renewable energy and green hydrogen, increasing operating expenditure.

Greenwashing claims, litigation or fines could increase costs and / or reduce demand for services.</td><td>S
M
L</td><td rowspan="4">Advocacy In Aotearoa New Zealand
• For new policy measures to support the development and deployment of next generation aircraft, including more government resourcing to expedite regulatory and standard setting processes.
• To inform future renewable electricity demand scenarios and infrastructure requirements.
• For green hydrogen policy support, including de-risking first of a kind innovations and ongoing affordability interventions.
• Engagement in Sustainable Aviation Aotearoa, including the working group dedicated to deployment of next generation aircraft in Aotearoa New Zealand.
• Member of the Hydrogen Consortium, alongside Airbus, Christchurch Airport, Fortescue Future Industries, Hiringa Energy and Fabrum, launched to support next generation aviation in Aotearoa. The consortium is examining the regulations, policies and incentives required to support green hydrogen use in aviation.
• Participation in the World Economic Forum's Target True Zero coalition.
Technology and infrastructure
• Ongoing engagement with commercial demonstrator partners and long-term next generation aircraft partners to support the development of these aircraft, including providing the airline's own specifications and network requirements.
• Potential investment in commercial demonstrator project to understand true cost of aircraft, operating realities, and readiness of Aotearoa New Zealand for next generation aircraft.
• Engagement with airports in Aotearoa New Zealand regarding infrastructure and energy requirements for next generation aircraft.
• Partnership with Airbus to explore the deployment of hydrogen-powered aircraft in Aotearoa New Zealand.
• Hydrogen Consortium analysing green hydrogen supply chain in Aotearoa New Zealand.
Early adoption
• Negotiate contractual mechanisms to exit contracts if prices fall significantly.
• Seek third-party support to de-risk first of a kind investment in next generation aircraft.</td></tr>
<tr><td>Technology</td><td>The risk associated with adoption and deployment of novel propulsion next generation aircraft to support the transition to a low emissions economy. This could include:
• Late availability of next generation aircraft
• Higher than expected incremental capital expenditure and / or maintenance costs
• Production costs for green hydrogen do not decline as expected, increasing energy costs
• Network limitations due to lack of required airport infrastructure
• Limited talent availability for maintenance and operation of next generation aircraft</td><td>Late availability of next generation aircraft will increase volumes of SAF required, potentially increasing operating costs and compliance costs.

Capital investment(s) in new aircraft technologies could be higher than anticipated.

Procurement of green hydrogen could increase operating expenditure if production costs do not decline.

Lack of airport infrastructure could limit the network flown by next generation aircraft, reducing revenue due to limits on aircraft use.

Limited availability of qualified employees could increase workforce expenditure and lead to increased expenditure on employee attraction and retention.

New practices and processes associated with next generation aircraft could increase the costs associated with deployment.</td><td>M
L</td></tr>
<tr><td>Market</td><td>The market risk associated with next generation aircraft. This could include:
• Inability to access enough energy due to limited green hydrogen availability
• Green hydrogen prices fall but contractually locked into higher offtake prices
• Curse of early adoption for next generation aircraft - costs could come down for later models</td><td>Inability to secure competitive energy prices could result in increased operating expenditure.</td><td>S
M
L</td></tr>
<tr><td>Reputation</td><td>The risk to brand and reputation associated with the use of next generation aircraft. This could include:
• Limited social licence to consume renewable energy (renewable electricity, green hydrogen) if not demonstrably additional
• The risk of exposure to litigation or greenwashing claims based on limited progress against stated next generation aircraft aspirations</td><td>The renewable electricity consumed by a next generation aircraft fleet (directly or as an input to creating green hydrogen) could introduce reputational or brand damage if it diverts renewable resources from other parts of the economy.

Greenwashing claims, litigation or fines could increase costs and / or reduce demand for services. Greenwashing claims or litigation could erode trust in the brand.</td><td>M
L</td></tr>
</table>

Transition risks, continued

TCFD

STRATEGY

Physical risks are 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).

Time frame: S Short-term = 0-3 years M Mid-term = 3-10 years L Long-term = 10-30 years

	TCFD risk category	Climate-related risk	Potential financial impact	Term	Strategic response and mitigations
Physical Risks	Acute	Risk of increasing frequency and / or severity of extreme weather events resulting in disruption to flights and the wider network.	Decreased or disrupted flying could reduce revenue and increase operational expenditure. Damage to infrastructure presents risk of increasing capital costs. Increased insurance premiums and potential for reduced availability of insurance on assets in "high risk" locations. Increased operating expenditure caused by airports passing on adaptation costs.	S M L	Implementation of flight planning software using advanced data analytics to optimise flight paths both in planning and dynamically once aircraft are airborne. Thunderstorm detection technologies and reporting systems are established across the aircraft fleet. Pilot training and qualifications extensively cover meteorological phenomena including Aotearoa New Zealand specific conditions. Operating policies specifically provide additional holding fuel when thunderstorms are forecast to provide assurance of flexibility to avoid thunderstorms enroute and at airports. At Nelson Airport, a bunding system has been implemented to mitigate against future flooding events. This system was effective in mitigating flood damage during the Nelson flooding event in August 2022. Investment in contact centre resource and training to better serve customers in periods of disruption. Customers provided pre-emptive ability to manage flights where disruption predicted.
	Chronic	Risk of longer-term shifts in climate patterns (including sustained higher temperatures, sea level rise, changing precipitation patterns) that may cause network disruption and loss of access to airports, other aviation support facilities, critical infrastructure and supply chains.	Decreased or disrupted flying could reduce revenue and increase operational expenditure. Damage to infrastructure presents risk of increasing capital costs. Increased insurance premiums and potential for reduced availability of insurance on assets in "high risk" locations. Increased operating expenditure caused by airports passing on adaptation costs.	S M L	Spatial master planning process identifies infrastructure risks and these are reflected in master planning. Ensuring maintenance is fit for purpose and current to legislation and regulation for building resilience.

Physical risks

STRATEGY

Air New Zealand's transition plan

Air New Zealand's transition plan is guided by its long-term and interim carbon reduction targets.

In 2020 Air New Zealand announced its ambition to reach net zero carbon emissions by 2050, ahead of the International Air Transport Association's (IATA) industry commitment. In 2023, an ambitious science-based carbon reduction target was set to guide progress in the period to 2030.

2030

Reduce carbon intensity by 28.9 percent by 2030, compared to a 2019 baseline.

Developed with reference to the Science Based Target initiative's aviation methodology. Validated by the Science Based Target initiative.

2050

Achieve net zero carbon emissions by 2050.

Developed with reference to the IATA resolution to achieve net zero carbon emissions by 2050.

The 2030 target is both ambitious and aspirational and will be challenging to deliver. Notwithstanding the significant challenges, it is embedded in the company strategy, Kia Mau, to ensure the airline consistently aims high, regularly monitors and maintains the necessary momentum to drive the transition to a lower emissions operating model.

Progressing these targets will require a range of levers – some of which Air New Zealand can control and others that will require collaboration across the aviation industry and with policy makers to progress.

Levers we control:

Operational efficiency

Optimising carbon efficiency from flight and ground operations

Continued fleet renewal

Rollover of current fleet to new aircraft that achieve greater fuel efficiency

Levers that rely on collaboration with industry and policy makers:

SAF

Non-fossil derived jet fuel, lifecycle carbon reduction savings, compatible with existing aircraft without modification

Next generation aircraft

Future green hydrogen, battery or hybrid aircraft technologies

Carbon removal solutions

Credible carbon removal solutions aligned to international best practice

Our success to deliver on the targets will require governments, customers, innovators and others to all play their part, alongside the airline.

Air New Zealand is focused on using its platform to influence and drive positive change in areas beyond its control. Advocacy forms a key component of the airline's decarbonisation strategy.

TCFD

STRATEGY

Transition plan
SAF

In 2023 Air New Zealand continued to build the foundations of its SAF programme.

It was a year of firsts, with the airline receiving its first SAF import to Aotearoa New Zealand, trialling its first book and claim SAF transaction, closing the first stage of its SAF domestic production feasibility study and moving to the second stage of feasibility consideration.

At the beginning of the year, the airline announced it would aim for 1 percent of its jet fuel use in the year to be SAF. The airline encountered a number of challenges in pursuit of this target, falling short with only 0.11 percent of all fuel being SAF in the year. The airline had two separate opportunities to import SAF to Aotearoa that would have enabled the target to have been met. However, due diligence revealed these SAF sources did not meet the airline's sustainable procurement criteria so were not transacted. Supply limitations at overseas ports also impacted the airline's ability to meet the target. The learnings gained from pursuing this target have been invaluable for the airline as it looks to build its SAF purchasing programme. In particular, the actions taken in attempting to meet this goal provided vital learnings on the complexity of SAF supply chain sustainability and the reality of global SAF supply limitations. It also confirmed the true cost of SAF in the Asia Pacific region (being four to five times the cost of fossil jet fuel), where there is an absence of supportive SAF policies.

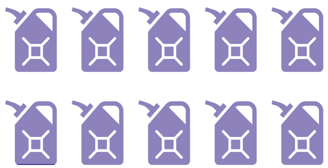
Air New Zealand received its first import of SAF into Aotearoa New Zealand in September 2022. The 1.2 million litre delivery, in its neat (unblended) form reduced lifecycle carbon emissions by at least 80 percent compared to fossil jet fuel. The SAF was produced from tallow by the world's largest SAF supplier, Neste, and imported in partnership with Z Energy. The shipment was critical to furthering the airline's understanding of SAF import supply chain logistics, customs processes, SAF emissions accounting, SAF sustainability certification and documentation, and the true cost of importing SAF to Aotearoa New Zealand.

In June 2023, Air New Zealand trialled its first book and claim SAF transaction as part of the World Economic Forum's (WEF's) SAF Certificate (SAFc) pilot. The airline participated in the pilot in partnership with SAF supplier SkyNRG, and its corporate customer PwC New Zealand.

Like a renewable electricity certificate, a SAFc represents the environmental attributes of a metric tonne of neat SAF and can be sold unbundled from the physical fuel. Each SAFc has at least two connected carbon reduction claims – one that can be made by the airline to reduce its scope 1 emissions, and another that can be claimed by a user of aviation services (in this case, PwC New Zealand) to reduce its scope 3 emissions.

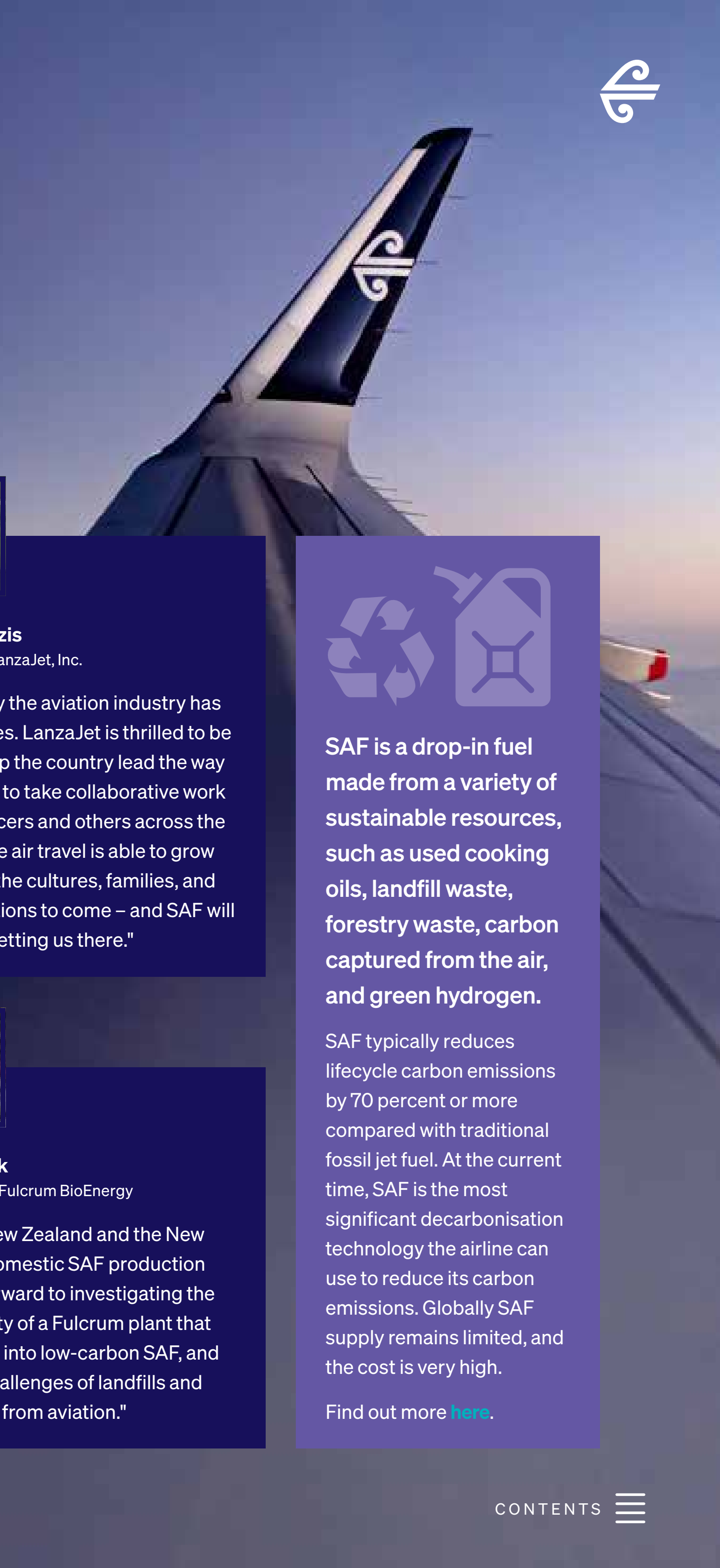
Via the pilot, Air New Zealand purchased SAF Claims related to a volume of 5,000 metric tonne (mt) of SAF. The SAF volume delivered had a carbon intensity of 14,883 g CO_2e/MJ or 0,655 mt CO_2e/mt SAF, and reduced emissions by 3,261 mt CO_2e/mt SAF compared to fossil jet fuel. The airline therefore reduced its scope 1 footprint by 16,306 mt CO_2e. The purchased SAF Claims related to the total volume of SAF and emissions reductions are verified and accredited by an independent third party: SCS Global Services. These emissions reductions were not included in the airline's greenhouse gas inventory given the trial nature of the project.

By enabling the investment in SAF regardless of geographic location, book and claim SAF transactions have the potential to play a vital role for airlines and their customers with decarbonisation targets in regions where there is no SAF produced and/or where the cost of SAF is high - such as in Aotearoa New Zealand. Air New Zealand will continue to support the development of SAF book and claim mechanisms internationally to advance aviation decarbonisation and enable more Aotearoa businesses to start decarbonising their supply chains in tangible ways.



0.11%
of all fuel use in 2023 was SAF

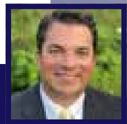
TCFD



STRATEGY

In 2023, Air New Zealand and the Ministry of Business, Innovation and Employment (MBIE) completed stage one of a joint study into the viability of domestic SAF production.

The process invited leaders in innovation to demonstrate the feasibility of operating a SAF plant at a commercial scale in Aotearoa New Zealand. From this process, two SAF technology providers, LanzaJet and Fulcrum BioEnergy, and their respective project partners have been selected to progress to stage two of the study, which is designed to determine commercial viability and sustainability of domestic SAF production with greater accuracy. The respondents will be exploring the use of Aotearoa New Zealand waste products to produce SAF, including forestry waste and landfill waste. It is anticipated that stage two of the study will be completed during calendar year 2024. Air New Zealand will commit research and development funding in excess of $1.5 million to the studies[8].



Jimmy Samartzis
Chief Executive Officer at LanzaJet, Inc.

"SAF is the single greatest opportunity the aviation industry has to decarbonize over the coming decades. LanzaJet is thrilled to be partnering with Air New Zealand to help the country lead the way towards a sustainable future. It's going to take collaborative work between airlines, governments, producers and others across the world to build this industry and ensure air travel is able to grow sustainably and continue to connect the cultures, families, and economies across the world for generations to come – and SAF will be a critical component in getting us there."

Flyn van Ewijk
Director - Project Development at Fulcrum BioEnergy

"Fulcrum BioEnergy applauds Air New Zealand and the New Zealand government for pursuing domestic SAF production in Aotearoa New Zealand. We look forward to investigating the commercial viability and sustainability of a Fulcrum plant that would convert domestic landfill waste into low-carbon SAF, and help address duel environmental challenges of landfills and greenhouse gas emissions from aviation."

SAF is a drop-in fuel made from a variety of sustainable resources, such as used cooking oils, landfill waste, forestry waste, carbon captured from the air, and green hydrogen.

SAF typically reduces lifecycle carbon emissions by 70 percent or more compared with traditional fossil jet fuel. At the current time, SAF is the most significant decarbonisation technology the airline can use to reduce its carbon emissions. Globally SAF supply remains limited, and the cost is very high.

Find out more here.

Transition plan
SAF

8 The funding will be paid in the 2024 financial year.

TCFD

STRATEGY

Transition plan
Next Generation Aircraft

Following the release of the Product Requirements Document (PRD) in December 2021 that shared Air New Zealand's vision and specifications for next generation aircraft technologies, the airline has refined its list of partners to work towards making next generation aircraft a reality.

Mission Next Gen Aircraft

This has culminated in the launch of Mission Next Gen Aircraft created to accelerate the development of next generation aircraft technologies and the infrastructure and ecosystem required to make these a reality for commercial aviation in Aotearoa New Zealand.

Mission Next Gen Aircraft has two ambitious goals:

1. **Fly the first commercial demonstrator flight from 2026**
2. **Begin replacing the Q300 domestic fleet with a more sustainable aircraft – likely green hydrogen or battery hybrid systems from 2030**

The next three years will be focused on working with partners to support the building, testing and certification of next generation aircraft and associated infrastructure.

To enable the breakthrough goal of flying a commercial demonstrator flight from 2026, Air New Zealand has partnered with four leading aircraft developers and innovators: Beta Technologies, Cranfield Aerospace, Eviation, and VoltAero to build and potentially launch next generation aircraft in Aotearoa New Zealand. These companies represent a combination of electric, green hydrogen and hybrid aircraft technologies. Air New Zealand's aspiration is to confirm its commitment with one or more of these partners in the next 12 months with the ambition of purchasing an aircraft for delivery from 2026.

The learnings taken from flying an aircraft with next generation propulsion technology from 2026 will establish a foundation for long-term green hydrogen and battery hybrid partners to deliver aircraft that could potentially replace the Q300 domestic fleet.

Paul Eremenko
Chief Executive Officer at Universal Hydrogen

"We're pleased with the progress made in our partnership with Air New Zealand over the past year. It's an honour to be part of their 'Mission Next Gen Aircraft' program, alongside industry leaders such as Airbus, Embraer, and others. The debut flight of our hydrogen Dash 8-Q300 flying testbed this year, the world's largest hydrogen fuel cell aircraft, marked a defining moment in our partnership. Our joint focus remains unwavering—to have low-emissions hydrogen regional airplanes operating as part of Air New Zealand's fleet by the end of the decade."

Next generation aircraft technology encompasses aircraft designs including battery electric, hydrogen fuel cell, hydrogen combustion and hybrid concepts.

Hydrogen, battery and hybrid technologies are still under development by aircraft manufacturers and innovators. However, we expect to see this technology mature and be a possibility for Air New Zealand from 2030 on shorter domestic and regional flights. While we believe SAF is currently the best solution to decarbonise long-haul flights, Aotearoa New Zealand's domestic network is made up of mostly short range routes, that make the country well placed to deploy next generation aircraft technology.

Find out more here.

To progress towards the 2030 target to begin replacing the Q300 fleet with more sustainable options, Air New Zealand announced three additional long-term partners: Universal Hydrogen, Embraer and Heart Aerospace who join Airbus and ATR. These long-term partners are developing green hydrogen and battery-hybrid aircraft with seat capacities of 30 seats and upwards.

TCFD

STRATEGY

Transition plan
Next Generation Aircraft

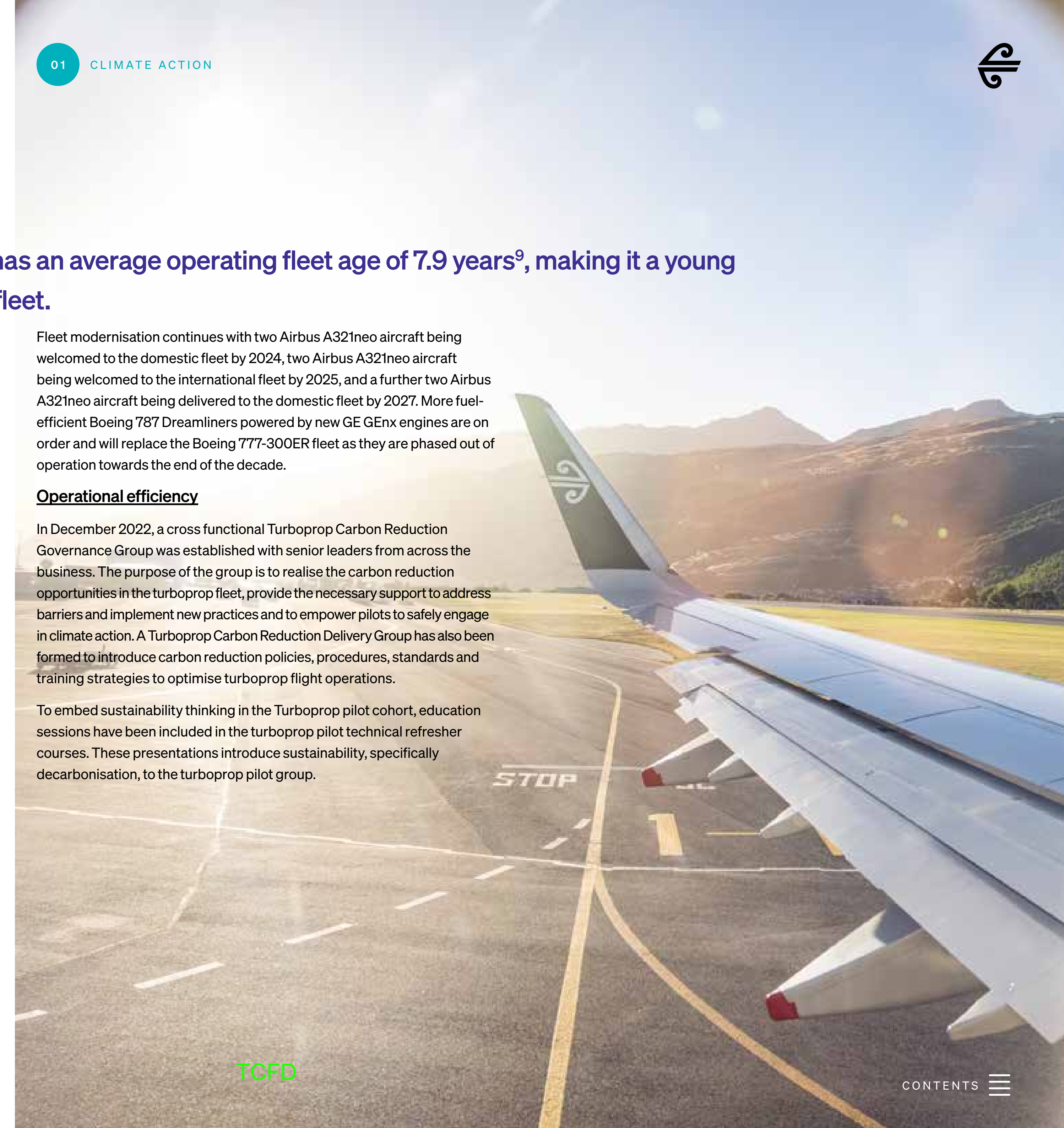
TCFD

In February 2023, Air New Zealand alongside a group of businesses from across the aviation hydrogen value chain, including Christchurch International Airport, Airbus, Hiringa Energy, Fortescue Future Industries, and Fabrum launched the Hydrogen Consortium.

The Hydrogen Consortium's vision is to support Aotearoa New Zealand to pioneer the commercial deployment of green hydrogen-powered aircraft. The Hydrogen Consortium will work together to design a hydrogen ecosystem for aviation in Aotearoa New Zealand. The first phase will focus on research, which will be completed and publicly released by the end of calendar year 2023. The consortium will develop a vision for hydrogen aviation in Aotearoa New Zealand, examine the hydrogen supply chain and its challenges, assess the local aviation market's projected hydrogen needs to 2050, and develop a pathway of policies, regulations and incentives to promote the development of hydrogen aviation.

Air New Zealand continues to support the World Economic Forum's Target True Zero Coalition, designed to accelerate the deployment and scaling of next generation aviation. Air New Zealand contributed to the Coalition's White Paper: **Target True Zero: Delivering the Infrastructure for Battery and Hydrogen-Powered Flight**. The White Paper identified actions required to support the introduction and growth of alternative propulsion within the aviation system.

Air New Zealand has also teamed up with Victoria University of Wellington's Robinson Research Institute to help the airline evaluate and validate aircraft propulsion technology as concepts develop and mature. In addition, Air New Zealand will work with Paihau – Robinson Research Institute to ensure new aircraft technology can be integrated into Aotearoa's future air transport system.



STRATEGY

Transition plan

Continued fleet renewal & operational efficiency

Air New Zealand has an average operating fleet age of 7.9 years[9], making it a young and fuel-efficient fleet.

7.9
years average operating fleet age

Fleet modernisation continues with two Airbus A321neo aircraft being welcomed to the domestic fleet by 2024, two Airbus A321neo aircraft being welcomed to the international fleet by 2025, and a further two Airbus A321neo aircraft being delivered to the domestic fleet by 2027. More fuel-efficient Boeing 787 Dreamliners powered by new GE GEnx engines are on order and will replace the Boeing 777-300ER fleet as they are phased out of operation towards the end of the decade.

Operational efficiency

In December 2022, a cross functional Turboprop Carbon Reduction Governance Group was established with senior leaders from across the business. The purpose of the group is to realise the carbon reduction opportunities in the turboprop fleet, provide the necessary support to address barriers and implement new practices and to empower pilots to safely engage in climate action. A Turboprop Carbon Reduction Delivery Group has also been formed to introduce carbon reduction policies, procedures, standards and training strategies to optimise turboprop flight operations.

To embed sustainability thinking in the Turboprop pilot cohort, education sessions have been included in the turboprop pilot technical refresher courses. These presentations introduce sustainability, specifically decarbonisation, to the turboprop pilot group.

9 Seat weighted average of the operating fleet as at 30 June 2023.

TCFD

STRATEGY

Transition plan
Advocacy

Air New Zealand is committed to doing what it can to decarbonise its operation. However, the airline cannot solve the decarbonisation challenge or reach its targets alone.

Aviation decarbonisation will require coordinated decision-making across the transport, energy, trade and tourism sectors. It will be a journey that Air New Zealand shares with the New Zealand government, policy makers in its global network, and other stakeholders across the economy.

In November 2022, Sustainable Aviation Aotearoa was launched. Sustainable Aviation Aotearoa is a public-private body led by the Ministry of Transport focused on aviation decarbonisation. The body is sponsored by the Associate Minister of Transport, the Minister of Energy and Resources and the Minister for Research, Science and Innovation. The body will have three working groups with different focuses. One will focus on SAF, one will focus on next generation aircraft, and one will focus on strategic aviation policy. Air New Zealand is represented on the leadership group and in all of the working groups. The launch of Sustainable Aviation Aotearoa marked a positive step towards greater cohesion, coordination and focus on the policy support required to accelerate the decarbonisation of aviation in Aotearoa New Zealand.

Air New Zealand has supported the establishment of the Australian Jet Zero Council and will encourage engagement, and ideally harmonisation, between the Australian Jet Zero Council and Sustainable Aviation Aotearoa.

Air New Zealand supports domestic and international efforts to mitigate climate change. Air New Zealand continues to actively engage with policy makers and participate in government consultations on climate change policy, advocating for research, policies, and investment to support the airline's SAF strategy, the timely deployment of next generation aircraft technologies, and a renewable energy system in Aotearoa New Zealand that properly plans for additional electricity demand from aviation and supports the scaling of green hydrogen. Submissions prepared by the airline in the year are available here.

Air New Zealand is a member of a number of organisations dedicated specifically to climate issues. These include the New Zealand Climate Leaders Coalition, the Sustainable Business Council, the Aotearoa Circle, the Sustainable Aviation Fuel Alliance of Australia and New Zealand and the New Zealand Hydrogen Council.

Scaling and accessing SAF requires an enabling policy environment. This can include measures such as SAF specific mandates, access to feedstocks, SAF incentives (like those available in North America) and research and development support. Air New Zealand also supports robust sustainability criteria being attached to SAF-related policy interventions.

TCFD

STRATEGY

Transition plan
Supporting our customers

The airline continues to support its customers to better measure and understand the emissions generated from air travel.

For corporate and cargo customers, the airline has been developing an Air New Zealand specific tool to more accurately measure emissions generated on Air New Zealand services. This tool is expected to launch in September 2024.

In July 2023, enhancements were made to the Voluntary Emissions Contribution Programme available to retail customers through the Air New Zealand website. The calculation of emissions from travel on Air New Zealand services was updated in accordance with the International Air Transport Association Recommended Practice RP 1726 methodology. This includes a bespoke Air New Zealand specific emissions factor and a factor for radiative forcing. The bespoke emissions factors take into account the particular aircraft type, the route being flown and historical fuel data collected from the route over time.

Customer contributions

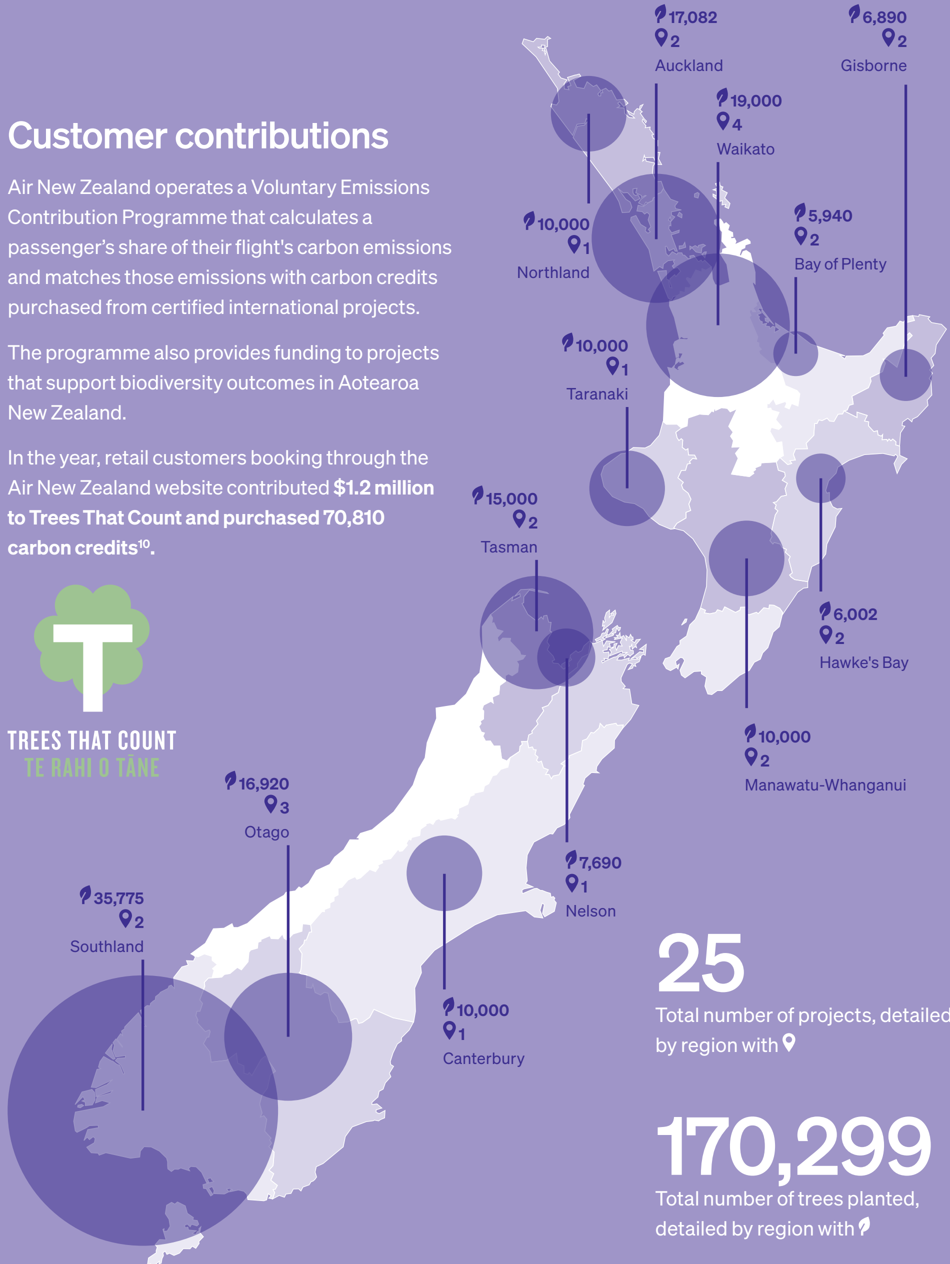
Air New Zealand operates a Voluntary Emissions Contribution Programme that calculates a passenger's share of their flight's carbon emissions and matches those emissions with carbon credits purchased from certified international projects.

The programme also provides funding to projects that support biodiversity outcomes in Aotearoa New Zealand.

In the year, retail customers booking through the Air New Zealand website contributed **$1.2 million to Trees That Count and purchased 70,810 carbon credits[10].**

TREES THAT COUNT
TE RAHI O TĀNE

Number of native trees/projects supported by region



25
Total number of projects, detailed by region with

170,299
Total number of trees planted, detailed by region with

TCFD

10 70,810 carbon credits have been pre-purchased by Air New Zealand on behalf of its customers. 29,574 of these credits have been retired by Climate Impact Partners on behalf of Air New Zealand. 41,236 of these credits need to be retired by Climate Impact Partners on behalf of Air New Zealand.

RISK MANAGEMENT

Risk Management

Climate-related risks are identified and assessed at various levels of the organisation, including at business unit, divisional and Group level. On a six-monthly basis, leaders across the organisation collectively review the top strategic risks to achieving business objectives.

Climate change risks (both physical and transition) are considered as part of this review process and the risk dimensions are defined to describe the sources of the risk, the specific nature of the risks and the potential consequences.

Air New Zealand's Risk Universe is used as a reference tool to aid the risk identification process. The risk management process is designed to be applied dynamically across business areas, with risks identified and assessed via continuous monitoring.

Controls in place to manage the identified risks are captured and assessed for effectiveness to derive a residual risk rating using Air New Zealand's Group Risk Matrix. This matrix applies a traditional 5x5 risk model (i.e., likelihood x consequence = level of risk) using qualitative assessments to identify its significant risks, determine risk level and prioritise risk management. Risk ratings are used as a proxy for prioritising of identified risks.

Climate change risk (being a consolidated view of physical and transition risk), is currently rated 'Very High' - the highest rated risk on Air New Zealand's Group Risk Profile.

Key controls and mitigations for both physical and transition risks are identified and assessed for effectiveness. Risks are monitored against the Air New Zealand Board's Risk Appetite Statement which expresses the organisational risk appetite for key strategic risks including climate change risk and also sets target residual risk levels. This drives risk prioritisation, mitigation actions and business decision making to ensure that Air New Zealand operates within risk appetite.

More generally, significant risks identified through business unit risk reviews are captured in a Divisional Risk Profile for regular review by the Executive member responsible for the portfolio. The Executive and the Board of Directors also periodically review and assess Air New Zealand's top strategic risks summarised into a Group Risk Profile which includes how those are tracking against the Board's Risk Appetite Statement. Periodic workshops are also held with the Board to gain insights and input, including into risk identification, assessment, and management. These areas are also discussed with the Sustainability Advisory Panel.

The Sustainability team supplements the above identification and assessment processes with specialist input for climate change-related risks, in relation to factors in the internal and external operating environment that inform the qualitative assessments of the likelihood and impact of climate related risks, emerging developments, and the outlook.

All material parts of the value chain, and all functions/organisational units across the organisation, are included within the scope of the Enterprise Risk Management framework. Leaders consider in detail their internal and external operating context when considering their key risks. They consider their key activities/processes, systems, people, and relationships with all stakeholders including business partners and suppliers. At a minimum, formal updates are required every six months.

METRICS AND TARGETS

The airline uses a range of climate related metrics in its internal reporting, strategy formation and decision making.

This includes metrics related to assessing the impact of gross carbon emissions and emissions intensity values. Key metrics are reported below.

The impact of Covid-19 has had a significant impact on the airline's operations and network as well as the key metrics that the airline reports on. As a consequence, it is difficult to meaningfully compare the key metrics with prior years.

Metrics and targets

Gross emissions

Greenhouse gas emissions inventory[11,12]

	2019	2020	2021	2022	2023
Scope 1 emissions (tonnes CO_2-e)					
Jet fuel emissions – domestic network	629,876	518,607	508,737	465,303	621,444
Jet fuel emissions – international network	3,286,502	2,649,922	817,078	1,040,786	2,210,836
Jet fuel emissions – ground sources	941	1,180	1,616	1,048	953
SAF emissions (CH_4 and N_2O)[13]	-	-	-	-	108
Liquid propane gas emissions	1,579	1,437	1,227	1,413	1,295
Natural gas emissions	2,732	2,725	2,249	2,141	2,092
Diesel emissions	3,935	3,129	2,218	2,129	2,554
Petrol emissions	73	67	52	52	61
Wood pellet emissions (CH_4 and N_2O)	13	18	14	14	15
Total scope 1 emissions	**3,925,650**	**3,176,634**	**1,333,192**	**1,512,886**	**2,839,358**
Biogenic and biomass emissions (tonnes CO_2)					
SAF emissions (CO_2)	-	-	-	-	3,082
Wood pellet emissions (CO_2)	725	1,050	828	818	845
Total biogenic emissions	**725**	**1,050**	**828**	**818**	**3,927**
Scope 2 emissions					
Electricity – location based	3,098	2,832	2,720	2,736	3,357
Total scope 2 emissions	**3,098**	**2,832**	**2,720**	**2,736**	**3,357**
Total scope 1 and 2 emissions	**3,928,748**	**3,179,466**	**1,335,912**	**1,515,622**	**2,842,715**
Scope 3 emissions					
Category 1 – purchased goods and services	-	-	-	-	242,215
Category 2 – capital goods	-	-	-	-	104,303
Category 3 – fuel and energy-related activities	-	-	-	307,335[14]	570,462
Category 5 – waste generated in operations	-	-	-	-	1,729
Category 6 – business travel	-	-	-	-	11,916
Total measured scope 3 emissions	**-**	**-**	**-**	**307,335**	**930,625**
Total measured emissions[15]	**3,928,748**	**3,179,466**	**1,335,912**	**1,822,957**	**3,773,340**
Total well-to-wake emissions from jet fuel[16]	**-**	**-**	**-**	**-**	**3,402,307**

11 Refer to the Sustainability reporting and communications page on Air New Zealand's website for the full Greenhouse Gas Inventory Report (Report) including Deloitte's Assurance Report. Full definitions of emission scopes can be found within that Report; extracts from that Report are duplicated here within. Gases included in the carbon dioxide equivalent (CO_2-e) factor are carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). **12** Deloitte Limited was engaged to provide reasonable assurance over the scope 1 and scope 2 components of the Report, and limited assurance over scope 3, categories 1, 2, 3, 5 and 6 components of the Report. **13** As SAF gets blended with other fuel in shared fuel infrastructure, it is not possible to trace the physical SAF molecules. As such, there is no assurance that the airline that contractually purchased the SAF used the physical product. Air New Zealand has used a mass balance approach to calculate emissions related to SAF. This relies on purchase records to demonstrate contractual ownership of the SAF. **14** In 2022, Deloitte Limited was only engaged to provide limited assurance over scope 3, category 3 emissions. No other scope 3 categories were considered. **15** Scope 1, 2 and 3 emissions. **16** Well-to-Wake (WTW) emissions cover the activities and accompanying emissions across the value chain of jet fuel in the aviation sector. WTW emissions can be split into two components: Well-to-Tank (WTT) which encompasses emissions from feedstock sourcing, processing and transportation to fuel production and distribution (measured as scope 3, category 3 emissions); and Tank-to-Wake (TTW) encompassing emissions from the combustion of fuel (measured as scope 1 emissions).

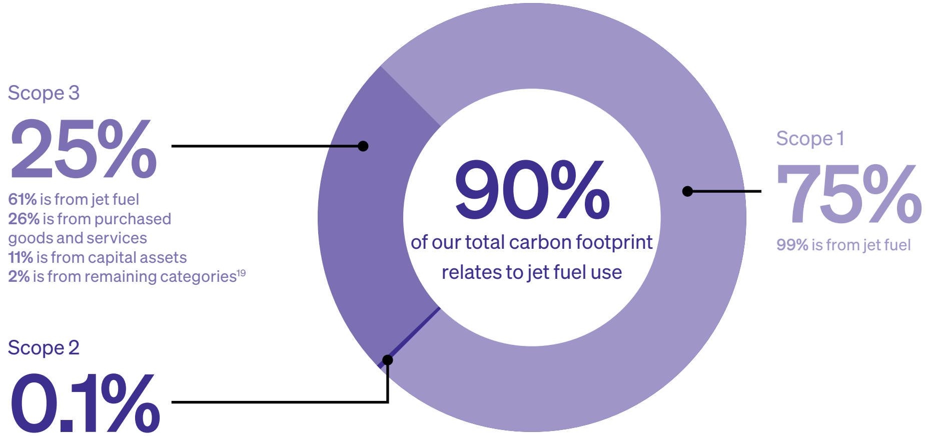
Metric and targets

Our 2023 emissions snapshot

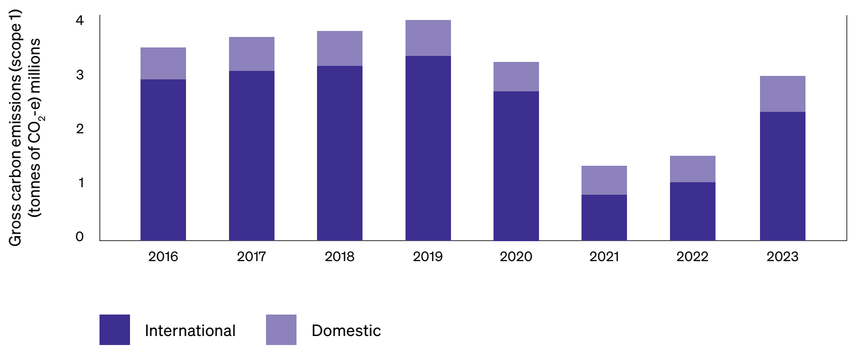
In 2023 the airline produced 3.8 million tonnes of CO_2-e (scopes 1, 2 and 3). Total scope 1 and 2 emissions increased by 88 percent in 2023. Total well-to-wake emissions[17] from jet fuel also increased by 88 percent in 2023. These increases were due to the increased use of fossil jet fuel resulting from greater network capacity as the airline operated a network unconstrained by Covid-19 restrictions. These emissions levels remain lower than pre-Covid levels.

In 2022 the airline disclosed its scope 3, category 3 emissions for the first time. This year, relevant categories of scope 3 emissions, excluding employee commuting (category 7), have been disclosed for the first time and subject to a limited assurance engagement[18]. Further work to quantify employee commute emissions will be undertaken in 2024. Scope 3 emissions represent 25 percent of the airline's emissions and the largest source of scope 3 emissions are well-to-tank emissions associated with jet fuel.

In 2023, 22 percent of flight related emissions were generated on the domestic network.

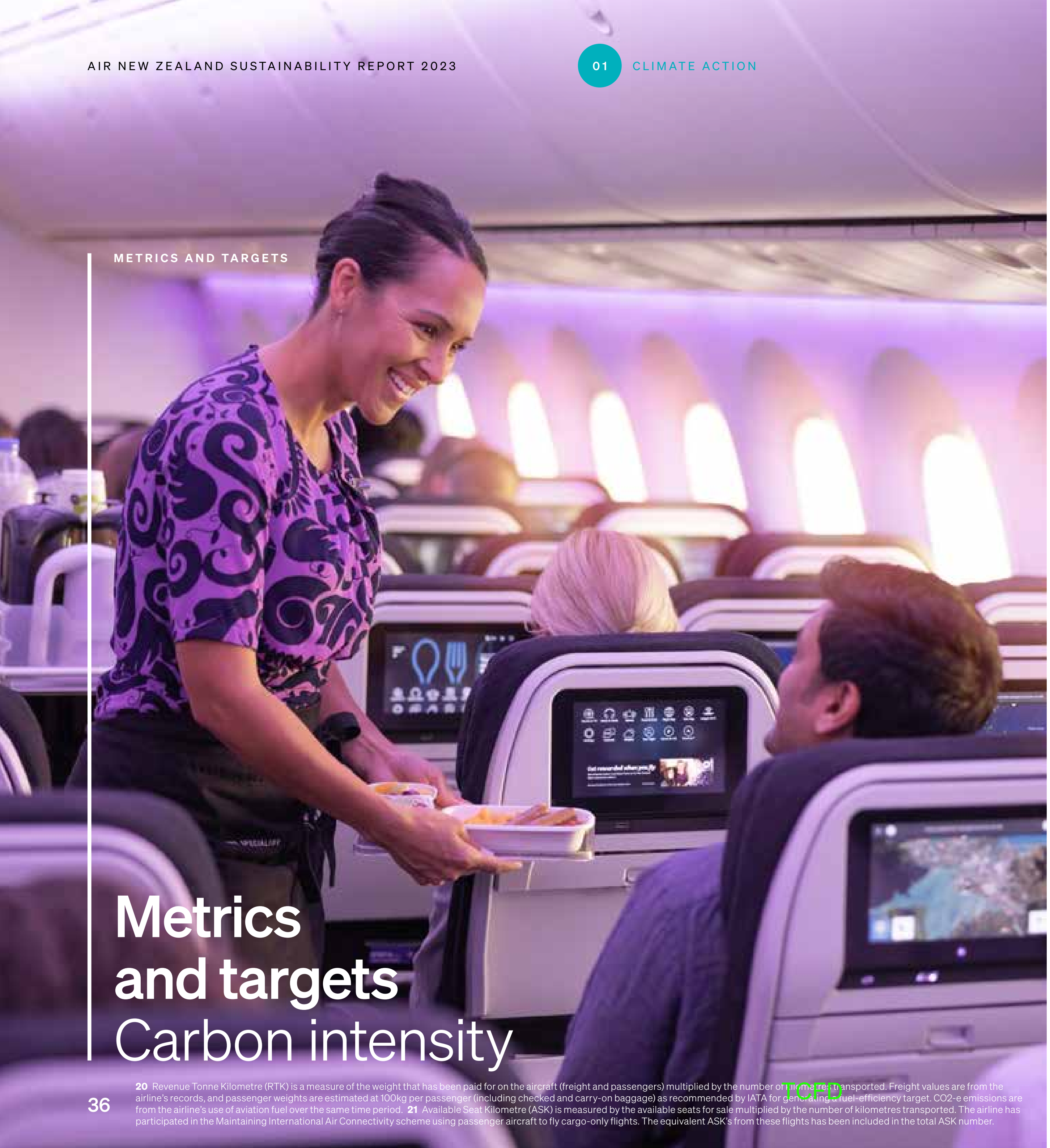


Carbon emissions from flying activity



17 Well-to-Wake (WTW) emissions cover the activities and accompanying emissions across the value chain of jet fuel in the aviation sector. WTW emissions can be split into two components: Well-to-Tank (WTT) which encompasses emissions from feedstock sourcing, processing and transportation to fuel production and distribution (measured as scope 3, category 3 emissions); and Tank-to-Wake (TTW) encompassing emissions from the combustion of fuel (measured as scope 1 emissions). **18** Scope 3 categories 1, 2, 3, 5 and 6 were subject to limited assurance. **19** Remaining categories are categories 5 and 6. Category 7 was excluded in 2023.

TCFD



METRICS AND TARGETS

Metrics and targets

Carbon intensity

Carbon intensity data provides a measure of emissions generated for each kilogram of payload flown and each available seat.

Payload carriage is expressed as Revenue Tonne Kilometre (RTK)[20] and seat availability is measured in Available Seat Kilometre (ASK)[21]. These are both prominent metrics for benchmarking airline carbon intensity. The airline aims to improve carbon intensity by reducing emissions from flight operations and maximising total payload carriage.

Carbon intensity metrics	2020	2021	2022	2023
Grams of CO_2-e per Available Seat Kilometre (ASK)	82	76	75	**79**
Grams of CO_2-e per Revenue Tonne Kilometre (RTK)	789	1,039	971	**765**
Grams of well-to-wake[22] CO_2-e per Revenue Tonne Kilometre	-	-	1,165	**918**

The airline's carbon intensity (measured in gCO_2–e/RTK) decreased 21 percent compared to 2022. This improvement was largely due to the absence of border restrictions in Aotearoa New Zealand compared to the prior period leading to higher load factors on the network. However, this metric still remains slightly elevated when compared to 2019 levels by 0.3 percent.

Carbon intensity (measured in gCO_2–e/ASK) increased 5 percent compared to 2022. This increase is a result of the reintroduction of the less efficient Boeing 777-300ER fleet in the period. However, in the period since 2019, gCO_2–e/ASK has decreased by 7 percent largely driven by the retirement of the Boeing 777-200ER fleet.

TCFD

20 Revenue Tonne Kilometre (RTK) is a measure of the weight that has been paid for on the aircraft (freight and passengers) multiplied by the number of kilometres transported. Freight values are from the airline's records, and passenger weights are estimated at 100kg per passenger (including checked and carry-on baggage) as recommended by IATA for generating a fuel-efficiency target. CO2-e emissions are from the airline's use of aviation fuel over the same time period. **21** Available Seat Kilometre (ASK) is measured by the available seats for sale multiplied by the number of kilometres transported. The airline has participated in the Maintaining International Air Connectivity scheme using passenger aircraft to fly cargo-only flights. The equivalent ASK's from these flights has been included in the total ASK number.

22 Well-to-Wake (WTW) emissions cover the activities and accompanying emissions across the value chain of jet fuel in the aviation sector. WTW emissions can be split into two components: Well-to-Tank (WTT) which encompasses emissions from feedstock sourcing, processing and transportation to fuel production and distribution (measured as scope 3, category 3 emissions); and Tank-to-Wake (TTW) encompassing emissions from the combustion of fuel (measured as scope 1 emissions).

METRICS AND TARGETS

In 2020 Air New Zealand announced its ambition to reach net zero carbon emissions by 2050, ahead of the International Air Transport Association's (IATA) industry commitment.

In 2023, an ambitious science-based carbon reduction target was set to guide progress in the period to 2030.

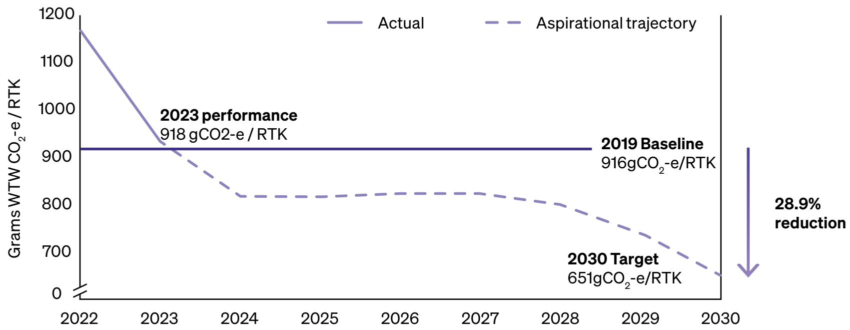
	2030	2050
Target	Reduce carbon intensity by 28.9 percent by 2030, compared to a 2019 baseline.	Achieve net zero carbon emissions by 2050.
External endorsement	Developed with reference to the Science Based Target initiative's aviation methodology. Validated by the Science Based Target initiative.	Developed with reference to the IATA resolution to achieve net zero carbon emissions by 2050.
Warming pathway	The target is aligned to a 'well below 2°C' pathway and requires an absolute reduction in carbon emissions, with no provision for carbon credits.	IATA states the net zero pledge is in line with the objectives of the Paris agreement to limit global warming to scenarios below 2.0°C[23].
Target boundary	Reduce well-to-wake emissions related to jet fuel by 28.9 percent per RTK from 916gCO_2-e/RTK in 2019 to 651gCO_2-e/RTK in 2030. The target covers well-to-wake emissions associated with jet fuel. This covers the entire life cycle of the jet fuel. RTK is a measure of passenger and cargo payload carried by Air New Zealand. Non-CO_2-e effects which may also contribute to aviation induced warming are not included in this target. The airline commits to report publicly on its collaboration with stakeholders to improve understanding of opportunities to mitigate the non-CO_2-e impacts of aviation over its target timeframe. The target boundary includes biogenic emissions and removals from bioenergy feedstocks.	The net zero commitment covers international and domestic flights, passenger and cargo flights, and revenue and non-revenue flights. The emissions and reductions in scope are[24]: • CO_2 emissions only (not CO_2-e) • Tank-to-wake emissions for conventional jet fuel • Well-to-wake emissions for SAF • Well-to-wake for hydrogen and electric propulsion Non-CO_2 impacts are excluded from the target.

Air New Zealand has signed the World Economic Forum's Clean Skies for Tomorrow 2030 Ambition Statement, pledging our commitment to help accelerate the supply and use of SAF to reach 10 percent of global jet aviation fuel supply by 2030[25].

Air New Zealand has analysed the levers available to achieve its aspirational 2030 target. This analysis suggests the target is possible to achieve based on forecast projections of technology development in the period. However, progressing these technologies, particularly SAF, will require collaboration across the aviation industry and from policy makers to progress. Air New Zealand is focused on playing its part in progressing the development, scaling and accelerating of these technologies.

The airline has agreed the annual way points it will aspire to achieve annually in its journey towards its 2030 target.

Agreed aspirational annual waypoints to 2030 target



	2023 performance	2024 waypoint	2025 waypoint	2026 waypoint	2027 waypoint	2028 waypoint	2029 waypoint	2030 waypoint
Agreed aspirational annual waypoints to 2030 target (grams WTW CO_2-e/RTK)	918	817	817	824	823	800	740	651

Metrics and targets
Targets

23 International Air Transport Association. *Net zero carbon 2050 resolution.* Accessed 2 August 2023 <https://www.iata.org/en/iata-repository/pressroom/fact-sheets/fact-sheet----iata-net zero-resolution/> **24** International Air Transport Association. *TrackZero 2050, Net zero 2050, Progress Tracking Methodology.* Accessed 2 August 2023 <Net Zero 2050 (iata.org)> **25** For Air New Zealand, this commitment means 10 percent of Air New Zealand's total fuel uplift in 2030 is neat SAF, using a mass balance approach. Book and Claim could be used to meet this target if approved by the appropriate bodies.

TCFD

02

Caring for New Zealanders

Te manaaki i ngā tāngata o Aotearoa

Showing manaaki[1] and care for New Zealanders is more than just providing safe transit from one location to another. It is the essence of who we are as an organisation. It is about how we support, nurture and protect our people, customers and communities.

As we have continued to rebuild the airline and connect New Zealanders to each other and the world, we have strived even more to bring manaaki to life every day and to provide the right support where and when it is needed most. From how we welcome people to our whānau and create a truly inclusive workplace, to how we build a culture of sustainability from the inside out. From our efforts to support local communities by supporting Kiwi businesses and grow our supplier diversity. It is all about living our promise of manaaki.

Air New Zealand's employee engagement score being in Glint's Global Top Engagement Index.

2023 PROGRESS:
Air New Zealand's Engagement Index score as at June 2023 was 71[2] (compared with the Global Top 25%[3] benchmark of 79), up from 68 in May 2022.

Grow access to and use of employee assistance support tools (including Employee Assistance Programme, Peer Support Network and Bullying and Harassment contacts).

2023 PROGRESS:
The utilisation rate of support tools was 14.7% in 2023[4], down from 21.3% in 2022.

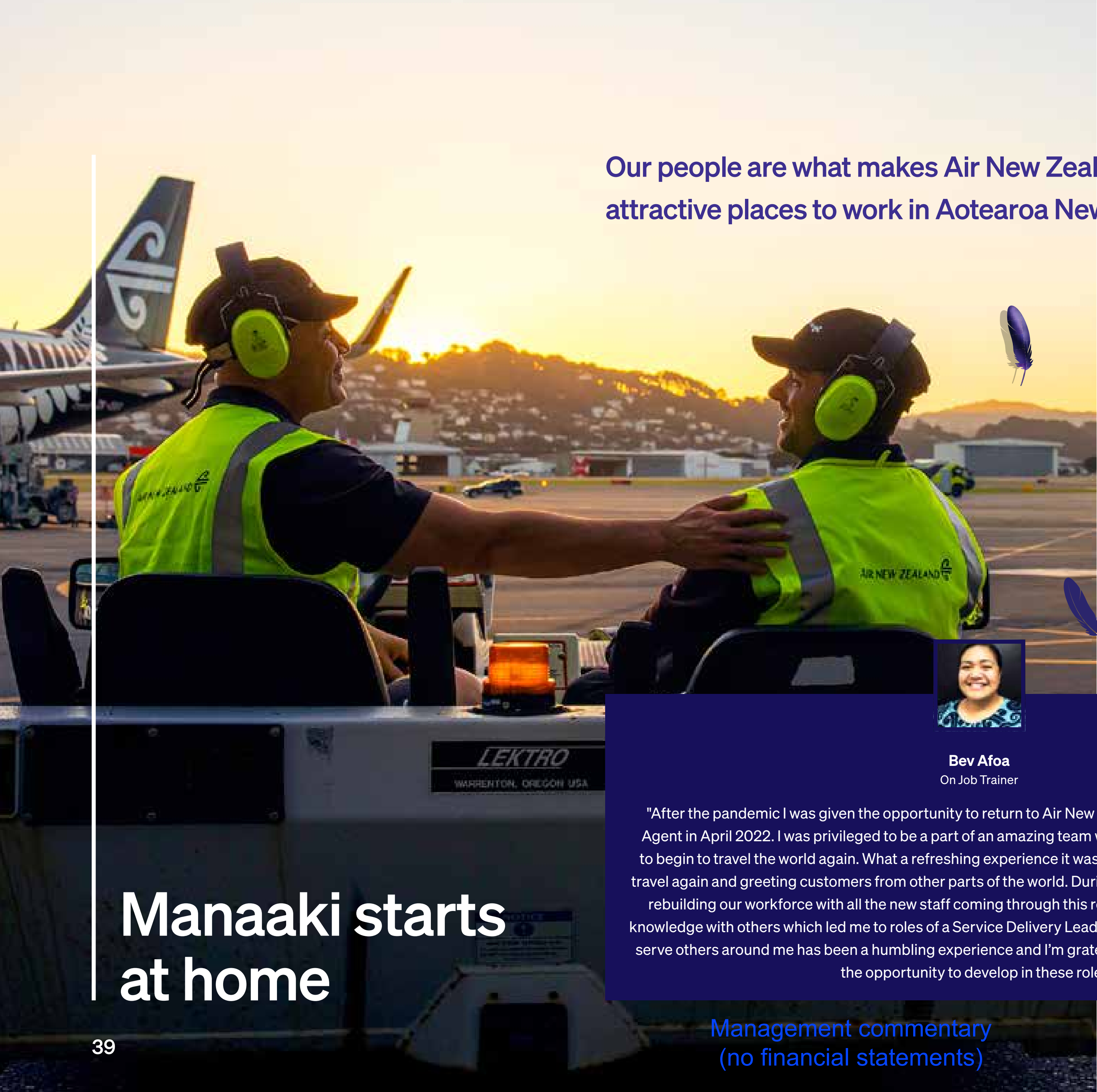
Double our spend with Māori and Pasifika-owned businesses and social enterprises to $24 million, and double our diverse sourcing relationships to at least 50 suppliers by the end of 2024.

2023 PROGRESS:
Baseline established of Air New Zealand spend with Māori and Pasifika-owned businesses and social enterprises.

Better connecting Aotearoa New Zealand exporters to the world by increasing cargo load factors on our widebody international network to 85% by 2025 (from 67% in 2019).

2023 PROGRESS:
67% load factor for 2023 on our widebody international network.

1 Derived from the word mana meaning authority or prestige, and aki meaning to encourage or uplift. To support, give hospitality, to protect, look out for, show respect and generosity. Includes an implied reciprocity. 2 This score is out of 100 and based on the responses to two questions in our Employee Survey which is run quarterly on the Glint platform – 'How happy are you working at Air New Zealand' and 'I would recommend Air New Zealand as a great place to work'. Responses are measured on a 5-point scale. 3 As at 30 June 2023, the Glint Global Top 25 percent engagement threshold was an Engagement Index score of 79. 4 The EAP Association guidelines suggest that a utilisation rate over 6 percent is an indication of EAP being used as a proactive wellbeing service, whereas less than 6 percent indicates it is more reactive. Air New Zealand aims to maintain a utilisation rate of support services above 10 percent.



Manaaki starts at home

Our people are what makes Air New Zealand one of the most attractive places to work in Aotearoa New Zealand.

Making sure our culture is strong and our team embodies our values every day underpins our ability to offer an outstanding customer experience. Our culture of manaaki and care have also been critical elements as we've regrown the business.

A key component of embedding this culture has been the airline's move to a new agile way of working in 2023 to help us reach our Full Potential. Aligned to our values, this move has empowered our people, increased collaboration, broken down silos, and driven curiosity and innovation as the airline has built back.

Bev Afoa
On Job Trainer

"After the pandemic I was given the opportunity to return to Air New Zealand as a Customer Services Agent in April 2022. I was privileged to be a part of an amazing team who paved the way for customers to begin to travel the world again. What a refreshing experience it was to witness customers learning to travel again and greeting customers from other parts of the world. During the process of Air New Zealand rebuilding our workforce with all the new staff coming through this reignited my passion to share my knowledge with others which led me to roles of a Service Delivery Leader and On Job Trainer. To be able to serve others around me has been a humbling experience and I'm grateful Air New Zealand has given me the opportunity to develop in these roles."

Our values

Welcome as a friend

I am you, you are me

Ko au ko koe, ko koe ko au

BeYourself

Be proud of who you are and where you have come from

He toa takitini

CANdo.

Strive for what matters most and don't let obstacles get in your way

Whāia te iti kahurangi

Share your AOTEAROA

Aotearoa is a vibrant land

Ko Aotearoa e ngunguru nei

Management commentary
(no financial statements)

Building back

The start of the year saw Air New Zealand begin our post-Covid rebuild – a mammoth task which involved the biggest recruitment drive in Air New Zealand's history.

We were thrilled to be able to offer roles to many of those who unfortunately had to leave the airline during Covid-19. Welcoming their extensive expertise and passion back has supported the airline during some operationally challenging times.

To support the speed of growth required we launched a 'Join our whānau' campaign to highlight some of the roles across the business and give a flavour of who we are and what it is like to be an Air New Zealander. A number of areas of the business also participated in the **Auckland Airport Job Fair** as a way to engage with eager jobseekers and attract new people to our business. We also increased our start rate at Airports to $30 per hour as part of our focus on creating good, sustainable jobs at Air New Zealand.

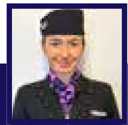
With this level of recruitment comes a renewed focus on culture and engagement, ensuring we maintain the core of what makes working at Air New Zealand so special. At its heart, our people.

What is the most important thing in the world?
He aha te mea nui o te ao?

It is the people, it is the people, it is the people.
He tāngata, he tāngata, he tāngata.

Our engagement scores have been tracking upwards throughout the year, with a score of 71 for our June 2023 Employee Survey. Over the past two years a key focus has been on improving our employees' experience based on their feedback. This includes significant improvements to our induction and onboarding experience, enhancements to our Staff Travel and Parental Leave benefits, more focus on continuous learning and development, and providing support to our most vulnerable employees through one-off grants and access to literacy programmes. Continuing to invest in our people supports our culture, having a positive knock-on effect on engagement.

With the high levels of people joining the airline, a key aim has been on improving the way we welcome people into our whānau. Our Kia ora you induction days are highly rated by employees as one of the best ways to learn more about Air New Zealand and connect with other new people from across the business. We brought these back in 2023, giving new Air New Zealanders the chance to hear from our Leadership Team, learn more about our Sustainability and Diversity, Equity & Inclusion commitments and about other areas of the airline. The Kia ora you days also provide an opportunity to raise awareness about employee benefits and the support tools our people have access to.



Julia Brown
Cabin Crew

"It has been a privilege to reconnect with so many familiar faces in the Air New Zealand whānau since returning post-pandemic redundancy both in the sky and at the training centre. It has also been an exciting time of growth with many new faces joining our crew community as well. Cabin crew share a passion for people and love of our role which allows us to deliver world-class care and manaaki, to our customers and to each other, fostering excellent community. Our one-of-a-kind crew culture is both what drew many of us back to flying post-redundancy and also part of what makes us exceptional at caring for our customers."

Management commentary
(no financial statements)

Enhancing our commitment to Diversity, Equity & Inclusion

40.7%
women in senior leadership

16.0%
Māori and Pasifika leadership representation

This year we spent time reviewing and refreshing our Diversity, Equity & Inclusion strategy. We have strengthened our commitment in this space and set new ambitions to help us achieve our vision of creating an open, inclusive environment for our people, customers and communities to thrive.

Diversity, Equity & Inclusion ambitions:

An environment free from discrimination.

Leaders who are reflective of Aotearoa.

Fair and equitable experiences for everyone.

We have long been committed to having a diverse leadership group and we are proud to keep ensuring our organisation is truly representative of Aotearoa New Zealand. Going forward, we will continue to focus our efforts to grow our women, Māori and Pasifika leadership pipelines as well as identifying opportunities to grow representation in other areas to ensure we are representing the diversity of Aotearoa New Zealand. We want to be more mindful of intersectionality in this space, acknowledging each person can identify in more than one way. We currently have 40.7 percent of women in senior leadership roles, a drop of 4.8 percent from last year as we've seen some of our talented women move into executive roles at other Aotearoa New Zealand organisations, and 16 percent Māori and Pasifika leadership representation[5], 1.2 percent up from last year.

As always, our Employee Networks have continued to provide incredible support and advocacy for our people. Some highlights include our popular social enterprises Christmas Market that showcased businesses run by or supporting those with disabilities, our all female crews for our first regional flights out on International Women's Day, the launch of the New Zealand Sign Language pin in conjunction with Deaf Aotearoa, and the imminent introduction of the Project Employ coffee cart about to launch in our central Auckland office aimed at supporting those with disabilities into employment. With the support of our Employee Networks we have also renewed our Accessibility, Rainbow and Gender Ticks, this year achieving the Advanced Gender Tick.

New Zealand Sign Language Pin

Enable Network Christmas Market
Will & Able — Our Harvest — The Cookie Project

5 A people leadership position includes any position in the airline which has employees reporting into it. Data is based on ethnicity data collected via our people management system Workday. This is an optional data field and coverage is currently 66.0%. We continue to encourage employees to complete this data to inform our strategies and programmes.

Management commentary
(no financial statements)

Lifting up and supporting our people

We remain dedicated to creating sustainable jobs and growth opportunities for all our whānau.

Over the past 12 months we have been raising the pay levels for entry-level roles and offered considerable pay increases, acknowledging the tough inflationary environment. As an example, we have lifted wages for Air New Zealanders at our main airports, increasing the entry wage to $30 per hour which has helped attract outstanding people to join our Auckland, Wellington and Christchurch Airport teams.

Supporting our people when they need us the most, particularly during times of hardship, illness or misfortune has been a continuing focus for the airline in 2023. This includes providing hardship grants to support our employees who faced hardship as a result of the cyclone and flood events this year, similar to what we did through Covid-19 with our Āwhina Trust. We are establishing an ongoing Hardship Trust for our employees and expect to be able to allocate grants from the Fund in 2024.

A key focus throughout 2023 was the continuing growth and broadening of our key employee wellbeing tools, resources and support networks that employees can reach out to, including Bullying and Harassment contacts, Peer Support Network volunteers, and Health & Safety Representatives (HSRs). In addition, the Employee Assistance Programme and Wellbeing Check-Ins have continued to operate, including for our offshore employees. This has been particularly important as we have reopened overseas ports and routes over 2023. We now have 116 Bullying and Harassment contacts, 109 Peer Support volunteers, and 255 HSRs across the organisation, covering a diverse range of work groups, locations and demographics. The growth of these networks has been important to support our significant increase in employees over 2023. Overall utilisation of the support services dropped to 14.7 percent in 2023 compared to 21.3 percent in 2022. This was largely expected due to this increase in employee population and a steady de-escalation of our acute response to Covid-19.

We are also consolidating all the support we offer our people – including access to wellbeing, mental health and financial support along with our Employee Networks, Peer Support Networks and Employee Assistance Programme – into a central Manaaki Hub to make it easier for people to access what they need, when they need it. In the next year we will continue to build these support systems to address any gaps we have and continue highlighting the support services we have available.

A lot of work has also been done to rebuild and upskill our network of Special Assistance Team (SAT) volunteers in 2023, with training held across the organisation for this important group of volunteers who are prepared and ready to deploy as required to provide humanitarian assistance to those groups affected by a significant incident.

116
Bullying and Harassment contacts

109
Peer Support volunteers

255
Health & Safety Representatives

Management commentary (no financial statements)

Driving learning and development opportunities

We are committed to supporting and continually developing our current and future leaders.

We have continued to roll out our Frontline Leadership programmes in Cargo, Airports and Engineering & Maintenance, as well as launching an Emerging Leaders programme to build our talent pipeline in Cabin Crew. We piloted a successful programme this year which will be rolled out to all senior leaders, focused on developing personal capacity to lead in an increasingly complex and diverse world. A Senior Women's Network has been established to provide a forum for our women to support each other and learn together, and collectively raise and solve common challenges.

Our Mangōpare Programme for aspiring Māori and Pasifika leaders has evolved over 2023 with the focus moving to completing the programme projects. Two wānanga[6] were held bringing graduates of the 4 cohorts together to whakawhanaungatanga (reconnect), plan the completion of their projects, and wānanga[7] how the airline can grow Māori and Pacific Islands talent for leadership roles.

We have also reinstated our Project Mana programme, which we run in partnership with Aspire2. The programme focuses on helping our employees to build stronger language, financial and digital literacy

Supporting Te Matatini

Air New Zealand and Te Matatini Society Inc. have been working together since 2018 to develop and showcase the Te Matatini festival as Aotearoa New Zealand's premium cultural event and promote Aotearoa New Zealand to the world. To celebrate Te Matatini 2023 and the revitalisation of te reo Māori, Air New Zealand in partnership with Te Matatini Society Inc., operated a charter flight to bring passengers from Te Whanganui-a-Tara (Wellington) to Tāmaki Makaurau (Auckland). Except for Civil Aviation Authority prescribed announcements, the only language spoken by the pilots and cabin crew was te reo Māori.

6 Seminar, conference, forum, educational seminar. 7 To meet and discuss, deliberate, consider.

Management commentary (no financial statements)

Responding to crisis

Many Air New Zealanders and their whānau and communities were significantly impacted by Cyclone Gabrielle and the Auckland flooding events.

The Special Assistance Team was deployed to Napier following Cyclone Gabrielle, providing humanitarian support and basic needs essentials such as food, baby products, hygiene and sanitary items, torches and lamps, and generators. To assist in their recovery, Financial Hardship payments totaling more than $450,000 were also made available to our employees who experienced hardship due to being directly impacted by these events. Along with support for our own people, Air New Zealand was proud to provide assistance to the wider community, including:

- The introduction of a temporary air service between Hawke's Bay and Gisborne, intended to connect the regions while the road was inaccessible, operated since 26 February and was further extended in March. By the time that it concluded on 10 June, we had carried more than 5,700 passengers including a significant number of emergency workers and then contractors
- The transportation of several tonnes of food and care parcels into the Hawke's Bay and Tairāwhiti Gisborne region for use and distribution by charity organisations, along with transport allocation to essential workers and emergency personnel such as Urban Search and Rescue and New Zealand Police
- Personal protective equipment (goggles, gloves and masks) was donated to local police, the Napier foodbank and Civil Defence staging posts
- Special capped fares and flexibility were introduced from 18 February to ensure travel to and from cyclone-impacted areas was made easier as local communities began their recovery

To support those affected by the Auckland floods, Air New Zealand donated $100,000 for flood relief support in the most impacted areas in the region. This went to a range of community organisations including the Mangere Evacuation Centre, the Sunday Blessings and Community Group, Auckland Council Emergency Relief, and Auckland City Mission.

Donna Gerbes — Brittny O'Hanlon
Senior People Safety Specialist — People Safety Specialist

"It's a privilege to be part of the Air New Zealand Special Assistance team and support our colleagues in their time of need. Being deployed to Napier following Cyclone Gabrielle was an incredible opportunity to provide care, basic needs and support to our Air New Zealand whānau who were affected, and the wider community."

Management commentary
(no financial statements)

Developing a supply chain reflective of Aotearoa

Air New Zealand is continuing to build a supplier diversity programme that fosters the development of a supply chain that is representative of both the communities we operate in and our diverse customer base.

Over 2023, the airline established a baseline of Air New Zealand spend with Māori and Pasifika-owned[8] and social enterprise[9] businesses:

$12m
was spent with diverse suppliers

$2m
was spent with Māori suppliers

$6.7m
was spent with dual Māori and Pasifika-owned businesses

$0.2m
was spent with Pasifika-owned businesses

$3.1m
was spent with social enterprises

26
diverse suppliers in 2023

To enhance our supplier diversity, the airline aims to double its spend with Māori and Pasifika-owned businesses and social enterprises to $24 million, and double our diverse sourcing relationships to at least 50 suppliers by the end of 2024.

The efforts of the airline in 2023 to continue to strengthen and build partnerships that will increase our supplier diversity, include:

- Strengthening our partnership with Whāriki as an Air New Zealand collaboration partner
- Working with Māori & Pasifika supplier intermediary, Amotai as an Aumatua member
- Partnering with Aotea to provide skincare products inspired by mātauranga Māori (Māori knowledge) in our onboard amenity kits
- Partnering with Māori and Pasifika creative agency, The Hood & Co, to capture and tell the story of Te Matatini
- Continuing to use Will & Able's eco-friendly cleaning products, created by New Zealanders with disabilities, throughout our offices

Despite these steps, we acknowledge that there is still much to achieve with our supplier diversity programme. With a greater awareness of our diverse supplier base through our intermediary partnerships as well as identification through our Ivalua supplier portal, a robust network of partners, and a specific 2024 target now set, Air New Zealand is well placed to make real inroads in this area.

Tama Toki
Aotea Founder

"Our company, Aotea, is the supplier of a Harakeke Seed Oil Hand + Body Cream and Kawakawa Balm for the Premium amenity kits. Our range is inspired by our native flora and underscored by traditional use. At our farm on Aotea we extract and formulate our products. We are proud to power our facility with solar and to continue to design waste out of our operations. This opportunity to supply Air New Zealand has been significant for a variety of reasons; chiefly, sharing our products and story with the world, and partnering with such an esteemed business and respected brand that is Air New Zealand."

8 Māori-owned business are defined as enterprises that are at least 50% owned by Māori persons. Māori and Pasifika-owned businesses are defined as enterprises that are at least 50% owned by Māori and Pasifika persons. Pasifika-owned business are defined as enterprises that are at least 50% owned by Pasifika persons. 9 Social enterprises are defined as purpose-driven organisations that trade to deliver positive social, cultural and environmental impact. They are often profit-making businesses, but they reinvest profit in their purpose.

Management commentary
(no financial statements)

Delivering Aotearoa to the world and the world to us

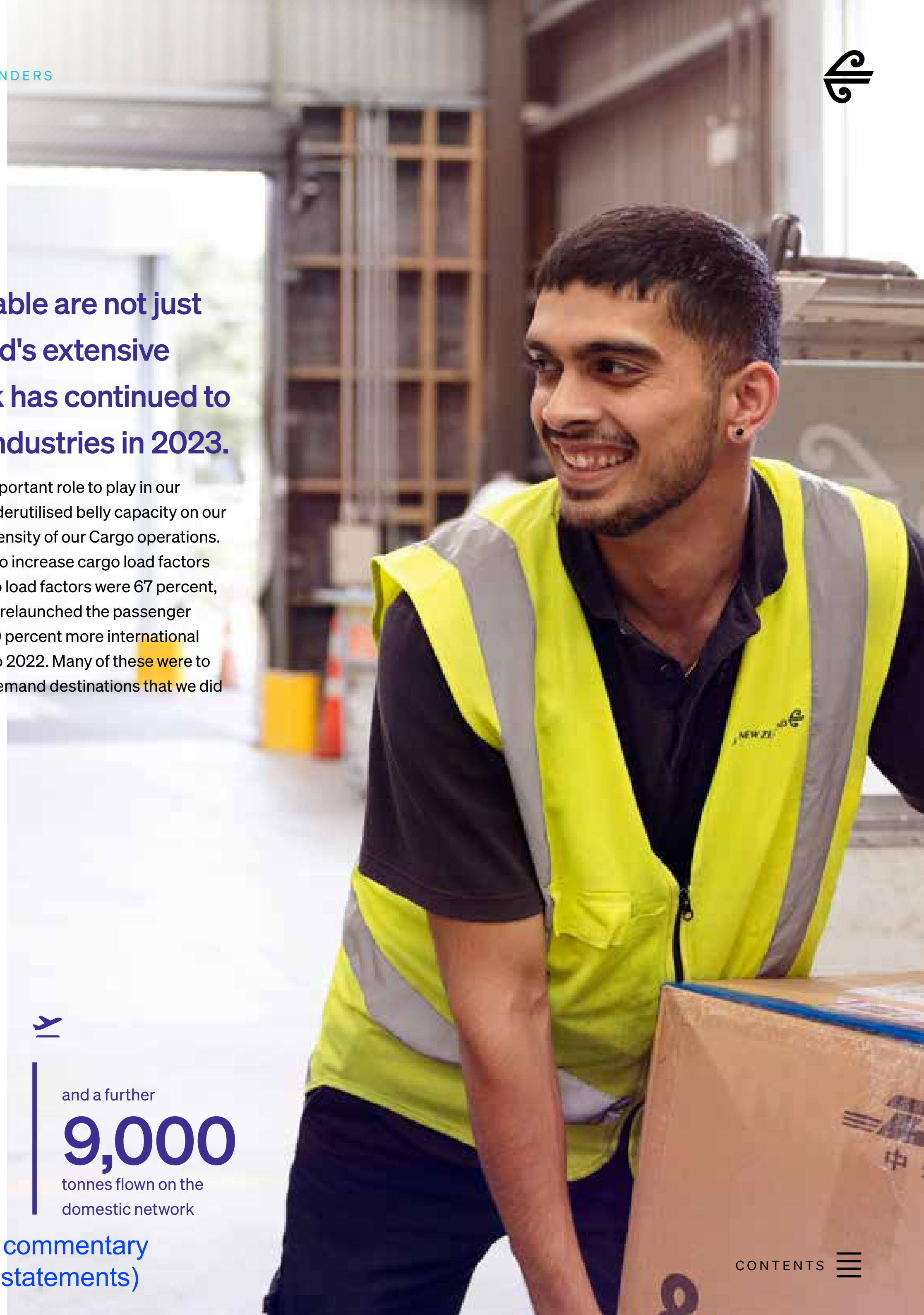
The connections that Air New Zealand enable are not just limited to our passengers. Air New Zealand's extensive international and domestic Cargo network has continued to support the country's export and import industries in 2023.

Our Cargo operations also have an important role to play in our decarbonisation journey. By filling underutilised belly capacity on our aircraft, we can reduce the carbon intensity of our Cargo operations. To this end, we have a target in place to increase cargo load factors to 85 percent by 2025. In 2023, Cargo load factors were 67 percent, down from 82 percent in 2022. As we relaunched the passenger international network we flew circa 50 percent more international widebody flights in 2023 compared to 2022. Many of these were to high passenger demand/low cargo demand destinations that we did not operate during the pandemic.

114,000
tonnes of cargo carried around the globe

including close to
37,000
tonnes of Aotearoa New Zealand exports

and a further
9,000
tonnes flown on the domestic network



Management commentary
(no financial statements)

03

Driving towards a circular economy

Te whai i te ōhanga whai hua

Air New Zealand's drive towards a circular economy has been a challenge in 2023, with both internal and external issues impacting our ability to increase diversion of waste from landfill.

Despite these challenges, in 2023 we did gain greater insights into our waste profile at Air New Zealand and made substantial in-roads into reducing single-use plastics on international flights. We have a number of initiatives we're working on to further our circular ambitions in 2024.

In 2023, 40.4 percent of the airline's waste from domestic ground sites and airports serviced by our main waste provider was diverted from landfill – meaning our waste diversion target of 65 percent by 2023 has not been met.

As the airline geared back up, opportunities to drive substantial change in waste diversion have been restricted due to operational challenges Air New Zealand has faced. For example, with the necessary focus on essential training for new starters, there has been limited opportunities to further embed a waste minimisation culture at the airline. In addition, limited access to recycling and composting infrastructure in Aotearoa New Zealand and the commercial viability of circular innovations still being tested have continued to hamper our objectives under this priority.

Acknowledging greater work needs to be undertaken to deliver on our ambitions under this priority, we are committed to re-evaluating our strategy and relaunching a new plan in 2024.

Removal of 50% of single-use plastic items on our international flights by 2023 from a 2021 baseline. This amounts to the removal of over 28 million forecasted single-use plastic items.

2023 PROGRESS:
A 52.6 percent reduction in single-use fossil-fuel-derived plastic items across all cabins (56.4 percent reduction across Economy cabin), with over 38 million single-use plastic items removed in 2023.

65% of total solid waste diverted from landfill by 2023[1].

2023 PROGRESS:
40.4% of total solid waste diverted from landfill in 2023.

1 This target covers Air New Zealand's domestic ground sites and airports serviced by our main waste provider. It excludes hazardous waste.

A clearer picture of our waste profile

In 2023, Air New Zealand recycled 603.4 tonnes of waste and sent 889 tonnes of waste to landfill from the airline's domestic ground sites and airports serviced by our main waste provider.[2]

Waste audits were conducted at key Auckland and Christchurch sites by our main waste provider in October and November 2022 to gain a clearer picture of the airline's waste profile across our Engineering & Maintenance, Cargo, Domestic Inflight, and support office waste streams. The audits indicated that 50.6 percent of the general waste to landfill audited could potentially be recovered by source separating and utilising currently available recovery services correctly. This reinforced the necessity of developing a circular culture within the airline to accelerate efforts for waste diversion. The audit results also identified opportunities to further expand access to recycling infrastructure and innovations on the horizon that could further assist with delivering on this key priority of our Sustainability Framework.

The findings of the waste audits will be a key component of our work to scope new waste targets and develop our new waste strategy in 2024. Our ambition is to deliver these new targets in 2024.

In addition, the waste audits played a key role in the scoping phase of a targeted project focused on further embedding a waste minimisation culture in our Engineering & Maintenance and Cargo operations. With these insights and allocated resource, the project can proceed to the implementation phase in 2024 to drive waste diversion at these high-waste output sites. The project will act as a valuable test case to identify successful behaviour change initiatives that can then be rolled out more widely across the airline.

50.6%

of the general waste to landfill audited could potentially be recovered

2 These totals exclude hazardous waste.

Management commentary
(no financial statements)

In October 2022, Air New Zealand launched a more sustainable serviceware offering on its international flights. New features include a range of bagasse[3] items in our Economy cabin and lightweight ceramics in our Premium cabins.

More sustainable serviceware flying high

What has the new serviceware achieved?

56%
Economy cabin

A 52.6 percent reduction in single-use fossil-fuel-derived plastic items across all cabins (56.4 percent reduction across Economy cabin), with over 38 million single-use plastic items removed in 2023 (equating to 379 tonnes of fossil-fuel-derived plastic).

20%
Premium cabins

Lighter weight ceramics that are approximately 20 percent lighter than our previous offering and reduce fuel use and the corresponding carbon emissions on our international flights.

The airline will continue to scope opportunities to transition single-use plastic components of our serviceware to more sustainable materials as these alternatives are proven commercially viable and able to meet our challenging operational requirements.

3 A renewable plant-based agriculture by-product.

Management commentary
(no financial statements)

In May 2023, Air New Zealand announced it was updating its iconic uniform.

Sewing a more sustainable future

Much like the approach taken when developing our new inflight serviceware, a circular mindset has been embedded right from the outset of the uniform project. Not only does the project provide an opportunity to divert waste from landfill, but it's also a chance to consider more sustainable options across the next uniform's entire life cycle, from the resources that go into the fabrics, to the manufacture of the uniforms, through to their use and end-of-life. Ensuring the new uniform is durable and functional are also key objectives of the project. A uniform that is well-loved and cared for by our uniformed Air New Zealanders reduces the number of new uniforms needing to be manufactured.

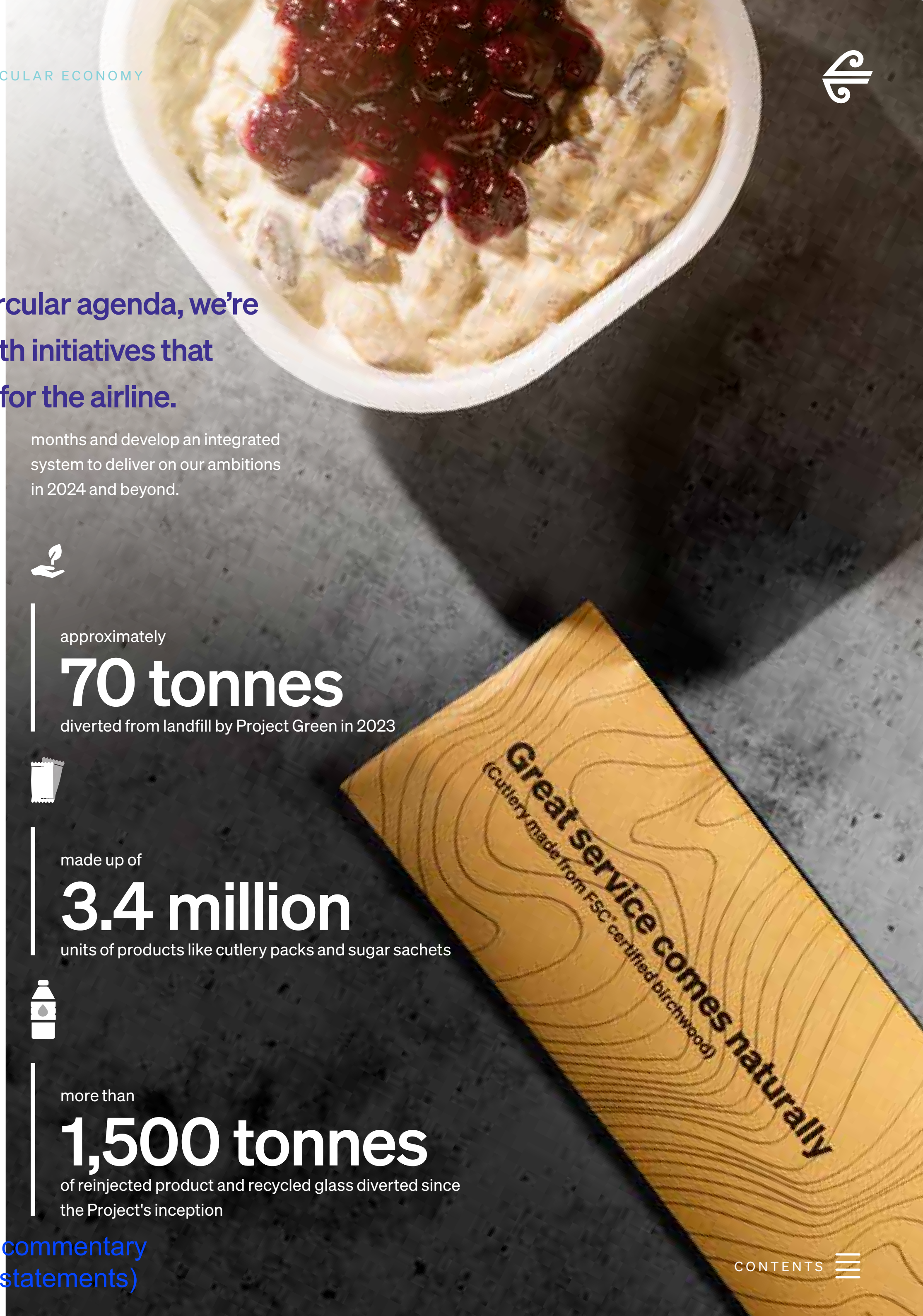
While there are a growing number of sustainability innovations in the textile space, many innovations are still in the development phase, with their commercial viability still to be tested. With this in mind, we recognise the uniform project will be a continuing journey that seeks to iterate and enhance the sustainability outcomes of the uniform over time as new innovations are proven viable. We are committed to finding more sustainable future fabric options for our uniform.

As we look towards our new uniform, we're also scoping opportunities to ensure as much of our current uniform can be donated or recycled when it comes to transitioning to the new uniform in 2025. Despite opportunities being trialled in the past to recycle our retired uniforms, these proved commercially unviable. This has resulted in our uniforms that are unable to be donated due to quality and security restrictions, having to be disposed of in landfill. This unfortunately is symptomatic of the limited access we have to commercially viable textile recycling infrastructure globally, and recycling infrastructure more generally. However, in the last year, textile recycling opportunities in Australasia have shown promising innovations. Scoping these innovations to test their commercial viability will be a key component of the uniform project and enable us to find the best solution before the transition in 2025. This work will also place our new uniforms in a better position to be donated and recycled in the future.

Jared McGregor
Divisional Manager – Major Accounts at Deane Apparel New Zealand

"As the supplier and manufacturer of Air New Zealand's uniform, Deane Apparel is excited and proud to be involved in the new uniform project. During this project, Air New Zealand have continually challenged the status quo and have always looked for ways to improve, which is invigorating and has driven us to be innovative and think outside the box. One of the biggest challenges, due to the limited access to facilities in New Zealand and our country's geographic location, has been scoping a viable end-of-life solution. We are making good progress in this space and look forward to working with Air New Zealand to find a great outcome."

Management commentary
(no financial statements)



Tried and true

While planning towards the future of our circular agenda, we're also firm in our commitment to continue with initiatives that have delivered ongoing circular outcomes for the airline.

One such initiative is Project Green – a programme that reinjects sealed and untouched inflight items deemed a "non-biosecurity risk" back onto our flights and enables glass to be recycled, rather than end up in landfill.

This year, Project Green diverted approximately 70 tonnes from landfill, made up of 3.4 million units of products like cutlery packs and sugar sachets, and recycled 215 tonnes of glass. More than 1,500 tonnes of reinjected product and recycled glass have now been diverted from landfill since the Project's inception.

Using our internal engagement platform, Workplace, to run campaigns, like Plastic Free July and Recycling Week, has also continued to raise awareness about ways Air New Zealanders can embed effective circular practices both in their work at the airline and in their personal lives.

These initiatives and stakeholder relationships will lay a solid foundation for us to develop our new waste strategy in the coming months and develop an integrated system to deliver on our ambitions in 2024 and beyond.

approximately
70 tonnes
diverted from landfill by Project Green in 2023

made up of
3.4 million
units of products like cutlery packs and sugar sachets

more than
1,500 tonnes
of reinjected product and recycled glass diverted since the Project's inception

Management commentary
(no financial statements)

04

Sustainable tourism

He Tāpoi Mau Roa

Air New Zealand was delighted to welcome more international visitors back to Aotearoa New Zealand in 2023. Our customers were incredibly keen to connect with friends and whānau again, and we were very proud to play our part.

Alongside the restarting of a number of international routes over the last year, a key focus has been supporting Aotearoa New Zealand tourism's recovery.

Restarting tourism is important for the economic viability of our country's tourism industry and the many communities throughout Aotearoa New Zealand that rely on it.

The tourism industry and visitors who underpin it are becoming increasingly aware of the contribution the industry plays to the accelerating climate and biodiversity crises. The aviation sector that Aotearoa New Zealand tourism heavily relies upon, is a substantial component of this contribution.

Air New Zealand, alongside many tourism operators, is working towards a more sustainable future for Aotearoa New Zealand tourism.

For the airline, the single biggest contribution we can make to this future, is to decarbonise our operations. Air New Zealand's ambition and work towards achieving its 2030 science-based target and 2050 net zero carbon emissions goals are key to this. The airline can also contribute to this mahi (work) by doing more to support Aotearoa New Zealand's precious biodiversity and the communities in need.

Increase annual growth in bookings for Qualmark-awarded operators on Air New Zealand's website by 100% by 2023 from a 2021 baseline.

2023 PROGRESS:
In 2023, there was an 85% annual increase in bookings for Qualmark awarded operators on Air New Zealand's website from a 2021 baseline. While falling slightly short of our ambitious target, this demonstrates very strong performance given the ongoing challenges faced by tourism businesses.

60% of New Zealanders aware of Tiaki Promise by calendar year 2023[1].

2023 PROGRESS:
23% of New Zealanders aware of the Tiaki Promise as at June 2023.

1 As measured by Air New Zealand's Market Monitor that surveys 400-500 Aotearoa New Zealand travellers each month.

Management commentary
(no financial statements)

tiaki
CARE FOR NEW ZEALAND

The Tiaki Promise

Air New Zealand remains committed to the Tiaki Promise, sharing New Zealander's connection to the land with our visitors and helping them travel safely and conscientiously.

The '**Tiaki and the Guardians**' safety video, inspired by the Tiaki Promise, has screened continuously since May 2022, providing an influential platform to spread the message of caring for our people, our place, and our culture now and for future generations. Since its release, the video has received more than 43 million impressions globally on digital platforms.

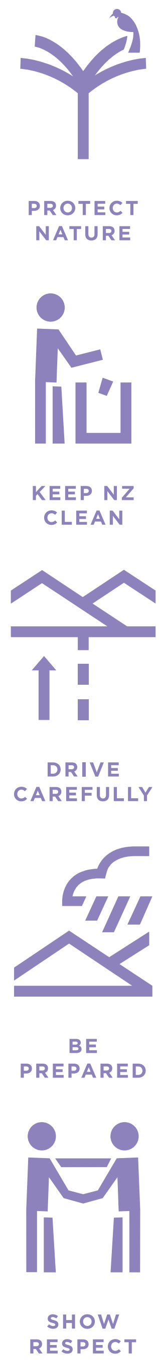
In addition, Air New Zealand has supported the increased impact of the Tiaki Promise through regular information in Kia Ora magazine and in communications to our Airpoints™ members.

To further embed the messaging of the Tiaki Promise and help ensure visitors stay safe while travelling Aotearoa New Zealand, the airline also screens the New Zealand Search and Rescue Council's video that details top tips on how to keep safe when in the outdoors.

Rebecca Ingram
Chief Executive at Tourism Industry Aotearoa

"Tiaki Care for New Zealand is a kaupapa of significance. It is an excellent example of the tourism industry working in partnership to protect what we care about, and enable visitors to make safe, responsible choices. Created so all industry can use it, we see potential for Tiaki to have even greater impact."

> Care for our environment, care for our people, care for our home.
>
> Toitu te taiao, toitu te tangata, toitu Aotearoa.
>
> Tiaki inspires respectful, responsible, and sustainable travel behaviour in international and domestic manuhiri (visitors), ensuring Aotearoa New Zealand is experienced in a way that protects it for future generations.



Management commentary (no financial statements)

85%

increase in bookings for Qualmark operators listed on Air New Zealand's website in 2023, from a 2021 baseline.

Supporting sustainable tourism

Supporting sustainable tourism businesses that are equally committed to making Aotearoa New Zealand a world-class sustainable visitor destination is a key focus for Air New Zealand.

The move in 2022 to only feature tourism activities and attractions that have achieved a Gold, Silver or Bronze Qualmark award for their commitment to quality, safety, and sustainability on Air New Zealand's dedicated site for selling Aotearoa New Zealand activities (airnz.co.nz/activities), is a key component of this support. For Air New Zealand customers, choosing activities and attractions endorsed by Qualmark provides reassurance they will have a high-quality experience, delivered by a business that has been independently assessed for health and safety and is committed to sustainable business practices. In addition to the above, the Tiaki inflight video on Air New Zealand services and two digital campaigns by Air New Zealand promoting Qualmark endorsed activities contributed to an 85 percent annual increase in bookings for Qualmark operators listed on Air New Zealand's website in 2023, from a 2021 baseline.

Kaitiaki Adventures
(Qualmark Gold accredited)

Welcoming tourists again

Domestic tourism has been critical to Aotearoa New Zealand throughout the pandemic and plays an important role in supporting local tourism operators and the communities they operate in.

Air New Zealand encouraged Kiwis to get out and explore Aotearoa New Zealand through domestic marketing activity in 2023. This included promoting domestic destinations to Kiwis to support communities across the country with the recovery of tourism to their region. Domestic destinations featured widely in Air New Zealand marketing activity. Partnership campaigns with Regional Tourism Organisations showcased the diverse range of landscapes and experiences and encouraged visitation to regions. This included partnership activity promoting Wellington, Nelson, Marlborough, Southland, Christchurch and Dunedin.

In the year ended June 2023, 1.1 million international visitors arrived in Aotearoa New Zealand for a holiday, 53% percent of the holiday visitor volumes in the year ended June 2019[2]. This is a result of a huge collaborative effort and partnerships across government and industry to attract high-quality visitors to Aotearoa New Zealand.

One such partnership is the co-operation between Air New Zealand and Tourism New Zealand. Air New Zealand entered into a new three-year memorandum of understanding with Tourism New Zealand in July 2022. Cooperative marketing activity over the last year included joint marketing campaigns in key markets to highlight that Aotearoa New Zealand is open and to promote Aotearoa New Zealand as a beautiful place to visit, at any time of year.

To further raise awareness of Aotearoa New Zealand as a visitor destination and educate the travel trade on Aotearoa New Zealand, Air New Zealand was the Premier Sponsor of TRENZ (Aotearoa New Zealand's largest international tourism business event) and hosted a number of media and trade familiarisation visits to Aotearoa New Zealand.

1.1m
international visitors arrived in Aotearoa New Zealand for a holiday in year ended June 2023

This is
53%
of the holiday visitor volumes in the year ended June 2019.

2 Source: Statistics NZ.

Industry collaboration

Michael Lakeman, Principal, Rock Stack Innovation; Trent Yeo, Executive Director of Ziptrek Ecotours; Laurissa Cooney, Air New Zealand Independent Non-Executive Director; Kiri Hannifin, Air New Zealand Chief Sustainability Officer.

Management commentary
(no financial statements)

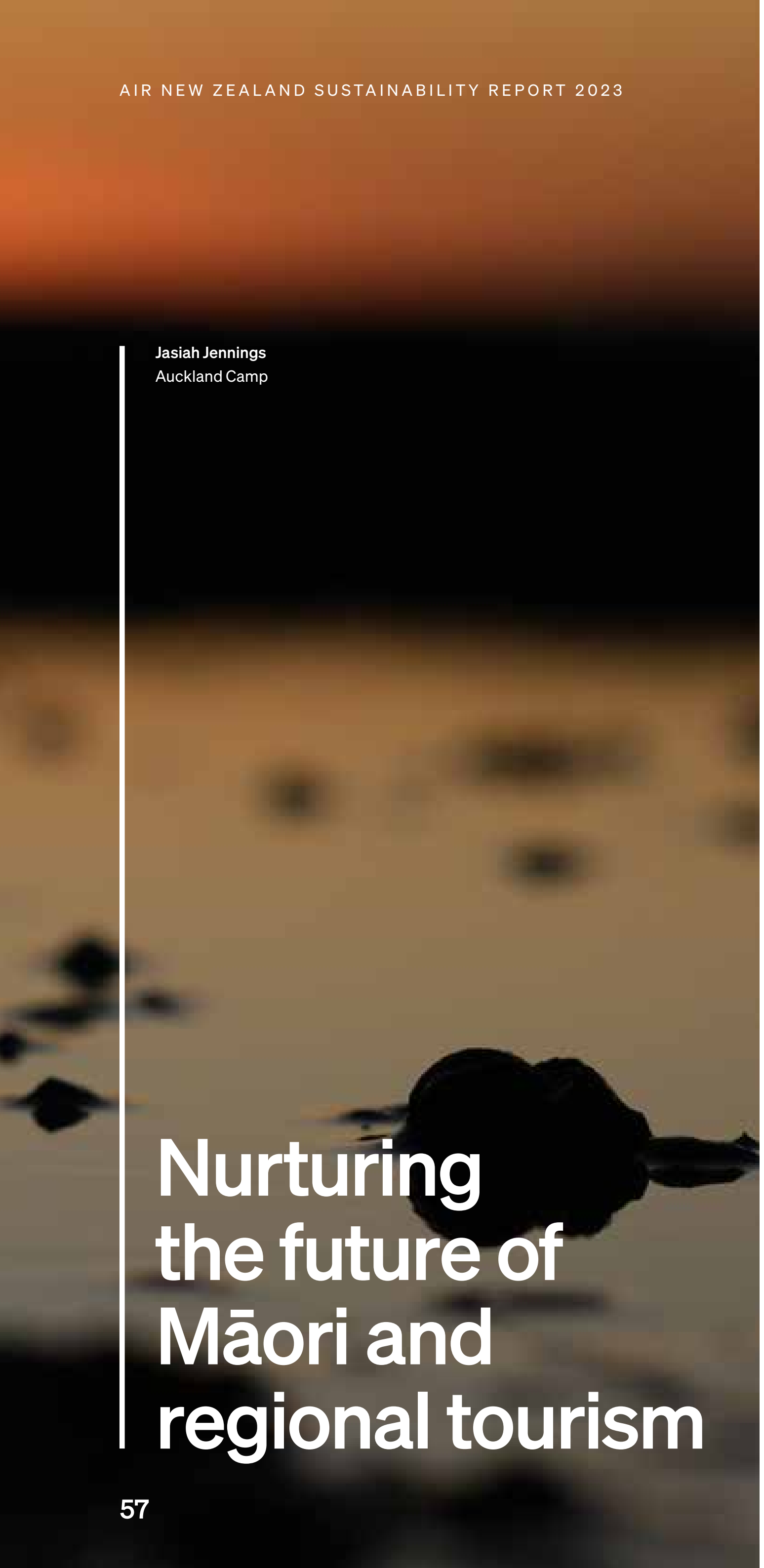
The significant size and impact of the tourism industry in Aotearoa New Zealand means it can be a major force for positive environmental and social change.

Such change, however, will only come with a shared vision and strong collaboration. To this end, Air New Zealand has worked on a number of collaborations in 2023 in order to set up structures for change that will reshape Aotearoa New Zealand as a more sustainable and resilient tourism offering. This has included:

- Air New Zealand was a member of the Leadership Group for the Tourism Industry Transformation Plan (ITP). The purpose of ITPs is to set transformative visions and action plans for key sectors in the Aotearoa New Zealand economy. Tourism was selected as an ITP because of its significance to the Aotearoa New Zealand economy. There have been two phases of the tourism ITP, one focusing on enabling better work, the other on environment. Air New Zealand have participated in both streams. The Better Work Action Plan was published in March 2023. The draft Environment Action Plan was released for consultation in June 2023 and will be finalised by the end of the calendar year.

- The release of Aotearoa Circle's Tourism Sector Climate Change Scenarios and Adaptation Roadmap that considers the climate related physical and transition risks the tourism industry faces in the coming decades. The Roadmap outlines a number of objectives to deliver on Aotearoa Circle's mission to ensure the tourism sector is resilient in light of the impacts of climate change. Laurissa Cooney was one of the co-chairs for the project and Air New Zealand contributed to the Roadmap development.

- The Tourism Industry Aotearoa is leading an initiative to design a new tourism industry strategy, that benefits Aotearoa New Zealand, our people, our businesses, our visitors and our environment. Air New Zealand is a member of the leadership group.



Jasiah Jennings
Auckland Camp

Nurturing the future of Māori and regional tourism

Our ongoing partnership with Queenstown Resort College (QRC) has continued to grow the youth of today into strong future tourism leaders that will be at the forefront of creating a sustainable domestic tourism industry.

In 2023, the airline continued to support the partnership through our annual travel fund. Activity enabled by the partnership has been high, as the impact and disruption of Covid-19 in the travel industry continues to ease. The travel fund is a significant enabler that has contributed to the rebound of student interest in the sector, driving recruitment by allowing Careers Advisors from around Aotearoa New Zealand to travel to QRC's campuses, and increasing QRC's ability to visit schools and career expos to lift its profile. Subsidised travel has also been available for prospective students to Tai Tokerau, in turn increasing student interest and enrolments as a direct result of removing the cost of travel as a barrier to access a tertiary education.

In 2024, Air New Zealand's partnership with QRC will continue, with an aim to not only grow tourism as an exciting and prosperous career, but also ensure sustainable tourism growth in regions of strategic importance.

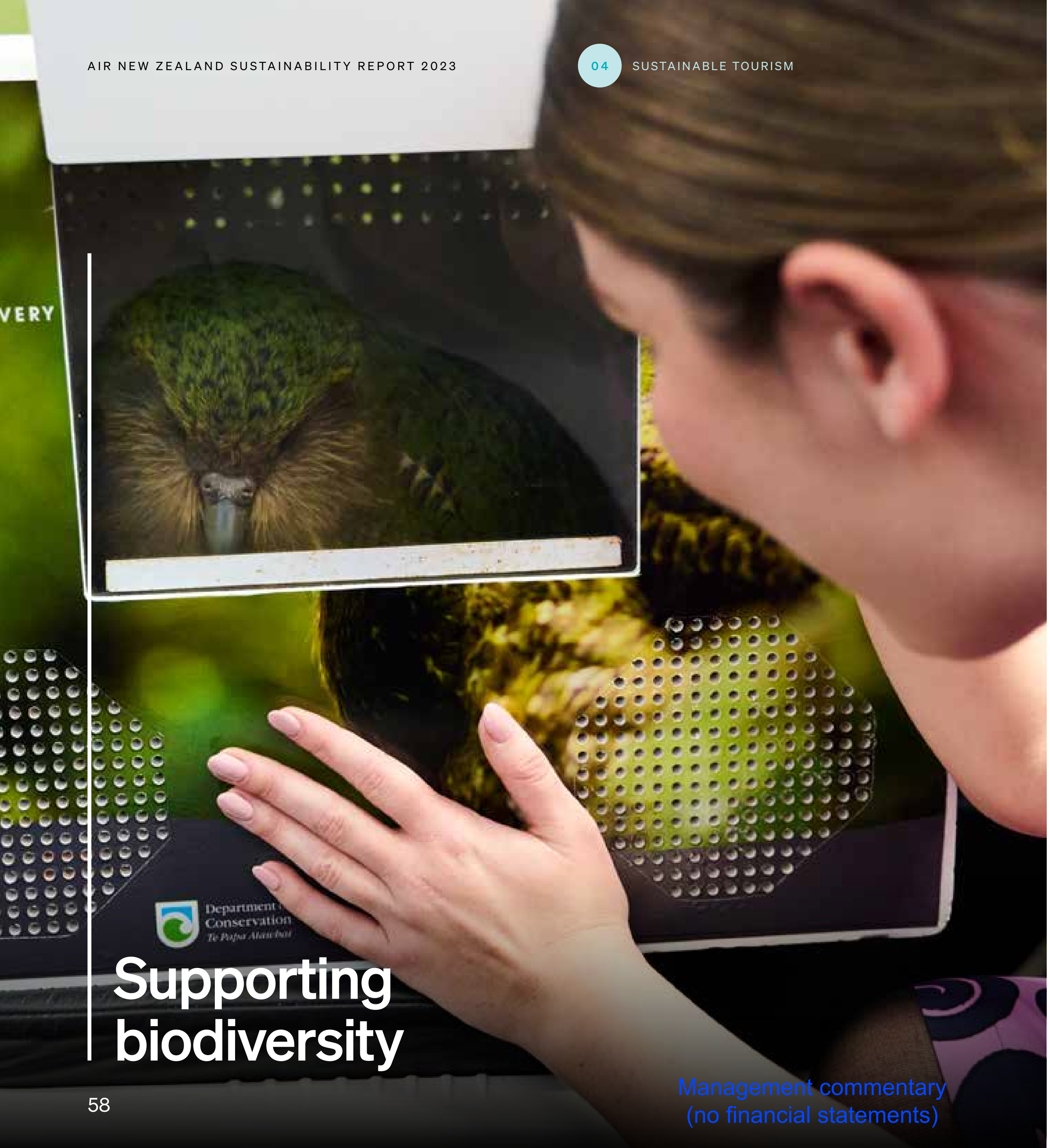
Air New Zealand partnered with the National Geographic Society to hold a series of five Photo Camps throughout Aotearoa New Zealand. The Photo Camps were held in Murupara in 2019 and Russell, Auckland, Wellington, and Christchurch in 2023. The Photo Camps connected youth, aged 15 to 21, with National Geographic Explorers who provided the students with a detailed introduction to storytelling through photography. The theme of the Photo Camp series was "Tōku Mauri," which means "through the eyes." To showcase the photographs captured by rangatahi who took part in the Photo Camps, the country's largest **Metaverse photo gallery** was developed in 2023. Supporting the Photo Camps is a further step in our commitment to youth, their future and the protection of our land and culture.

Teresa Toa
Auckland Camp

Tirzah Thuraisingham
Wellington Camp

Latamai Katoa
Russell Camp

Management commentary
(no financial statements)



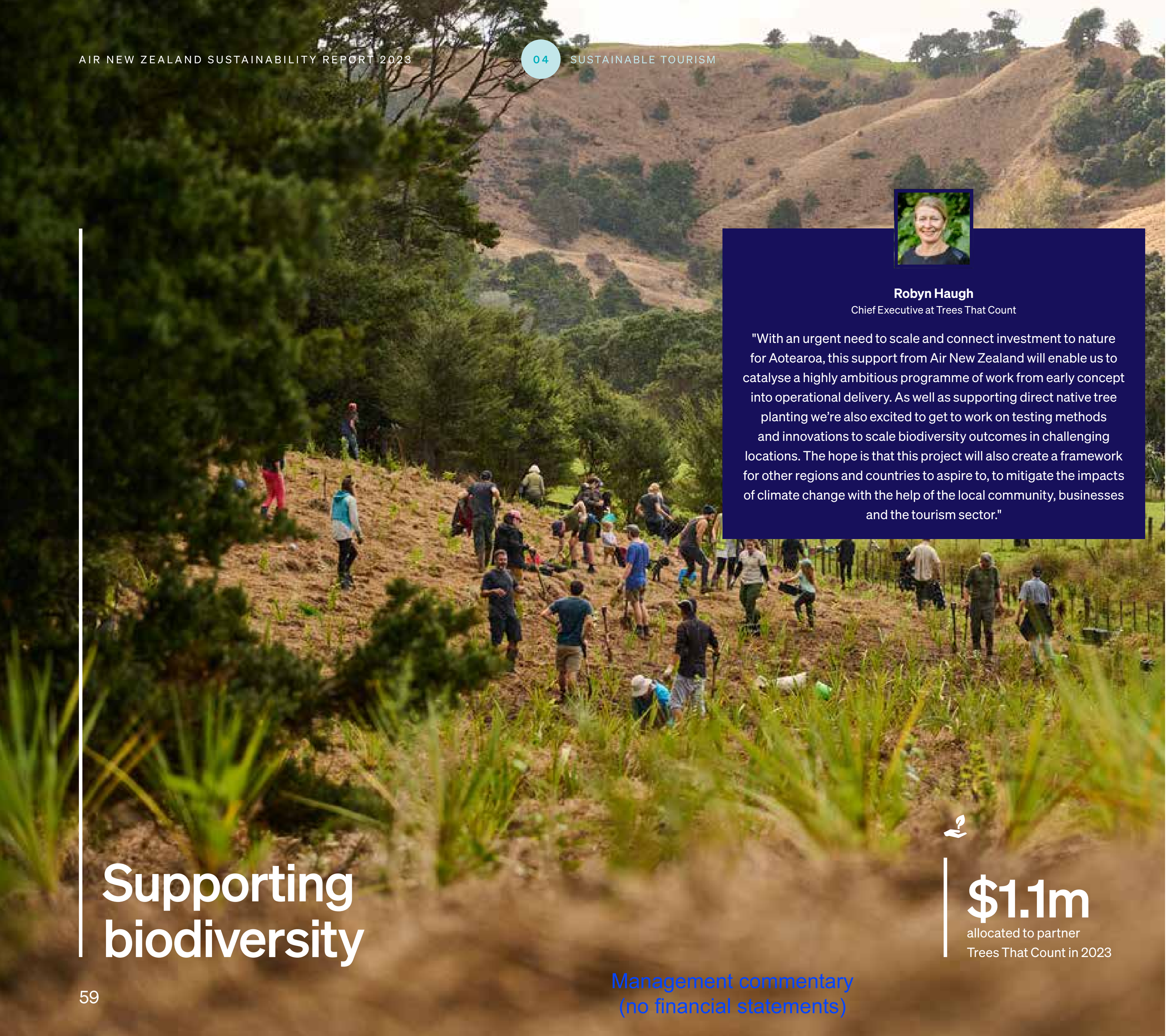
Supporting biodiversity

Air New Zealand's extensive domestic network not only ensures our people stay connected, but also enables the airline to provide a helping hand to our precious taonga species.

As part of Air New Zealand's longstanding partnership with the Department of Conservation, in 2023 the airline flew 198 threatened species and Conservation Dogs, with more than 4,300 flown since the Partnership's inception in 2012. In addition, Air New Zealand enables biodiversity projects on Aotearoa New Zealand's Great Walks that includes over 43,000 hectares of predator control and critical threatened species monitoring.

198
threatened species and Conservation Dogs translocated in 2023

More than
43,000
hectares of predator control and critical threatened species monitoring enabled



Supporting biodiversity

Robyn Haugh
Chief Executive at Trees That Count

"With an urgent need to scale and connect investment to nature for Aotearoa, this support from Air New Zealand will enable us to catalyse a highly ambitious programme of work from early concept into operational delivery. As well as supporting direct native tree planting we're also excited to get to work on testing methods and innovations to scale biodiversity outcomes in challenging locations. The hope is that this project will also create a framework for other regions and countries to aspire to, to mitigate the impacts of climate change with the help of the local community, businesses and the tourism sector."

$1.1m
allocated to partner Trees That Count in 2023

Internal carbon tax on New York flights

In 2023, Air New Zealand piloted an internal carbon tax on its flagship ultra long-haul route, Auckland to New York return – NZ1 and NZ2.

An internal carbon tax applies an internal carbon price to an activity, and creates a dedicated revenue or investment stream which Air New Zealand ringfenced for investment in sustainability initiatives. The $1.1 million collected from the pilot in 2023 has been allocated to our partner Trees That Count, to invest in supporting the restoration and regeneration of Aotearoa New Zealand's native biodiversity. Specifically, funds are going to a reforestation project which will generate significant biodiversity, tourism, and community benefits. In partnership with Trees That Count, the project will be managed by a number of key stakeholders.

This is a significant opportunity for Air New Zealand to help this community-based project to become well established, supporting biodiversity improvements and tourism opportunities.

Pillar	Metric	2021	2022	2023
Caring for New Zealanders Te manaaki i ngā tāngata o Aotearoa	Representation of Māori and Pasifika in people leadership positions[1] throughout the organisation	16.0%	14.8% (our Mangōpare leadership development programme is creating a talent pipeline to support our target of 20.0% Māori and Pasifika representation in leadership roles by 2025)	16.0% (refer to page 41)
	Employee engagement	Engagement index score of 71 (September 2021)[2]	Engagement index score of 68 (May 2022)[3]	Engagement index score of 71 (June 2023)[4] (refer to page 40)
	Women in Airline Leadership Team (ALT)	51.0%[5]	45.5%[6]	40.7%[7] (the 50.0% target will be maintained and there will be a continued focus on building a pipeline of women leaders at all levels of lead of leadership and supporting them to grow)
	People Safety Risk Control Effectiveness (RCE) rating of substantially or fully effective[8]	84.0%[9]	84.0%[10]	82.0%[11]
	Percentage of active workforce covered under collective bargaining agreements[12]	75.0%	74.0%	77.0%
	Number of work stoppages	0	0	0
	Total days idle	0	0	0
	Description of implementation and outcomes of a Safety Management System	Air New Zealand's Safety Management System (SMS) is fully implemented and accepted by the Civil Aviation Authority New Zealand (CAANZ). There are continuous SMS improvement activities, including SMS annual review and associated actions, designed to progress all SMS elements from operating to fully effective/best practice. Regular Management Review meetings and Board Safety meetings to provide assurance of SMS/safety capability and performance	As per 2021. In addition, several CAAANZ audits of SMS conducted during the year, all with positive results	As per 2021. In addition, several CAA audits of SMS conducted during the year, all with positive results. IATA Operational Safety Audit (IOSA) identified some minor changes required for SMS to fully meet IOSA Standards. These findings were addressed and IOSA accreditation was renewed in early 2023 ahead of certificate expiry. Enhancements made to Integrated Safety Management System manual to incorporate best practice and align processes across organisation
	Number of aviation accidents[13]	0	0	0
	Number of governmental enforcement actions of aviation safety regulations[14]	0	0	0
	Total recordable rate of injuries[15]	4.7	3.6	3.8
	Lost Work Case Frequency Rate[16]	4.7	3.6	4.1

Fundamental Metrics Table

1 A people leadership position includes any position in the airline which has employees reporting into it. Data is based on ethnicity data collected via our people management system Workday. This is an optional data field and coverage is currently 66.0%. We continue to encourage employees to complete this data to inform our strategies and programmes. **2** A new quarterly Employee Survey was introduced in 2021. As at 1 September 2021, the Glint Global Top 20% engagement threshold was an Engagement Index score of 79. **3** In 2022, Glint amended its top engagement threshold from 20% to 25%. As at 30 June 2022, the Glint Global Top 25% engagement threshold was an Engagement Index score of 79. **4** As at 30 June 2023, the Glint Global Top 25% engagement threshold was an Engagement Index score of 79. **5** Across all employees, 60.5% identify as a man, 39.2% identify as a woman, and 0.1% identify as gender diverse, with 0.2% unspecified. **6** Across all employees, 58.6% identify as a man, 40.3% identify as a woman, and 0.1% identify as gender diverse, with 1.0% prefer not to say/unspecified. **7** Across all employees, 54.1% identify as a man, 44.9% identify as a woman, and 0.1% identify as gender diverse, with 0.9% prefer not to say/unspecified. **8** Risk Control Effectiveness (RCE) review and verification is part of the company risk management process and is a framework implemented to give depth to the risk declarations. The RCE scale ratings are totally ineffective, largely ineffective, partially effective, substantially effective, and fully effective. **9** The remaining 16.0% of People Safety Risks are rated partially effective (the minimum for compliance). **10** The remaining 16.0% of People Safety Risks are rated partially effective (the minimum for compliance). **11** The remaining 18.0% of People Safety Risks are rated partially effective (the minimum for compliance). It is expected that Risk Control Effectiveness at the risk level will continue to fluctuate as ongoing risk reviews continue to improve underlying understanding and assurance of risk controls in terms of hierarchy, impact on likelihood and/or consequences, and individual and collective effectiveness. **12** We have employees who are not a member of a union but their work is covered by a collective bargaining agreement. These employees are employed on individual employment agreements that are based on the terms and conditions of a collective bargaining agreement that covers their work. We also have employees whose work is not covered by a collective bargaining agreement. These employees are employed on individual employment agreements that are not influenced or determined by collective bargaining agreements. **13** Defined according to the International Civil Aviation Organization (Annex 13). **14** Defined as the number of enforcement actions from the Civil Aviation Authority New Zealand (CAANZ), the U.S. Federal Aviation Administration (FAA), or the equivalent national authorities that are related to aviation safety regulations. **15** Total recordable rate of injuries is the total sum of lost time injury and medical treatment injury with the rate calculated as the average over the past 12 months. This calculation is based on the formula: (Sum of total recordable rate of injury reportable event for the past 12 months) x 1,000,000) / (Sum of Total Work Hours for the past 12 months). **16** This calculation is based on the formula: (Sum of lost time injury reportable events for the past 12 months) x 1,000,000 / (Sum of Total Work Hours for the past 12 months).

Management commentary
(no financial statements)

Pillar	Metric	2021	2022	2023
Caring for New Zealanders Te manaaki i ngā tāngata o Aotearoa	Fatalities	0	0	0
	Environmental non-compliances	Zero environmental non compliances as at end 2021	Zero environmental non-compliances as at end 2022[17]	One[18] environmental non-compliance as at end 2023[19]
	IEnvA stage 2 certification via IATA	IEnvA stage 2 certification achieved. In 2021, the scope of the certification was extended to include all Aotearoa New Zealand airports along with Flight Operations and national Corporate, Maintenance Repair Organisations and Cargo operations	IEnvA stage 2 certification achieved	IEnvA stage 2 certification achieved
	Suppliers providing positive assurance of our Supplier Code of Conduct[20]	Suppliers representing 92.7%[21] of our contestable spend provided positive assurance	Suppliers representing 92.4% of our contestable spend provided positive assurance (a minor decrease from 2021, mainly due to Covid-19's continuing impact on Air New Zealand's spend profile with its strategic suppliers)[22]	Suppliers representing 74.3% of our contestable spend provided positive assurance (in 2023, Air New Zealand increased Supplier Code of Conduct coverage across a broader percentage of its supplier base including the into-wing logistics service provided by fuel companies. Total contestable spend has increased from $0.6b in 2022 to $2.47b in 2023. Whilst coverage on a percentage basis has declined, spend coverage has markedly increased)
	Total spend with diverse suppliers	N/A	N/A	$12.0m
	Spend with Māori-owned businesses[23]	N/A	N/A	$2.0m was spent with Māori-owned businesses
	Spend with dual Māori and Pasifika-owned businesses[23]	N/A	N/A	$6.7m was spent with Māori and Pasifika-owned businesses
	Spend with Pasifika-owned businesses[23]	N/A	N/A	$0.2m was spent with Pasifika-owned businesses
	Spend with Social Enterprises[24]	N/A	N/A	$3.1m was spent with social enterprises (including $0.9m spent with Māori-owned social enterprises)
	Proportion of spend with local businesses[25]	N/A	N/A	$3.1b (53.8% of total third party spend) was spent with local businesses
	Annual volume of Aotearoa New Zealand exports on Air New Zealand	37,600 tonnes	43,720 tonnes	36,910 tonnes (refer to page 46)
	Full compliance with ICAO noise standards for aircraft fleet	No notified noise breaches in 2021 Achieved full compliance with ICAO noise standards	No notified noise breaches in 2022 Achieved full compliance with ICAO noise standards	No notified noise breaches in 2023 Achieved full compliance with ICAO noise standards
	On-time performance (percentage measure arrivals within 15 minutes of scheduled arrival time)	N/A	N/A	77.0%
	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behaviour regulations	0	0	0

Fundamental Metrics Table

17 The Environmental Protection Authority requested information from Air New Zealand and their subsidiary companies to assess compliance with the Ozone Layer Protection Act. **18** An inadvertent environmental breach has occurred in connection to soil disposal. Soil containing low levels of contaminants above background levels, but below the industry recognised health and environmental guidelines has been disposed of offsite from the Air New Zealand Auckland Airport site without the correct Council consent. Air New Zealand is working with relevant Councils on this. **19** The Environmental Protection Authority requested further information from Air New Zealand and their subsidiary companies to assess compliance with the Ozone Layer Protection Act. **20** Based on percentage of spend. This excludes the hedged portion of 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. **21** A decrease of 1.5% from 2020 result, mainly due to Covid-19's impact on Air New Zealand's spend profile with its strategic suppliers. **22** The Ivalua supplier portal streamlined the way we collect and monitor positive assurance from suppliers. This systemised an existing policy condition mandating that any new suppliers must provide positive assurance that they comply with Air New Zealand's Supplier Code of Conduct prior to engagement. **23** Māori-owned business are defined as enterprises that are at least 50% owned by Māori persons. Māori and Pasifika-owned business are defined as enterprises that are at least 50% owned by Māori and Pasifika persons. Pasifika-owned business are defined as enterprises that are at least 50% owned by Pasifika persons. **24** Social enterprises are defined as purpose-driven organisations that trade to deliver positive social, cultural and environmental impact. They are often profit-making businesses, but they reinvest profit in their purpose. **25** Local businesses are defined as those who have a registered New Zealand Head Office address.

Management commentary
(no financial statements)

Pillar	Metric	2021	2022	2023
Climate action He mahinga taiao tūturu	Tonnes of CO_2-e Emissions (Scope 1 and 2)	1,335,911	1,515,621	2,842,715
	Tonnes of CO_2-e Emissions[26] (Scope 3)	N/A	623,411[27]	930,625[28]
	Well-to-wake grams of GHG emissions related to jet fuel per revenue tonne kilometre (RTK)[29]	N/A	1,165	918
	Average annual reduction in carbon intensity (grams CO_2-e per RTK)	31.6% increase compared to 2020[30]	6.6% decrease compared to 2021[31]	21% decrease compared to 2022[32]
	Carbon Reduction Programme implemented in-line with IATA audit recommendations	While carbon reduction initiatives implemented in prior periods remain ongoing, the impact of Covid-19 restrictions and operational constraints limited our ability to implement new initiatives in 2021 and our ability to accurately report savings by initiative. This remains a focus going forward	While carbon reduction initiatives implemented in prior periods remain ongoing, the impact of Covid-19 restrictions and operational constraints limited our ability to implement new initiatives in 2022 and our ability to accurately report savings by initiative. This remains a focus going forward	The Carbon Reduction Programme saved 4,200t of fuel or 13,200 tCO_2-e. This is comprised from operational reduction initiatives 1,900t fuel (6,000 tCO_2-e) and weight reduction initiatives 2,300t fuel (7,200 tCO_2-e)
	Tonnes of carbon credits purchased on behalf of customers through the Voluntary Emissions Contribution Programme	40,749	59,257	70,810 (refer to page 32)[33]
	Voluntary Emissions Contribution Programme uptake rate[34]	7.0%	6.9%	6.0%
	Customer funds donated to activities that accelerate the restoration, regeneration, and production of permanent native forests	Over $350,000[35]	$415,500 provided to the Native Forest Restoration Trust[36] and $633,000 provided to Trees That Count[37] to support biodiversity outcomes in Aotearoa	$1,200,420 has been provided to Trees That Count enabling the planting of over 170,299 native trees to support biodiversity outcomes in Aotearoa New Zealand
	Reduction in electricity use[38]	7.4% reduction compared to 2020	0.5% increase compared to 2021 (due to an easing of Covid-19 restrictions)	3.6% increase compared to 2022 (due to there being no substantial Covid-19 restrictions in 2023)
	Electric vehicles in light ground fleet (where feasible)[39]	86.0% electric vehicles where feasible 55.0% of full fleet are electric vehicles	86.0% electric vehicles where feasible 55.0% of full fleet are electric vehicles (while new electric vehicles have been ordered, due to extended lead times, they did not enter our fleet until 2023)	87.0% electric vehicles where feasible 56.0% of full fleet are electric vehicles (new vehicle deliveries in 2023 have generally been replacing existing EV with new EV or existing ICE with new ICE (generally unfeasible diesel vans). Remaining feasible candidate EVs will be converted to EV in 2024)
	Electric ground service equipment (GSE) fleet (where feasible)[39]	73.0%	73.0% (no increase in 2022 due to lack of charging infrastructure)	72.0% (motorised/electric GSE fleet changes have consisted primarily of replacements of existing electric golf carts and additional electric baggage tugs and electric passenger stairs. Equipment which is considered as feasible for E-GSE has increased due to the availability on the market of electric mobile ground power units and hybrid-electric aircraft pallet loaders. Orders have been placed for both of these equipment categories in 2023 for delivery in 2024. Total investment in Hybrid GSE is $10.4m. 10.0% of this investment occurred in 2023 (deposit payments for these orders) with the remaining 90.0% to be provided in 2024 once equipment is at Ex Works status)

Fundamental Metrics Table

26 Air New Zealand began reporting its scope 3 emissions in 2022. Only category 3 emissions were subject to a limited assurance engagement in 2022. In 2023, relevant categories of scope 3 emissions were subject to limited assurance, with the exception of category 7 (business commuting). **27** Only category 3 emissions were subject to a limited assurance engagement in 2022. Other categories were not subject to review. **28** Relevant categories of scope 3 emissions (categories 1, 2, 3, 5 and 6) were subject to limited assurance by Deloitte Limited, with the exception of category 7 (business commuting). Air New Zealand will do further work in 2024 to understand employee commute emissions. **29** Air New Zealand began reporting well-to-wake emissions from jet fuel in its operations in 2022. **30** Increase in carbon intensity largely due to Aotearoa border restrictions leading to lower than usual load factors on the international network and multiple national lockdowns impacting load factors on the domestic network. **31** Decrease in carbon intensity largely due to easing Aotearoa border restrictions leading to higher load factors on the network. However, this metric still remains elevated when compared to pre-Covid-19 levels due to the national lockdowns and border restrictions in place at various times throughout the 2022 financial year. **32** This improvement was largely due to the absence of border restrictions in Aotearoa compared to the prior period leading to higher load factors on the network. **33** 70,810 carbon credits have been pre-purchased by Air New Zealand on behalf of its customers. 29,574 of these credits have been retired by Climate Impact Partners on behalf of Air New Zealand. 41,236 of these credits need to be retired by Climate Impact Partners on behalf of Air New Zealand. **34** Number of bookings where a customer elects to contribute to the Voluntary Emissions Contribution Programme (Contribution Programme) as a percentage of all bookings through online storefronts where the Contribution Programme is available. **36** This represents funds collected from 1 July 2021 to 19 January 2022 under the Contribution Programme. **37** This represents funds collected from 20 January 2022 to 30 June 2022 under the Contribution Programme. **38** Much of Aotearoa New Zealand's electricity is generated from renewable energy sources (80-85%) (Te Tari Tiaki Pūngao Energy Efficiency & Conservation Authority, 2023) **39** Where feasible refers to availability of electric models for operational requirements.

Management commentary
(no financial statements)

Pillar	Metric	2021	2022	2023
Driving towards a circular economy Te whai i te ōhanga whai hua	Domestic waste to landfill[40]	N/A	N/A	889 tonnes
	Diversion of waste from landfill at domestic ground sites and airports serviced by our main waste provider[40]	41.3%	34.2%	40.4% (refer to pages 47, 48)
Sustainable tourism He Tāpoi Mau Roa	Sustained pest control enabled on the Great Walks through partnership with the Department of Conservation	45,294 hectares	43,587 hectares (a decrease from 2021 as funding was redistributed on the Great Walks biodiversity projects to protect previous critical biodiversity gains as a result of Covid-19's financial impact on the business)	43,587 hectares
	Enabling regional connectivity through flight departures that connect Auckland/Wellington/Christchurch to regional centres	96,247	91,417 (flight departures impacted in 2022 due to lockdowns and border restrictions)	114,776

Fundamental Metrics Table

40 This covers Air New Zealand's domestic ground sites and airports serviced by our main waste provider. It excludes hazardous waste.

Management commentary
(no financial statements)

Supplementary workforce profile data

The below data is represented as headcount and provides further detail about our workforce profile as at 30 June 2023. Note, headcount numbers exclude employees on Parental Leave / Extended Leave without Pay, Persons of Interest (POIs), and Airport Contractors. Percentages may not sum to 100% due to rounding. FTE numbers in 2023 were 11,474 and 10,340 in 2022.

Table 1. Employee / worker headcount by gender

Gender Group	Employee		Contingent Worker		Total	
	#	%	#	%	#	%
Male	6,430	54.1%	97	68.3%	6,527	54.3%
Female	5,416	45.6%	30	21.1%	5,446	45.3%
Gender diverse	12	0.1%	0	0.0%	12	0.1%
Prefer not to say	10	0.1%	0	0.0%	10	0.1%
Unknown	14	0.1%	15	10.6%	29	0.2%
Total	**11,882**	**100.0%**	**142**	**100.0%**	**12,024**	**100.0%**

Gender data not available for all employees

Table 2. Employee / worker headcount by age group

Age Group	Employee		Contingent Worker		Total	
	#	%	#	%	#	%
20 and under	406	3.4%	1	0.7%	407	3.4%
21 – 30	2,463	20.7%	6	4.2%	2,469	20.5%
31 – 40	2,808	23.6%	43	30.3%	2,851	23.7%
41 – 50	2,602	21.9%	33	23.2%	2,635	21.9%
51 – 60	2,520	21.2%	19	13.4%	2,539	21.2%
61 – 64	684	5.8%	4	2.8%	688	5.7%
65 and over	386	3.2%	4	2.8%	390	3.2%
Unknown	13	0.1%	32	22.5%	45	0.4%
Total	**11,882**	**100.0%**	**142**	**100.0%**	**12,024**	**100.0%**

Age data not available for all employees

Table 3. Employee / worker headcount by country

Country	Employee		Contingent Worker		Total	
	#	%	#	%	#	%
Argentina	0	0.0%	1	0.7%	1	0.0%
Australia	94	0.8%	1	0.7%	95	0.8%
Canada	5	0.0%	0	0.0%	5	0.0%
China	93	0.8%	0	0.0%	93	0.8%
Cook Islands	70	0.6%	0	0.0%	70	0.6%
Fiji	19	0.2%	0	0.0%	19	0.2%
French Polynesia	9	0.1%	0	0.0%	9	0.1%
Hong Kong	17	0.1%	0	0.0%	17	0.1%
Japan	26	0.2%	0	0.0%	26	0.2%
Korea, Republic of	4	0.0%	0	0.0%	4	0.0%
New Zealand	11,436	96.3%	140	98.6%	11,576	96.3%
Samoa	7	0.1%	0	0.0%	7	0.1%
Singapore	13	0.1%	0	0.0%	13	0.1%
Taiwan	5	0.0%	0	0.0%	5	0.0%
Tonga	2	0.0%	0	0.0%	2	0.0%
United Kingdom	1	0.0%	0	0.0%	1	0.0%
United States of America	81	0.7%	0	0.0%	81	0.7%
Total	**11,882**	**100.0%**	**142**	**100.0%**	**12,024**	**100.0%**

Management commentary
(no financial statements)

Table 4. Employee / worker headcount by New Zealand location (city)

City	Employee		Contingent Worker		Total	
	#	%	#	%	#	%
Auckland	7,935	69.4%	137	97.9%	8,072	69.6%
Blenheim	15	0.1%	0	0.0%	15	0.1%
Christchurch	1,707	14.9%	1	0.7%	1,708	14.8%
Dunedin	35	0.3%	2	1.4%	37	0.3%
Gisborne	17	0.1%	0	0.0%	17	0.1%
Hamilton	23	0.2%	0	0.0%	23	0.2%
Invercargill	44	0.4%	0	0.0%	44	0.4%
Napier	123	1.1%	0	0.0%	123	1.1%
Nelson	314	2.7%	0	0.0%	314	2.7%
New Plymouth	66	0.6%	0	0.0%	66	0.6%
Palmerston North	44	0.4%	0	0.0%	44	0.4%
Queenstown	145	1.3%	0	0.0%	145	1.3%
Rotorua	11	0.1%	0	0.0%	11	0.1%
Tauranga	149	1.3%	0	0.0%	149	1.3%
Wellington	801	7.0%	0	0.0%	801	6.9%
Whangarei	7	0.1%	0	0.0%	7	0.1%
Total	**11,436**	**100.0%**	**140**	**100.0%**	**11,576**	**100.0%**

Supplementary workforce profile data

77%
Percentage of employees / workers whose work is covered by collective agreements

88%
Percentage of employees in the group above who are union members

2.09%
Gender Pay Gap

The above data is extracted from our HR reporting system, Workday, as at 30 June 2023.

Management commentary
(no financial statements)

Gender Pay Report

Air New Zealand operates in a diverse environment, both in Aotearoa New Zealand and internationally, and is committed to a culture that values diversity and inclusion throughout the Group. It recognises the importance of fostering a diverse workforce which leads to better innovation, stronger customer connections and better business outcomes.

As an Equal Employment Opportunity (EEO) employer, the Air New Zealand Group is committed to promoting equal opportunities for its employees. This commitment is upheld through our performance management, recruitment, talent management and remuneration policies and practices.

The following table shows the gender composition and the associated gender equity pay differentials for all Aotearoa New Zealand and International employees covered by Individual Employment Agreements. Overall, our males are paid 2.09% more than females. Air New Zealand is committed to continually reviewing and addressing this gap through its recruitment, talent management and remuneration practices.

As well as monitoring pay outcomes, Air New Zealand is also focused on ensuring equitable representation in work levels and performance outcomes, as well as critically examining policies and programmes to ensure they promote equitable outcomes.

Air New Zealand Career Level	Number of Females	Number of Males	Average Pay Differential
Executives and General Managers Designs and drives business strategy for a major business division or Group-wide function	28	42	1.18%
Senior Managers Develops and implements the strategy and business plan for a division	120	168	0.08%
Operational Managers Inputs into the functional strategic plan, but focus is on operational management	306	343	4.19%
Specialists and Team Leaders Formally leads a team or an established specialist in a technical or professional discipline	638	499	2.90%
Support/Administration Work is routine, in nature, with set patterns	156	52	-1.37%
Total	**1,248**	**1,104**	**2.09%**

Please note: Gender equity pay differences are calculated on averaged, annualised, full-time equivalent salaries. This means that all employees – part-time and full-time are included in the calculation and the salaries of those who are not full-time employees are converted to a full-time equivalent.
The analysis is broken down by Air New Zealand's career levels, enabling us to compare roles of similar complexity and provide insight into our population, highlighting opportunities for improvement.
The gender equity pay differential is expressed as a percentage of men's earnings. A negative value means that women's earnings are higher than men's.
Collective Covered Employees - Pay rates within Air New Zealand's collective agreements are skills, competency or service based, ensuring all employees with the same levels of service or skill in the same role, will be paid the same. These employees are not included in the scope of the Gender Pay Report.

Management commentary
(no financial statements)

GRI Content Index

In developing the 2023 Sustainability Report, we have considered the Global Reporting Initiative (GRI) Standards 2021. The table below provides an overview of the relevant GRI Standards for our material topics and where to find relevant information.

Indicator	Description	Location of Disclosure
GRI 2 General Disclosures 2021		
GRI 2-1	Organisational details	2023 Annual Report
GRI 2-2	Entities included in sustainability reporting	2023 Greenhouse Gas Inventory Report
GRI 2-3	Reporting period, frequency and contact point	2023 Sustainability Report, p 5
GRI 2-4	Restatements of information	2023 Sustainability Report, identified throughout
GRI 2-5	External assurance	2023 Greenhouse Gas Inventory (partial disclosure)
GRI 2-6	Activities, value chain and other business relationships	2023 Sustainability Report, p 7, 8, 45, 46
GRI 2-7	Employees	2023 Sustainability Report - Workforce Profile
GRI 2-8	Workers who are not employees	2023 Sustainability Report - Workforce Profile
GRI 2-9	Governance structure and composition	2023 Annual Report - Corporate Governance Statement 2023 Sustainability Report, p 13, 14
GRI 2-10	Nomination and selection of the highest governance body	2023 Annual Report - Corporate Governance Statement
GRI 2-11	Chair of the highest governance body	2023 Annual Report - Corporate Governance Statement
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	2023 Sustainability Report, p 4, 13, 14, 15
GRI 2-13	Delegation of responsibility for impacts	2023 Sustainability Report, p 4, 13, 14, 15
GRI 2-14	Role of highest governance body in sustainability reporting	2023 Sustainability Report, p 4
GRI 2-15	Conflicts of interest	2023 Annual Report - Interests Register
GRI 2-16	Communication of critical concerns	2023 Annual Report - Corporate Governance Statement 2023 Sustainability Report, p 3, 9, 11
GRI 2-17	Collective knowledge of the highest governance body	2023 Sustainability Report, p 13
GRI 2-18	Evaluation of the performance of the highest governance body	2023 Annual Report - Corporate Governance Statement
GRI 2-19	Remuneration policies	2023 Annual Report - Corporate Governance Statement

Indices of ESG Disclosures

Indicator	Description	Location of Disclosure
GRI 2 General Disclosures 2021		
GRI 2-20	Process to determine remuneration	2023 Annual Report - Corporate Governance Statement
GRI 2-21	Annual total compensation ratio	2023 Annual Report - Corporate Governance Statement
GRI 2-22	Statement on sustainable development strategy	2023 Sustainability Report, p 3
GRI 2-23	Policy commitments	Corporate and social policies
GRI 2-24	Embedding policy commitments	Code of Conduct
GRI 2-25	Processes to remediate negative impacts	Code of Conduct
GRI 2-26	Mechanisms for seeking advice and raising concerns	Code of Conduct
GRI 2-27	Compliance with laws and regulations	2023 Sustainability Report, p 61
GRI 2-28	Membership associations	Sustainability Stakeholders
GRI 2-29	Approach to stakeholder engagement	Sustainability Stakeholders
GRI 2-30	Collective bargaining agreements	2023 Sustainability Report - Workforce Profile, p 65
GRI Material Topics 2021		
GRI 3-1	Process to determine material topics	2023 Sustainability Report, p 9, 15
GRI 3-2	List of material topics	2023 Sustainability Report, p 9
GRI 201 Economic Performance 2016		
GRI 3-3	Management of material topics	2023 Sustainability Report, p 8, 9, 11, 45, 46, 52-55, 59
GRI 201-1	Direct economic value generated and distributed	2023 Annual Report
GRI 201-2	Financial implications and other risks and opportunities due to climate change	2023 Sustainability Report, Climate action section
GRI 204 Procurement Practices 2016		
GRI 3-3	Management of material topics	2023 Sustainability Report, p 9, 11, 45
GRI 204-1	Proportion of spending on local suppliers	2023 Sustainability Report, p 61
GRI 302 Energy 2016		
GRI 3-3	Management of material topics	2023 Sustainability Report, p 9, 11, 13, 14, 15
GRI 302-1	Energy consumption within the organisation	2023 Sustainability Report, p 34 (partial disclosure) 2023 Greenhouse Gas Inventory Report (partial disclosure)
GRI 302-4	Reduction of energy consumption	2023 Sustainability Report, p 34, 62

Management commentary
(no financial statements)

GRI Content Index (continued)

Indicator	Description	Location of Disclosure
GRI 305 Emissions 2016		
GRI 3-3	Management of material topics	2023 Sustainability Report, p 9, 11, 13, 14, 15
GRI 305-1	Direct (Scope 1) GHG emissions	2023 Sustainability Report, p 34 2023 Greenhouse Gas Inventory Report
GRI 305-2	Energy indirect (Scope 2) GHG emissions	2023 Sustainability Report, p 34 2023 Greenhouse Gas Inventory Report
GRI 305-3	Other indirect (Scope 3) GHG emissions	2023 Sustainability Report, p 34 2023 Greenhouse Gas Inventory Report
GRI 305-4	GHG emissions intensity	2023 Sustainability Report, p 36
GRI 403 Occupational Health and Safety 2018		
GRI 3-3	Management of material topics	2023 Sustainability Report, p 9, 11, 38, 42, 60
GRI 403-1	Occupational health and safety management system	2023 Sustainability Report, p 60
GRI 403-9	Work-related injuries	2023 Sustainability Report, p 60, 61
GRI 405 Diversity and Equal Opportunity 2016		
GRI 3-3	Management of material topics	2023 Sustainability Report, p 38, 39, 41
GRI 405-1	Diversity of governance bodies and employees	2023 Annual Report - Corporate Governance Statement 2023 Sustainability Report - Workforce Profile
GRI 405-2	Ratio of basic salary and remuneration of women to men	2023 Sustainability Report - Gender Pay Report
GRI 306 Waste 2020		
GRI 3-3	Management of material topics	2023 Sustainability Report, p 9, 11, and Driving towards a circular economy section
GRI 306-1	Waste generation and significant waste-related impacts	2023 Sustainability Report - Driving towards a circular economy section
GRI 306-2	Management of significant waste-related impacts	2023 Sustainability Report - Driving towards a circular economy section
GRI 306-3	Waste generated	2023 Sustainability Report, p 47, 48, 63
GRI 306-4	Waste diverted from disposal	2023 Sustainability Report, p 47, 48, 63 (partial disclosure)
GRI 306-5	Waste directed to disposal	2023 Sustainability Report, p 47, 48, 63 (partial disclosure)

Indices of ESG Disclosures

SASB Content Index

In developing the 2023 Sustainability Report, we have considered the SASB (Sustainability Accounting Standards Board) Industry Standards. The table below provides an overview of the relevant SASB Standards for our material topics and where to find relevant information.

SASB Code	SASB Metric	Location of Disclosure
Activity Metrics		
TR-AL-000.A	Available seat kilometers (ASK)	2023 Annual Report - Key operating statistics
TR-AL-000.B	Passenger load factor	2023 Annual Report - Key operating statistics
TR-AL-000.C	Revenue Passenger Kilometres (RPK)	2023 Annual Report - Key operating statistics
TR-AL-000.D	Revenue Tonne Kilometres (RTK)	2023 Sustainability Report, p 36 (disclosure of Grams of CO_2-e per Revenue Tonne Kilometre)
TR-AL-000.E	Number of departures	2023 Sustainability Report, p 7
TR-AL-000.F	Average age of fleet	2023 Sustainability Report, p 30
Greenhouse Gas Emissions		
TR-AL-110a.1	Gross global Scope 1 emissions	2023 Sustainability Report, p 34 2023 Greenhouse Gas Inventory Report
TR-AL-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	2023 Sustainability Report, p 25, 34, 35, 36
TR-AL-110a.3	(1) Total fuel consumed, (2) percentage alternative, (3) percentage sustainable	2023 Sustainability Report, p 26, 34 2023 Greenhouse Gas Inventory Report (partial disclosure)
Labour Practices		
TR-AL-310a.1	Percentage of active workforce covered under collective bargaining agreements	2023 Sustainability Report - Workforce Profile, p 65
TR-AL-310a.2	(1) Number of work stoppages and (2) total days idle	2023 Sustainability Report, p 60
Competitive Behaviour		
TR-AL-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behaviour regulations	2023 Sustainability Report, p 61
Accident and Safety Management		
TR-AL-540a.1	Description of implementation and outcomes of a Safety Management System	2023 Sustainability Report, p 60
TR-AL-540a.2	Number of aviation accidents	2023 Sustainability Report, p 60
TR-AL-540a.3	Number of governmental enforcement actions of aviation safety regulations	2023 Sustainability Report, p 60

Management commentary
(no financial statements)

AIR NEW ZEALAND

A STAR ALLIANCE MEMBER

Management commentary
(no financial statements)

Statement of Financial Performance

For the year to 30 June 2023

	NOTES	2023 $M	2022 $M
Operating Revenue			
Passenger revenue		5,349	1,476
Cargo		628	1,016
Contract services		133	117
Other revenue		220	125
	1	6,330	2,734
Operating Expenditure			
Labour		(1,441)	(976)
Fuel		(1,499)	(560)
Maintenance		(395)	(259)
Aircraft operations		(694)	(412)
Passenger services		(334)	(116)
Sales and marketing		(291)	(131)
Foreign exchange gains/(losses)		4	(3)
Other expenses		(394)	(281)
	2	(5,044)	(2,738)
Operating Earnings (excluding items below)		1,286	(4)
Depreciation and amortisation		(695)	(668)
Earnings/(Loss) Before Finance Costs, Associates, Other Significant Items and Taxation		591	(672)
Finance income		119	14
Finance costs		(164)	(94)
Share of earnings of associates (net of taxation)	13	39	27
Earnings/(Loss) Before Other Significant Items and Taxation		585	(725)
Other significant items	3	(11)	(85)
Earnings/(Loss) Before Taxation		574	(810)
Taxation (expense)/credit	4	(162)	219
Net Profit/(Loss) Attributable to Shareholders of Parent Company		412	(591)
Per Share Information:			
Basic and diluted earnings per share (cents)	5	12.2	(40.8)
Special dividend declared per share (cents)	20	6.0	-
Net tangible assets per share (cents)		55	39

The accompanying accounting policies and notes form part of these financial statements.

Statement of Comprehensive Income/(Loss)

For the year to 30 June 2023

	NOTE	2023 $M	2022 $M
Net Profit/(Loss) for the Year		412	(591)
Other Comprehensive Income/(Loss):			
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans		3	(5)
Taxation on above reserve movements	4	(1)	1
Total items that will not be reclassified to profit or loss		2	(4)
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of cash flow hedges		17	111
Transfers to net profit/(loss) from cash flow hedge reserve		(28)	(96)
Net translation gain on investment in foreign operations		1	3
Changes in cost of hedging reserve		(13)	(5)
Taxation on above reserve movements		7	1
Total items that may be reclassified subsequently to profit or loss		(16)	14
Total Other Comprehensive (Loss)/Income for the Year, Net of Taxation		(14)	10
Total Comprehensive Income/(Loss) for the Year, Attributable to Shareholders of the Parent Company		398	(581)

The accompanying accounting policies and notes form part of these financial statements.

Statement of Changes in Equity

For the year to 30 June 2023

	NOTES	SHARE CAPITAL $M	HEDGE RESERVES $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	GENERAL RESERVES $M	TOTAL EQUITY $M
Balance as at 1 July 2022		3,373	(42)	(10)	(1,644)	1,677
Net profit for the year		-	-	-	412	412
Other comprehensive loss for the year		-	(17)	1	2	(14)
Total Comprehensive Income for the Year		-	(17)	1	414	398
Transactions with Owners:						
Equity-settled share-based payments (net of taxation)	4, 21	6	-	-	-	6
Equity settlements of staff share award obligations	21	(2)	-	-	-	(2)
Total Transactions with Owners		4	-	-	-	4
Balance as at 30 June 2023		3,377	(59)	(9)	(1,230)	2,079

	NOTES	SHARE CAPITAL $M	HEDGE RESERVES $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	GENERAL RESERVES $M	TOTAL EQUITY $M
Balance as at 1 July 2021		2,213	(49)	(17)	(1,049)	1,098
Net loss for the year		-	-	-	(591)	(591)
Other comprehensive income for the year		-	7	7	(4)	10
Total Comprehensive Loss for the Year		-	7	7	(595)	(581)
Transactions with Owners:						
Shares issued	21	1,156	-	-	-	1,156
Equity-settled share-based payments (net of taxation)	4, 21	8	-	-	-	8
Equity settlements of staff share award obligations	21	(4)	-	-	-	(4)
Total Transactions with Owners		1,160	-	-	-	1,160
Balance as at 30 June 2022		3,373	(42)	(10)	(1,644)	1,677

The accompanying accounting policies and notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2023

	NOTES	2023 $M	RESTATED 2022 $M
Current Assets			
Bank and short-term deposits	6	2,227	1,793
Trade and other receivables	7	496	363
Inventories	8	119	98
Derivative financial assets	25	90	165
Intangible assets	12	35	21
Income taxation		2	-
Other assets	9	300	57
Total Current Assets		3,269	2,497
Non-Current Assets			
Trade and other receivables	7	23	36
Property, plant and equipment	10	3,261	3,190
Right of use assets	11	1,687	1,617
Intangible assets	12	172	174
Investments in other entities	13	190	164
Derivative financial assets	25	122	143
Deferred taxation	4	8	164
Other assets	9	463	365
Total Non-Current Assets		5,926	5,853
Total Assets		9,195	8,350
Current Liabilities			
Trade and other payables		780	497
Revenue in advance	14	2,050	1,635
Interest-bearing liabilities	15	193	248
Lease liabilities	16	352	342
Derivative financial liabilities	25	76	63
Provisions	18	65	169
Income taxation		7	2
Other liabilities	19	313	215
Total Current Liabilities		3,836	3,171
Non-Current Liabilities			
Revenue in advance	14	185	219
Interest-bearing liabilities	15	1,485	1,595
Lease liabilities	16	1,305	1,183
Redeemable shares	17	-	200
Derivative financial liabilities	25	137	159
Provisions	18	133	118
Other liabilities	19	35	28
Total Non-Current Liabilities		3,280	3,502
Total Liabilities		7,116	6,673
Net Assets		2,079	1,677
Equity			
Share capital	21	3,377	3,373
Reserves	22	(1,298)	(1,696)
Total Equity		2,079	1,677

Dame Therese Walsh
Chair

Alison Gerry
Director

For and on behalf of the Board, 24 August 2023

The accompanying accounting policies and notes form part of these financial statements.

Statement of Cash Flows

For the year to 30 June 2023

	NOTES	2023 $M	RESTATED 2022 $M
Cash Flows from Operating Activities			
Receipts from customers		6,635	3,353
Payments to suppliers and employees		(4,729)	(2,712)
Income tax refunded		3	-
Interest paid		(145)	(74)
Interest received		89	7
Net Cash Flow from Operating Activities	6	1,853	574
Cash Flows used in Investing Activities			
Disposal of property, plant and equipment, intangibles and assets held for sale		27	28
Distribution from associates	13, 27	16	32
Acquisition of property, plant and equipment, right of use assets and intangibles		(602)	(365)
Interest-bearing assets		(357)	(34)
Investment in associates	13, 27	-	(12)
Investment in other entities		-	(4)
Net Cash Flow used in Investing Activities		(916)	(355)
Cash Flows (used in)/from Financing Activities			
Ordinary shares issued	21	-	1,156
Redeemable shares issued	27	-	600
Interest-bearing liabilities drawdowns		100	1,277
Lease liabilities drawdowns	16	186	-
Rollover of foreign exchange contracts*		31	36
Redemption of redeemable shares	17, 27	(200)	(400)
Equity settlements of staff share award obligations	21	(2)	(4)
Interest-bearing liabilities payments		(250)	(1,030)
Lease liabilities payments	16	(368)	(327)
Net Cash Flow (used in)/from Financing Activities		(503)	1,308
Increase in Cash and Cash Equivalents		434	1,527
Cash and cash equivalents at the beginning of the year		1,793	266
Cash and Cash Equivalents at the End of the Year	6	2,227	1,793

*Relates to gains/losses on rollover of foreign exchange contracts that hedge exposures in other financial periods.

The accompanying accounting policies and notes form part of these financial statements.

Statement of Accounting Policies

For the year to 30 June 2023

Reporting entity

The financial statements presented are those of the consolidated Air New Zealand Group (the Group), including Air New Zealand Limited and its subsidiaries, joint ventures and associates.

Air New Zealand's primary business is the transportation of passengers and cargo on scheduled airline services.

Statutory base

The parent company, Air New Zealand Limited, is a profit-oriented entity, domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand and Australian Stock Exchanges. Air New Zealand Limited is a FMC Reporting Entity under the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

Basis of preparation

Air New Zealand prepares its financial statements in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). NZ GAAP consists of New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial reporting standards as appropriate to profit-oriented entities. These financial statements comply with NZ IFRS and International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on 24 August 2023.

Rebuild from Covid-19 pandemic

During the Covid-19 pandemic the Group significantly reduced its network as demand declined following border closures and international travel restrictions. In response to the impact, the Group took a number of actions resulting in a reduction in flight capacity and labour, being awarded grants for providing international airfreight services and received wage subsidies. The Government began to relax travel restrictions into New Zealand from March 2022. Following the removal of these restrictions, along with other international border relaxations, the airline experienced increased bookings, which has resulted in stronger net cash inflows from customer activity compared to the 2022 financial year, and a significant improvement in operating performance. The Group also strengthened the balance sheet by undertaking an equity capital raise and entering into debt funding arrangements in the latter half of the 2022 financial year, as well as arranging an unsecured 4-year loan facility with the New Zealand government (which remains undrawn).

Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception of certain items as identified in specific accounting policies and are presented in New Zealand Dollars, which is the functional currency.

Use of accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise their judgement in the process of applying the Group's accounting policies. Estimates and associated assumptions are based on historical experience and other factors, as appropriate to the particular circumstances. The Group reviews the estimates and assumptions on an ongoing basis.

Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within the specific accounting policy or note as shown below:

Area of estimate or judgement	Note	
Revenue in advance	Note 1	Revenue recognition and segmental information
	Note 14	Revenue in advance
Aircraft lease return provisions	Note 18	Provisions
Estimated recoverable amount of non-financial assets	'Impairment' accounting policy	
	Note 10	Property, plant and equipment
	Note 11	Right of use assets
Residual values and useful lives of aircraft related assets	Note 10	Property, plant and equipment
	Note 11	Right of use assets
Reassessment of probability of forecast hedged cash flows	Note 25	Financial risk management
Taxation	Note 4	Taxation

Significant estimates are designated by an e symbol in the notes to the financial statements.

Statement of Accounting Policies (continued)

For the year to 30 June 2023

Impact of climate change on financial reporting

The Group recognises that climate change presents a significant issue for the aviation industry and is committed to reducing its emissions in-line with the Paris Agreement. In 2020 the Group announced its commitment to net zero carbon emissions by 2050. In 2022 the Group announced an interim, science-aligned carbon reduction target that guides the Group towards reducing its emissions intensity (based on "well-to-wake" emissions per revenue tonne kilometre) by 28.9 percent by 2030 (against a 2019 baseline).

The following initiatives are expected to contribute to the Group's progress towards its targets:

- Sustainable Aviation Fuels (SAF)
- Next generation aircraft technologies – potential use of novel propulsion technologies; including battery electric, hydrogen fuel cell and/or hybrid concepts
- Continued fleet renewal – rollover of the current fleet to newer aircraft that achieve greater fuel efficiency
- Operational efficiency – optimising carbon efficiency from flight and ground operations
- Carbon removal solutions

In preparing the financial statements, management considers climate-related risks, particularly in relation to financial reporting judgements and estimates, where these could potentially impact reported amounts materially. The areas in which the Group has assessed climate-related risks in the 2023 financial year are disclosed within Note 4 - Taxation, Note 10 - Property, plant and equipment and Note 11 - Right of use assets.

Significant accounting policies

Accounting policies are disclosed within each of the applicable notes to the financial statements and are designated by a symbol.

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented, except as detailed below.

Comparative information has been reclassified to achieve consistency in disclosure with the current financial period. Within the Statement of Financial Position, carbon credits of $21 million (current assets) and $27 million (non-current assets) have been reclassified from Other Assets to Intangible Assets as at 30 June 2022. In addition, purchases of $38 million and disposals of $14 million were reclassified in the Statement of Cash Flows from Payments to suppliers and employees to Acquisition of property, plant and equipment, right of use assets and intangibles and Disposals of property, plant and equipment, intangibles and assets held for sale. The reclassification is considered to better reflect the underlying nature of carbon credit units held.

The following NZ IFRSs and Interpretations, which have been issued but are not yet effective, have been identified as those that may impact Air New Zealand in the period of their initial application, and have not yet been adopted by the Group:

NZ IFRS 17 - Insurance Contracts has not been adopted early. It provides consistent principles for all aspects of accounting for insurance contracts. This standard, which became effective for annual periods commencing on or after 1 January 2023, will not have a significant impact on the financial statements.

The External Reporting Board ('XRB') of New Zealand issued three Climate Standards that set requirements for: Climate-related Disclosures (Aotearoa New Zealand Climate Standard 1 (NZ CS 1)); First-time adoption of Aotearoa New Zealand Climate Standards (NZ CS 2); and General Requirements for climate-related Disclosures (NZ CS 3). The Climate Standards are effective from 1 January 2023, with mandatory assurance required on the Greenhouse Gas emissions included in the Climate Statements for the 2025 Group Annual Report. The Group expects to adopt the Climate Standards for the year ended 30 June 2024. Voluntary Climate-related Disclosures are currently prepared that follow the principles outlined in the international Task Force on Climate-related Financial Disclosures (TCFD) which are reported within the Group's Sustainability Report. The Group has commenced work to build upon the TCFD disclosures to ensure full compliance with the new Climate Standards.

The significant accounting policies that are pervasive throughout the financial statements are set out below. Other significant accounting policies that are specific to certain transactions or balances are set out within the particular note to which they relate.

Basis of consolidation

The consolidated financial statements include those of Air New Zealand Limited and its subsidiaries, accounted for using the acquisition method, and the results of its associates and joint ventures, accounted for using the equity method.

All material intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Unrealised gains on transactions between the Group, joint ventures and its associates are eliminated to the extent of the Group's interest in the joint ventures and associates.

Where a business combination is achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in the Statement of Financial Performance.

Statement of Accounting Policies (continued)

For the year to 30 June 2023

Foreign currency translation

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Transactions and balances

Foreign currency transactions are converted into the relevant functional currency using exchange rates approximating those at transaction date. Monetary assets and liabilities denominated in foreign currencies at balance date are translated at the exchange rate at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange gains or losses are recognised in the Statement of Financial Performance, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Group companies

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities are translated at the closing rate at the reporting date;

(b) income and expenses are translated at exchange rates approximating those at transaction date; and

(c) all resulting exchange differences are recognised as a separate component of equity and in Other Comprehensive Income (within Foreign Currency Translation Reserve).

Exchange differences arising from the translation of borrowings and other currency instruments designated as hedges of investments in foreign entities, are taken to equity within Foreign Currency Translation Reserve.

Impairment

Non-financial assets are reviewed at each reporting date to determine whether there are any indicators that the carrying amount may not be recoverable. If any such indicators exist, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to dispose and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the Statement of Financial Performance for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

The carrying value of financial assets is assessed at each reporting date to determine whether there is any objective evidence of impairment. Where necessary, the Group recognises provisions for expected credit losses based on 12-month or lifetime losses, depending whether there has been a significant increase in credit risk since initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information, based on the Group's historical experience and informed credit assessment, including forward-looking information.

Notes to the Financial Statements

For the year to 30 June 2023

1. Revenue Recognition and Segmental Information

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable. Specific accounting policies are as follows:

Passenger and cargo revenue

Passenger and cargo sales revenue is recognised in revenue in advance at the fair value of the consideration received and allocated to each flight sector based on industry agreements. Amounts for each sector of the ticket are transferred to revenue in the Statement of Financial Performance when the actual carriage is performed. Unused tickets are recognised as revenue using estimates regarding the timing of recognition based on the terms and conditions of the ticket and historical trends.

The Group operates various code share and alliance arrangements. Revenue under these arrangements is recognised when the Group performs the carriage or otherwise fulfils all relevant contractual commitments.

Where one or more sectors are operated by another carrier the amount of the consideration received from the customer less any amount payable to the other carrier is recognised in revenue on a net basis unless the Group has primary responsibility for providing the service. Where the Group has primary responsibility for providing the service the amounts are recognised gross within revenue and expenses.

Government grants that provide financial support to maintain certain transportation services are recognised within revenue in the Statement of Financial Performance when the service is provided and the grant conditions are satisfied.

Loyalty programmes

Revenue associated with the award of Airpoints Dollars to Airpoints members as part of the initial sales transaction is determined by reference to the relative standalone selling prices. These revenues as well as consideration received in respect of sales of Airpoints Dollars to third-parties is deferred to revenue in advance (net of estimated expiry) until such time as the Airpoints member has redeemed their points. The estimate of expiry is based upon historical experience, assessments of changes in customer behaviour and availability of redemption opportunities and is recognised in net passenger revenue in proportion to the pattern of rights exercised by the customer.

Contract services revenue

Where contract related services are performed over a contractually agreed period, and the amount of revenue and related costs can be reliably measured, revenue is recognised based on the proportion of contract costs for work performed to date relative to the estimated total costs. Other contract related revenue is recognised as services are performed.

Other revenue

Other revenue includes lounge revenue, Koru membership subscriptions, commissions and fees and is recognised at the time the service is provided.

Finance income

Interest revenue from investments and fixed deposits is recognised as it accrues, using the effective interest method where appropriate.

Cargo revenue – Government grants and assistance

	2023 $M	2022 $M
Cargo government grants and assistance:		
- New Zealand	98	370
- Other regions	-	33
Total cargo grants and assistance	98	403

The Group was awarded grants to supply international airfreight services by the New Zealand Government through the Ministry of Transport as part of its efforts to ensure the supply of critical imports and maintain economic benefits of high value New Zealand exports during the Covid-19 pandemic. The arrangements were for a period from 30 April 2020 through to 31 March 2023 and were negotiated on an arm's length basis using standard commercial terms. The Group was also awarded contracts from August 2020 to June 2022 to provide international freight services on certain ports from Australia to the United States under the Australian Government International Freight Assistance Mechanism (IFAM). IFAM was intended to restore critical supply chains due to the impact of the global pandemic. Conditions attached to the grants recognised in the Statement of Financial Performance were satisfied at the time of recognition.

Notes to the Financial Statements (continued)

For the year to 30 June 2023

1. Revenue Recognition and Segmental Information (continued)

Segmental information

Air New Zealand operates predominantly in one segment, its primary business being the transportation of passengers and cargo on an integrated network of scheduled airline services to, from and within New Zealand. Resource allocation decisions across the network are made to optimise the consolidated Group's financial result.

	2023 $M	2022 $M
Analysis of revenue by geographical region of original sale		
New Zealand	3,873	2,031
Australia and Pacific Islands	838	221
Asia, United Kingdom and Europe	710	247
America	909	235
Total operating revenue	6,330	2,734

The principal non-current assets of the Group are the aircraft fleet which is registered in New Zealand and employed across the worldwide network. Accordingly, there is no reasonable basis for allocating the assets to geographical segments.

2. Expenses

Additional information in respect of expenses included within the Statement of Financial Performance is as follows:

	2023 $M	2022 $M
Superannuation expense	55	42
Audit and review of financial statements*	1	1

* In addition to fees paid for the audit and review of the financial statements of $1,363k (30 June 2022: $1,422k), other fees were paid for assurance engagements including a student fee protection audit of $6k (30 June 2022: $5k), a passenger facility charge audit of $28k (30 June 2022: Nil) and Greenhouse Gas inventory review of $30k (30 June 2022: $20k). The Group also paid $14k to Deloitte for administrative and other advisory services provided to the Corporate Taxpayers Group for which Air New Zealand, alongside a number of other organisations, is a member (30 June 2022: $17k).

Government grants and subsidies

Government grants and subsidies that compensate the Group for expenses incurred are recognised in the Statement of Financial Performance on a systematic basis over the period in which the related costs are recognised when they become unconditional. Grants and subsidies are reported on a net basis in the same line as the related expense.

	2023 $M	2022 $M
Government grants and subsidies recognised in the Statement of Financial Performance include:		
Wage subsidies (recognised within 'Labour')		
- New Zealand	2	48
- Other regions	-	1
Total wage subsidies	2	49

Given the significant impact that Covid-19 had on the New Zealand economy, the New Zealand Government, through the Ministry of Social Development, provided wage subsidies for periods where there were alert level restrictions and businesses could demonstrate a decline in revenues as a result of the pandemic. Additional subsidies were received from other governments in the prior year related to offshore offices including the United States of America, Singapore and the Cook Islands. The wage subsidies were recognised within Labour expenses as an offset to the underlying labour cost. Conditions attached to the subsidies, which have been recognised in the Statement of Financial Performance, have been satisfied.

Notes to the Financial Statements (continued)

For the year to 30 June 2023

3. Other Significant Items

Other significant items are items of revenue or expenditure which due to their size and nature, warrant separate disclosure to assist with the understanding of the underlying financial performance of the Group.

	2023 $M	2022 $M
Foreign exchange losses on uncovered interest-bearing liabilities and lease liabilities	(23)	(43)
Foreign exchange amounts transferred from the cash flow hedge reserve where the forecast transaction was no longer expected to occur	-	(13)
Aircraft impairment reversal/(expense)	12	(6)
Impairment of intangible asset	-	(24)
Reorganisation costs release	-	1
	(11)	(85)

Foreign exchange losses on uncovered interest-bearing liabilities and lease liabilities

Group policy is to manage foreign currency exposures arising from foreign currency denominated liabilities. Due to a significant decline in forecast foreign currency revenue as a result of Covid-19, the Group was required to de-designate revenue hedges in the 2020 financial year which resulted in certain foreign currency debt and lease obligations becoming unhedged. Foreign currency translation gains/losses arising on these obligations were recognised in the Statement of Financial Performance.

Following the phased reopening of borders into New Zealand and other overseas ports, and recovery of international passenger demand, in November 2022 the Group established new USD and EUR forecast foreign currency revenue hedges, and in April 2023 the Group established new JPY forecast foreign currency revenue hedges. From the date of designation of the hedges, the translation gains/losses arising on the obligations were recognised in Other Comprehensive Income and accumulated within the cash flow hedge reserve. Amounts accumulated in the cash flow hedge reserve will be transferred to Earnings at the time of the respective interest-bearing liabilities and lease liabilities repayments. No further amounts will be recognised within Other Significant Items.

Foreign exchange amounts transferred from the cash flow hedge reserve where the forecast transaction was no longer expected to occur

Group policy is to manage risk exposures on foreign currency risk arising in respect of forecast operating cash flows. As a result of Covid-19 there was a substantial decline in customer demand in the prior years due to border closures and domestic travel restrictions. The airline significantly reduced operating capacity, affecting revenues and operating expenditure. A number of revenue hedges in relation to foreign currency operating revenue and expenditure transactions were de-designated. Where the forecast hedged transaction was no longer expected to occur, the associated accumulated gains or losses were transferred from the cash flow hedge reserve to the Statement of Financial Performance.

Aircraft impairment reversal/(expense)

As a result of Covid-19 the Group significantly reduced its network capacity following border closures and international travel restrictions. Due to the severe impact that the pandemic had on global demand for international air travel in prior years, the Boeing 777-200ER fleet and one Boeing 777-300ER aircraft were grounded for an indefinite period into the future. The Group has since reactivated the Boeing 777-300ER aircraft and an impairment provision held in relation to this aircraft was partially reversed as at 30 June 2022. Four owned Boeing 777-200ER aircraft and related assets were disposed of in the 2023 financial year. In the comparative financial year the fair values were determined based on expressions of interest from third-parties. An impairment reversal of $12 million was recognised in the Statement of Financial Performance in relation to these assets (30 June 2022: net impairment expense of $4 million was recognised in relation to the Boeing 777-200ER and Boeing 777-300ER assets).

In prior years the Company exited from service the ATR72-500 fleet following a scheduled fleet replacement. Five aircraft were disposed or parted-out in the 2022 financial year. An impairment expense of $2 million was recognised during the year ended 30 June 2022.

Impairment of intangible asset

The Group undertook, over a number of years, a software development project related to implementing an aircrew management system. During the 2022 financial year the Group ceased development of a software programme associated with turboprop-related aspects of aircrew management due to the high degree of complexity and expected delivery timeframes. The asset was fully written down with an impairment expense of $24 million recognised against the capital work in progress (within Intangible Assets).

Reorganisation costs release

Due to the unprecedented impact of Covid-19 on the airline, a reorganisation programme was undertaken to realign the cost base. In the 2022 financial year redundancy provisions of $1 million were released following the recall of staff as a result of a recovery in customer demand.

4. Taxation

Current and deferred taxation are calculated on the basis of tax rates enacted or substantively enacted at reporting date, and are recognised in the income statement except when the tax relates to items charged or credited to other comprehensive income, in which case the tax is also recognised in other comprehensive income.

Deferred income taxation is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets and unused tax losses are only recognised to the extent that it is probable that future taxable amounts will be available against which to utilise those temporary differences and losses.

Notes to the Financial Statements (continued)

For the year to and as at 30 June 2023

4. Taxation (continued)

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Judgements are required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of current and deferred tax assets and liabilities recognised in the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Statement of Financial Performance. Assumptions underlying the forecast of future taxable income that supports the recoverability of deferred tax assets consider the financial impacts of the Group's decarbonisation strategy.

	2023 $M	2022 $M
Current taxation expense		
Current year	-	(2)
	-	(2)
Deferred taxation (expense)/credit		
Origination of temporary differences	(34)	29
Unused tax losses	(128)	192
	(162)	221
Total taxation (expense)/credit recognised in earnings	(162)	219
Reconciliation of effective tax rate		
Earnings/(Loss) before taxation	574	(810)
Taxation at 28%	(161)	227
Adjustments		
Non-deductible expenses	(3)	(4)
Non-taxable income	1	1
Under provided in prior periods	(1)	-
Foreign tax paid	(1)	-
Other	3	(5)
Taxation (expense)/credit	(162)	219

The Group has $48 million of imputation credits as at 30 June 2023 (30 June 2022: $40 million).

Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	NON-AIRCRAFT ASSETS $M	AIRCRAFT RELATED $M	PROVISIONS AND ACCRUALS $M	FINANCIAL INSTRUMENTS $M	PENSION OBLIGATIONS $M	EQUITY SETTLEMENTS $M	UNUSED TAX LOSSES $M	TOTAL $M
As at 1 July 2021	(4)	318	(59)	(20)	-	(2)	(175)	58
Amounts recognised in Other Comprehensive Income	-	-	-	-	(1)	-	-	(1)
Amounts recognised in earnings	(10)	(17)	(4)	-	-	2	(192)	(221)
As at 30 June 2022	(14)	301	(63)	(20)	(1)	-	(367)	(164)
Amounts recognised in Other Comprehensive Income	-	(1)	-	(6)	1	-	-	(6)
Amounts recognised in earnings	(10)	52	(7)	-	-	(1)	128	162
As at 30 June 2023	(24)	352	(70)	(26)	-	(1)	(239)	(8)

Deferred tax assets and liabilities are offset on the face of the Statement of Financial Position where they relate to entities within the same taxation authority.

The Group is carrying forward $854 million of tax losses (30 June 2022: $1,311 million) that are available indefinitely for offsetting against future taxable income. A deferred tax asset of $239 million (30 June 2022: $367 million) has been recognised in respect of these losses as there are taxable temporary differences against which the tax losses can be offset. The Board of Directors consider it probable that there will be sufficient future taxable profits against which the carried forward tax losses can be utilised.

The Organisation of Economic Co-operation and Development's (OECD's) Pillar Two rules are currently being introduced in New Zealand through the Taxation (Annual Rates for 2023–24, Multinational Tax, and Remedial Matters) Bill. It is not expected that there will be any significant impact on the Group.

Notes to the Financial Statements (continued)

For the year to and as at 30 June 2023

5. Earnings Per Share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to shareholders of the Parent by the weighted average number of ordinary shares on issue during the year, excluding shares held as treasury stock. Diluted earnings per share assumes conversion of all dilutive potential ordinary shares in determining the denominator.

	2023 $M	2022 $M
Earnings for the purpose of basic and diluted earnings per share:		
Net profit/(loss) attributable to shareholders	412	(591)
Weighted average number of shares (in millions of shares)		
Weighted average number of Ordinary Shares for basic earnings per share	3,368	1,449
Effect of dilutive ordinary shares:		
- Performance rights	9	-
Weighted average number of Ordinary Shares for diluted earnings per share	3,377	1,449
Basic and diluted earnings per share	12.2	(40.8)

6. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, current accounts in banks net of overdrafts and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows are included in the Statement of Cash Flows net of Goods and Services Tax.

Cash and cash equivalents, as stated in the Statement of Cash Flows, are reconciled to the Bank and short-term deposits balance in the Statement of Financial Position as follows:

	2023 $M	RESTATED 2022 $M
Cash balances	103	73
Short-term deposits and short-term bills	2,124	1,720
Total cash and cash equivalents	2,227	1,793
Reconciliation of Net Profit/(Loss) Attributable to Shareholders to Net Cash Flows from Operating Activities:		
Net profit/(loss) attributable to shareholders	412	(591)
Plus/(less) non-cash items:		
Depreciation and amortisation	695	668
Loss on disposal of property, plant and equipment, intangibles and assets held for sale	10	11
Impairment (reversal)/expense on property, plant and equipment, right of use assets, intangibles and assets held for sale	(14)	30
Share of earnings of associates	(39)	(27)
Movements on fuel derivatives	(15)	(10)
Foreign exchange losses on uncovered interest-bearing liabilities and lease liabilities	23	43
Amounts transferred from the cash flow hedge reserve where the forecast transaction is no longer expected to occur	-	13
Foreign exchange losses	20	8
Other non-cash items	11	13
	1,103	158
Net working capital movements:		
Assets	(122)	(28)
Revenue in advance	381	662
Liabilities	491	(218)
	750	416
Net cash flow from operating activities	1,853	574

Notes to the Financial Statements (continued)

As at 30 June 2023

7. Trade and Other Receivables

Trade and other receivables are recognised at cost less any provision for lifetime expected credit losses. Bad debts are written-off when they are considered to have become uncollectable.

	2023 $M	2022 $M
Current		
Trade and other receivables	422	313
Prepayments	74	50
	496	363
Non-current		
Prepayments	23	36
	23	36

Expected credit loss provisions of $1 million were recognised as at 30 June 2023 (30 June 2022: $4 million).

8. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

	2023 $M	2022 $M
Engineering expendables	93	81
Consumable stores	26	17
	119	98
Held at cost	105	83
Held initially at cost	69	73
Less provision for inventory obsolescence	(55)	(58)
Held at net realisable value	14	15
	119	98

Notes to the Financial Statements (continued)

As at 30 June 2023

9. Other Assets

Contract work in progress
Contract work in progress is stated at cost plus the profit recognised to date, using the cost input method, less any amounts invoiced to customers. Cost includes all expenses directly related to specific contracts and an allocation of direct production overhead expenses incurred. Amounts are invoiced as work progresses in accordance with contractual terms, either at periodic intervals or upon achievement of contractual milestones.

Interest-bearing assets
Interest-bearing assets are measured at amortised cost using the effective interest method, less any impairment.

Assets held for sale
Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The sale must be highly probable and the asset available for immediate sale in its present condition. Non-current assets held for sale are measured at the lower of the asset's previous carrying amount and its fair value less costs to sell.

	2023 $M	2022 $M
Current		
Contract work in progress	22	40
Interest-bearing assets	275	-
Assets held for sale	1	13
Other assets	2	4
	300	57
Non-current		
Interest-bearing assets	457	360
Other assets	6	5
	463	365

The carrying value of the assets held for sale reflects the lower of their previous carrying value at the date of transfer or external market assessments of the fair value, less costs to dispose. Spares related to exited fleets are being marketed for sale and it is expected that proceeds will be received over the next year. As a result of the impact of Covid-19 on international travel, the Group exited from service four Boeing 777-200ER aircraft, three spare engines and other associated assets that were not expected to return to operation in the Air New Zealand fleet. The fleet assets were disposed of in the 2023 financial year. The market values for the 2022 financial year were obtained from an external valuer which equated to a level 2 input on the fair value hierarchy. Key inputs into the external valuations included economic factors, the age and manufacture type of the aircraft and engines, and the maintenance condition of the aircraft. An impairment expense of $21 million was recognised in relation to these assets in the 2022 financial year.

Interest-bearing assets include fixed rate Term Deposits and floating rate Certificates of Deposits that have been provided as security over credit card obligations incurred by Air New Zealand and standby letters of credit and other financial guarantees issued to third-parties. Certain deposits are subject to offsetting under a security deed and remain in force until specifically released by the secured party. For other deposits, a minimum notification period of twelve months is required to be given prior to the security deposits being released. These deposits are subject to potential offsetting under master netting arrangements. In addition, the Group holds Euro fixed rate deposits that mature between September 2030 and September 2031 held as part of aircraft financing arrangements. Fixed interest rates in the year to 30 June 2023 were between 0.6% and 6.1% per annum (30 June 2022: 0.04% to 3.6% per annum). The fair value of interest-bearing assets as at 30 June 2023 was $729 million (30 June 2022: $373 million).

Notes to the Financial Statements (continued)

As at 30 June 2023

10. Property, Plant and Equipment

Owned assets
Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item and in bringing the asset to the location and working condition for its intended use. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Where significant parts of an item of property, plant and equipment have different useful lives, they are accounted for separately. A portion of the cost of an acquired aircraft is attributed to its service potential (reflecting the maintenance condition of its engines) and is depreciated over the shorter of the period to the next major inspection event, overhaul, or the remaining life of the asset. The cost of major engine overhauls for aircraft owned by the Group is capitalised and depreciated over the period to the next expected inspection or overhaul.

Capital work in progress includes the cost of materials, services, labour and direct production overheads.

Manufacturing credits
Where the Group receives credits and other contributions from manufacturers in connection with the acquisition of certain aircraft and engines, these are either recorded as a reduction to the cost of the related aircraft and engines, or offset against the associated operating expense, according to the reason for which they were received.

Depreciation
Depreciation is calculated to write down the cost of assets on a straight line basis to an estimated residual value over their economic lives as follows:

Airframes	18 years
Engines	6 – 15 years
Engine overhauls	period to next overhaul
Aircraft specific plant and equipment (including simulators and spares)	10 – 25 years
Buildings	50 – 100 years
Non-aircraft specific leasehold improvements, plant, equipment, furniture and vehicles	2 - 10 years

	AIRFRAMES, ENGINES AND SIMULATORS $M	SPARES $M	PLANT AND EQUIPMENT $M	LAND AND BUILDINGS $M	CAPITAL WORK IN PROGRESS $M	TOTAL $M
2023						
Carrying value as at 1 July 2022	2,720	81	113	197	79	3,190
Additions	207	31	3	-	142	383
Disposals	(13)	(9)	-	-	(1)	(23)
Depreciation	(277)	(10)	(28)	(33)	-	(348)
Impairment reversal	-	-	-	2	-	2
Transfers of capital work in progress	24	-	17	7	(48)	-
Transfers from right of use assets	57	-	-	-	-	57
Carrying value as at 30 June 2023	2,718	93	105	173	172	3,261
Represented by:						
Cost	4,744	174	511	554	172	6,155
Accumulated depreciation	(2,023)	(81)	(406)	(371)	-	(2,881)
Provision for impairment	(3)	-	-	(10)	-	(13)
Carrying value as at 30 June 2023	2,718	93	105	173	172	3,261

Notes to the Financial Statements (continued)

As at 30 June 2023

10. Property, Plant and Equipment (continued)

	AIRFRAMES, ENGINES AND SIMULATORS $M	SPARES $M	PLANT AND EQUIPMENT $M	LAND AND BUILDINGS $M	CAPITAL WORK IN PROGRESS $M	TOTAL $M
2022						
Cost	3,939	143	497	531	76	5,186
Accumulated depreciation	(1,295)	(70)	(367)	(309)	-	(2,041)
Provision for impairment	(5)	-	-	(12)	-	(17)
Carrying value as at 1 July 2021	2,639	73	130	210	76	3,128
Additions	193	26	1	10	48	278
Disposals	(1)	(10)	-	-	-	(11)
Depreciation	(259)	(8)	(30)	(33)	-	(330)
Impairment reversal/(expense)	2	-	-	-	(1)	1
Transfers of capital work in progress	22	-	12	10	(44)	-
Transfer to assets held for resale	124	-	-	-	-	124
Carrying value as at 30 June 2022	2,720	81	113	197	79	3,190
Represented by:						
Cost	4,403	156	502	550	79	5,690
Accumulated depreciation	(1,680)	(75)	(389)	(341)	-	(2,485)
Provision for impairment	(3)	-	-	(12)	-	(15)
Carrying value as at 30 June 2022	2,720	81	113	197	79	3,190

	2023 $M	2022 $M
Airframes, engines and simulators comprise:		
Owned airframes, engines and simulators	2,502	2,490
Progress payments	216	230
	2,718	2,720
Land and buildings comprise:		
Leasehold properties	162	185
Freehold properties	11	12
	173	197

Certain aircraft and aircraft related assets with a carrying value of $1,546 million as at 30 June 2023 are pledged as specific security over secured borrowings (30 June 2022: $1,665 million).

e

Impairment

Assets are required to be carried at no more than their recoverable amount either through use or sale of the asset. During the 2023 financial year no indicators of impairment were identified that would require a formal impairment test to be undertaken (other than for Air New Zealand Gas Turbines assets which were tested individually). In the 2022 financial year, due to uncertainty surrounding the expected recovery period of global demand as a result of the Covid-19 pandemic, the Group undertook impairment testing to ensure the carrying value of assets was appropriate.

Fleet

In the 2023 financial year the recoverability of aircraft assets was supported by the market values which were above the carrying values. A value-in-use model was not required to be prepared as no indications of impairment were identified. For the 2022 financial year the carrying value of assets (excluding those individually tested) was tested for impairment as part of the airline network cash generating unit, using a value-in-use discounted cash flow model. Cash flow projections were developed for a 10-year period, on the basis of detailed shorter-term forecasts which incorporated recovery towards pre-Covid-19 capacity, followed by extrapolation at a growth rate of 2.00% per annum from the 2027 financial year. The cash flow projections were discounted using a pre-tax rate of 12.6%, which reflected a market estimate of the weighted average cost of capital for the Group with sensitivities performed within the range of 11.6% to 13.9%. This pre-tax weighted average cost of capital equated to a post tax rate of 10.0%.

Cash flow projections used in the discounted cash flow models reflected the Board of Director's and management's view at the time of network growth following the impact of the Covid-19 pandemic. The projections incorporated key inputs and assumptions including the recovery of passenger demand for domestic and international travel, expected fleet usage, network operations and investment profile. In assessing the cash flow projections, the directors considered a number of sensitivities. The factors driving the largest sensitivities within the overall model were terminal values and discount rates, and within the detailed projection period to the 2027 financial year were revenue per available seat kilometre and fuel price. Consideration was given to historical performance and the previous Board approved 5-year plans, particularly when assessing the reasonableness of cash flows towards the end of the projected period and terminal year growth assumptions.

Notes to the Financial Statements (continued)

As at 30 June 2023

10. Property, Plant and Equipment (continued)

Fleet (continued)

The majority of the enterprise value within the value-in-use model was derived from the terminal value as opposed to short-term detailed cashflow projections to the 2027 financial year. Potential short-term variances in the Group's cashflow projections, while impacting the measurement of the recoverable amount, did not materially impact the headroom identified. The discounted cash flows from the cash generating unit confirmed for the 2022 financial year that there was no impairment to the remaining cash generating unit assets (including the aircraft fleet) as, in the opinion of the directors, the recoverable value from value-in-use exceeded the book value of the assets, based on the Board of Directors' assessment of the Group's future operations.

Land and buildings

Air New Zealand Gas Turbines (ANZGT) provides overhaul services to aero derivative engines that are applied to energy production and marine industries. In prior years a downturn in the market resulted in a decline in activity and profitability of the business resulting in an impairment provision of $12 million being recognised against the land and building assets of the business. During the year ended 30 June 2023 the assets were assessed for impairment based on a value-in-use discounted cash flow valuation. The Group will cease operations of all customer work of ANZGT from 30 September 2023. Key assumptions applied in the value-in-use model include the timing of realisation of cashflows (and in the prior year exchange rates, customer demand and market supply which was derived off historic data and market information). Given the proximity to closure of the business and realisation of the cash flows the projections were not discounted in the 2023 financial year (30 June 2022: 10%). The cashflow valuation supported a reversal of impairment of $2 million for the year ended 30 June 2023 (30 June 2022: Nil).

Residual values and useful lives

Estimates and judgements are applied by management to determine the expected useful lives of aircraft related assets. The useful lives are determined based on the expected service potential of the asset and lease term for leasehold improvements. The residual value, at the expected date of disposal, is estimated by reference to external projected values and is influenced by external changes to economic conditions, demand, competition and new technology. Residual values are denominated in United States dollars and are therefore sensitive to exchange fluctuations as well as movements in projected values. The impact of decarbonisation and climate-related risks on the Group's aircraft related assets has also been considered when assessing residual values and useful lives. Residual values and useful lives are reviewed each year to ensure they remain appropriate. During the year ended 30 June 2023 the residual values of the aircraft were reassessed and depreciation expense was increased by $13 million (30 June 2022: decreased by $6 million).

11. Right of Use Assets

Right of use assets are initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right of use asset reflects that the Group is likely to exercise a purchase option. In that case, the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

	AIRFRAME AND ENGINES WITH PURCHASE OPTION* $M	AIRFRAME AND ENGINES WITH NO PURCHASE OPTION $M	LAND AND BUILDINGS $M	TOTAL $M
2023				
Carrying value as at 1 July 2022	1,023	352	242	1,617
Additions	155	199	85	439
Disposals	(7)	-	-	(7)
Depreciation	(127)	(124)	(53)	(304)
Impairment expense	-	(1)	-	(1)
Transfers to property, plant and equipment	(57)	-	-	(57)
Carrying value as at 30 June 2023	987	426	274	1,687
Represented by:				
Cost	1,978	940	465	3,383
Accumulated depreciation	(991)	(488)	(191)	(1,670)
Provision for impairment	-	(26)	-	(26)
Carrying value as at 30 June 2023	987	426	274	1,687

* Airframes and engines where a purchase option is assessed as reasonably certain to be exercised.

Notes to the Financial Statements (continued)

As at 30 June 2023

11. Right of Use Assets (continued)

	AIRFRAME AND ENGINES WITH PURCHASE OPTION* $M	AIRFRAME AND ENGINES WITH NO PURCHASE OPTION $M	LAND AND BUILDINGS $M	TOTAL $M
2022				
Cost	2,283	821	361	3,465
Accumulated depreciation	(999)	(295)	(93)	(1,387)
Provision for impairment	-	(89)	-	(89)
Carrying value as at 1 July 2021	1,284	437	268	1,989
Additions	-	5	25	30
Disposals	-	-	(2)	(2)
Depreciation	(137)	(105)	(49)	(291)
Impairment reversal	-	15	-	15
Transfers to property, plant and equipment	(124)	-	-	(124)
Carrying value as at 30 June 2022	1,023	352	242	1,617
Represented by:				
Cost	2,000	806	382	3,188
Accumulated depreciation	(977)	(387)	(140)	(1,504)
Provision for impairment	-	(67)	-	(67)
Carrying value as at 30 June 2022	1,023	352	242	1,617

* Airframes and engines where a purchase option is assessed as reasonably certain to be exercised.

Certain aircraft and aircraft related assets with a carrying value of $960 million as at 30 June 2023 (30 June 2022: $990 million) are pledged as security over lease liabilities.

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Impairment

In prior years, the severity of the impact of the Covid-19 pandemic resulted in the grounding of the Boeing 777-200ER fleet in which four leased aircraft were put into long-term storage for an indefinite period of time and the right of use assets were fully impaired. In the 2022 financial year one of these aircraft was returned to the lessor and an impairment provision of $41 million was held for the three remaining aircraft. In the 2023 financial year all of the remaining aircraft were returned.

An impairment provision reversal of $15 million was recognised in the 2022 financial year for one Boeing 777-300ER aircraft that was previously not expected to return to service and was subsequently reactivated in August 2022. A remaining impairment provision of $26 million was held for the aircraft representing the period of time in which the aircraft was not expected to return to service.

Residual values and useful lives

Estimates and judgements are applied by management to determine the expected useful lives of aircraft related assets. The useful lives are determined based on the expected service potential of the asset and lease term. The residual value, at the expected date of disposal, is estimated by reference to external projected values and are influenced by external changes to economic conditions, demand, competition and new technology. Residual values are denominated in United States dollars and are therefore sensitive to exchange fluctuations as well as movements in projected values. The impact of decarbonisation and climate-related risks on the Group's leased assets has been considered when assessing residual values and useful lives. Residual values and useful lives are reviewed each year to ensure they remain appropriate. During the year ended 30 June 2023 the residual values of the aircraft were reassessed and depreciation expense was increased by $1 million (30 June 2022: decreased by $7 million).

Notes to the Financial Statements (continued)

As at 30 June 2023

12. Intangible Assets

Computer software acquired, which is not an integral part of a related hardware item, is recognised as an intangible asset. The costs incurred internally in developing computer software are also recognised as intangible assets where the Group has a legal right to use the software and the ability to obtain future economic benefits from that software. Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Cloud based software as a service arrangements are recognised as an asset where the Group has the right to use and the ability to control and obtain future economic benefits. These assets have a finite life and are amortised on a straight-line basis over their estimated useful lives of two to ten years.

Carbon credit units are recognised at cost less accumulated impairment losses. Carbon credits are based on a first-in, first-out cost method. Carbon credits are classified as current assets where they are expected to be used to offset obligations under the Emissions Trading Scheme within 12 months of balance date.

	INTERNALLY DEVELOPED SOFTWARE $M	EXTERNALLY PURCHASED SOFTWARE $M	CAPITAL WORK IN PROGRESS $M	CARBON CREDITS $M	OTHER $M	TOTAL $M
2023						
Restated carrying value as at 1 July 2022	118	1	27	48	1	195
Additions	-	-	35	48	-	83
Disposals	-	-	(1)	(27)	-	(28)
Amortisation	(42)	(1)	-	-	-	(43)
Transfers of capital work in progress	44	-	(44)	-	-	-
Carrying value as at 30 June 2023	120	-	17	69	1	207
Represented by:						
Cost	569	152	17	69	1	808
Accumulated depreciation	(449)	(152)	-	-	-	(601)
Carrying value as at 30 June 2023	120	-	17	69	1	207
Current assets	-	-	-	35	-	35
Non-current assets	120	-	17	34	1	172
Carrying value as at 30 June 2023	120	-	17	69	1	207
2022						
Cost	502	153	30	-	1	686
Accumulated depreciation	(366)	(151)	-	-	-	(517)
Carrying value as at 1 July 2021	136	2	30	-	1	169
Restatement for reclassification of Carbon Credits from 'Other Assets':						
Cost	-	-	-	24	-	24
Restated carrying value as at 1 July 2021	136	2	30	24	1	193
Additions	-	-	50	38	-	88
Disposals	(1)	-	-	(14)	-	(15)
Amortisation	(46)	(1)	-	-	-	(47)
Impairment expense	-	-	(24)	-	-	(24)
Transfers of capital work in progress	29	-	(29)	-	-	-
Restated carrying value as at 30 June 2022	118	1	27	48	1	195
Represented by:						
Cost	524	151	27	48	1	751
Accumulated depreciation	(406)	(150)	-	-	-	(556)
Restated carrying value as at 30 June 2022	118	1	27	48	1	195
Current assets	-	-	-	21	-	21
Non-current assets	118	1	27	27	1	174
Carrying value as at 30 June 2022	118	1	27	48	1	195

Notes to the Financial Statements (continued)

For the year to and as at 30 June 2023

13. Investments in Other Entities

An associate company is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control and rights to the net assets. Significant influence is presumed to exist when the Group holds 20 percent or more of the voting power of an entity.

Investments in associates and joint ventures are accounted for using the equity method and are measured in the Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets, less dividends.

If the carrying amount of the equity accounted investment exceeds its recoverable amount, it is written down to the latter. When the Group's share of accumulated losses in an associate or joint venture equals or exceeds its carrying value, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

	2023 $M	2022 $M
Investments in associates	184	158
Investments in other entities	6	6
	190	164

Subsidiaries

Significant subsidiaries comprise:

NAME	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION
Air Nelson Limited	Aviation services	New Zealand
Air New Zealand Aircraft Holdings Limited	Aircraft leasing and financing	New Zealand
Air New Zealand Associated Companies Limited	Investment	New Zealand
Air New Zealand Regional Maintenance Limited	Engineering services	New Zealand
Mount Cook Airline Limited	Aviation services	New Zealand
TEAL Insurance Limited	Captive insurer	New Zealand

All subsidiary entities above have a balance date of 30 June and are 100% owned.

Associates

Significant associates and joint ventures comprise:

NAME	% OWNED	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	BALANCE DATE
Christchurch Engine Centre (CEC)	49	Engineering services	New Zealand	31 December
Drylandcarbon One Limited Partnership	21	Carbon credit generation	New Zealand	30 June

Summary financial information of associates

	CEC 2023 $M	DRYLAND 2023 $M	TOTAL 2023 $M	CEC 2022 $M	DRYLAND 2022 $M	TOTAL 2022 $M
Assets and liabilities of associates are as follows:						
Current assets	485	15	500	374	23	397
Non-current assets	58	101	159	54	105	159
Current liabilities	(197)	(3)	(200)	(127)	(13)	(140)
Non-current liabilities	(18)	-	(18)	(27)	-	(27)
Net identifiable assets (100% share)	328	113	441	274	115	389
Group share of net identifiable assets	161	23	184	134	24	158
Carrying value of investment in associates	161	23	184	134	24	158

Results of associates						
Revenue	1,169	4	1,173	877	3	880
Earnings after taxation	79	1	80	56	(1)	55
Total comprehensive income (100% share)	79	1	80	56	(1)	55
Group share of net earnings after taxation	39	-	39	27	-	27
Group share of total comprehensive income	39	-	39	27	-	27

Notes to the Financial Statements (continued)

For the year to and as at 30 June 2023

13. Investments in Other Entities (continued)

Summary financial information of associates (continued)

	CEC 2023 $M	DRYLAND 2023 $M	TOTAL 2023 $M	CEC 2022 $M	DRYLAND 2022 $M	TOTAL 2022 $M
Reconciliation to carrying amounts:						
Opening carrying value	134	24	158	125	12	137
Share of net earnings after taxation	39	-	39	27	-	27
Distributions received	(16)	(1)	(17)	(32)	-	(32)
Investment in associate	-	-	-	-	12	12
Foreign currency movements	4	-	4	14	-	14
Closing carrying value	161	23	184	134	24	158

14. Revenue in Advance

Transportation sales in advance (including held in credit balances) includes consideration received in respect of passenger and cargo sales for which the actual carriage has not yet been performed. It also includes amounts due for sectors operated by other carriers for which the Group collects consideration from the customer and makes payments to the other carrier based on industry agreements at the time the carriage is performed.

Loyalty programme revenue in advance includes revenues associated with both the award of Airpoints Dollars to Airpoints members as part of the initial sales transaction and with sales of Airpoints Dollars to third-parties, net of estimated expiry (non-redeemed Airpoints Dollars), in respect of which the Airpoints member has not yet redeemed their points.

Other revenue in advance includes membership subscriptions and contract related services revenue which relate to future periods.

Transportation sales in advance

As a result of the impact that Covid-19 had on international border closures and domestic travel restrictions the Group's airline operating schedule was severely impacted resulting in a significant number of flight reschedules and cancellations. Passenger ticket sales that are no longer assigned to a specific scheduled service are held in credit and are available to be assigned to a specific flight. The carriage will be performed within 12 months of assignment. Estimates have been applied to the expected availment profile of the credits in determining the term allocation of the liability. Key judgements included assumptions around passenger demand, forecasted operating capacity and revenue per available seat kilometre.

	2023 $M	2022 $M
Current		
Transportation sales in advance	1,793	1,422
Loyalty programme	232	194
Other	25	19
	2,050	1,635
Non-current		
Transportation sales in advance	21	21
Loyalty programme	158	195
Other	6	3
	185	219

Notes to the Financial Statements (continued)

As at 30 June 2023

15. Interest-Bearing Liabilities

Borrowings, medium term notes and bonds are initially recognised at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost using the effective interest rate method, with changes in market interest rates on certain interest-bearing liabilities measured at fair value. Medium term notes and an unsecured bond issued in October 2022 were designated in fair value hedge relationships, which results in changes in market interest rates being reflected in fair value adjustments of those liabilities.

Borrowings, medium term notes and bonds are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for more than 12 months after the balance date.

	2023 $M	2022 $M
Current		
Secured borrowings	193	198
Unsecured bonds	-	50
	193	248
Non-current		
Secured borrowings	805	987
Medium term notes	578	608
Unsecured bonds	102	-
	1,485	1,595
Interest rates basis:		
Fixed rate	741	732
Floating rate	937	1,111
At carrying amount	1,678	1,843
At fair value	1,721	1,852

Non-cash movements in interest-bearing liabilities during the year ended 30 June 2023 included foreign exchange losses of $4 million (30 June 2022: losses of $49 million) and fair value hedge adjustments of $19 million (30 June 2022: Nil).

The fair value of interest-bearing liabilities for disclosure purposes is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest for similar liabilities at reporting date.

Secured borrowings with third-parties are secured over aircraft and are subject to both fixed and floating interest rates. Fixed interest rates were 1.0% per annum (30 June 2022: 1.0% per annum).

On 25 May 2022, the Group issued AUD550 million of unsecured, unsubordinated Australian Medium Term Notes in two tranches. The first tranche, of AUD300 million, was a four year fixed rate note maturing on 25 May 2026 with a fixed coupon of 5.7% per annum payable semi-annually. The second tranche, of AUD250 million, was a seven year fixed rate bonds maturing on 25 May 2029 with a fixed coupon of 6.5% per annum payable semi-annually.

On 27 October 2022, the Group issued $100 million of unsecured, unsubordinated fixed rate bonds with a maturity date of 27 April 2028 and an interest rate of 6.61% per annum payable semi-annually.

The Group repaid $50 million of five year unsecured unsubordinated fixed rate bonds at the maturity date of 28 October 2022. The bonds had a fixed interest rate of 4.25% per annum which was payable semi-annually.

16. Lease Liabilities

At inception of the contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the Group has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from the use of the asset throughout the lease term.

The Group recognises a right of use asset and a lease liability at the lease commencement date. Details regarding right of use assets are set out in Note 11.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

Notes to the Financial Statements (continued)

As at 30 June 2023

16. Lease Liabilities (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rates as at the commencement date; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

After the commencement date, the amount of the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. The liability is remeasured when there is a change in future lease payments arising from a change in an index or a rate and if the Group revises its assessment as to whether it will exercise a purchase, extension or termination option. A corresponding adjustment is made to the carrying amount of the right of use asset, or is recognised in the Statement of Financial Performance if the carrying amount of the right of use asset has been reduced to zero.

Leases are classified as current liabilities when the lease payments are due to be settled within twelve months after the reporting period. The Group classifies all other lease liabilities as non-current.

The Group adopted the requirements of Covid-19-Related Rent Concessions with effect from 1 July 2019 which allowed lessees not to assess whether particular Covid-related rent concessions were lease modifications. During the 2022 financial year, amounts of $1 million were recognised within 'Other revenue' with respect to Covid-19 related rent concessions.

Short-term leases

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases. Short-term leases are leases with a lease term of 12 months or less without a purchase option. The Group recognises the lease payments associated with the leases as an expense (recognised within 'Other expenses' in the Statement of Financial Performance) on a straight-line basis over the lease term.

Variable lease payments not included in the measurement of the lease liability

Variable lease payments that do not depend on an index or a rate are excluded from the measurement of the lease liability and recognised as an expense in the period in which the event or condition that triggers those payments occurs. These typically arise from the Group's property leases where lease payments are calculated based on usage.

Sale and leaseback arrangements

Where the transfer of an asset meets the conditions for a sale, the right of use asset arising from the leaseback is measured at the proportion of the previous carrying amount that relates to the right of use retained by the Group. The Group only recognises the proportion of any gain or loss that relates to the rights transferred to the buyer-lessor. Any below market terms are accounted for as a prepayment of lease payments and any above market terms are accounted for as additional financing provided by the buyer-lessor.

Leasing activities

The Group's leases are mainly comprised of aircraft, spare engines, airport lounges, offices and hangars, other office buildings and storage space. Aircraft leases are typically for 12 to 14 years with a series of early termination options. Rent is either fixed or reset periodically based on an index or rate. Property leases are typically 3 to 5 years, with a number of renewal options, together with a small number of longer term strategic leases. Rent may increase on the basis of annual fixed percentage increases, CPI movements, rent negotiations or market reviews. Extension and termination options are used to maximise operational flexibility.

Determination of lease term

The lease term is the non-cancellable period of a lease, together with periods covered by an option (available to the lessee only) to extend or terminate the lease if the lessee is reasonably certain to exercise/not to exercise that option. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise/not exercise an option. This may include the existence of large penalties for early termination, the incurrence of significant maintenance costs in meeting early return obligations or consideration as to whether leasehold improvements still carry significant value. Such assessment is reviewed if a significant event or change in circumstances occurs which affects this assessment and is within the control of the Group. Certain property leases, for which there is no readily identifiable alternative property available, include an additional renewal period where one is available under the lease contract.

Determination of incremental borrowing rate

The Group determines the incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the term and currency of the lease and the type of asset being leased.

Notes to the Financial Statements (continued)

As at 30 June 2023

16. Lease Liabilities (continued)

Sale and leasebacks

During the 2020 financial year, four owned Airbus A320 aircraft were sold and leased back. Lease terms under this arrangement ranged from 15 to 26 months at fair market rentals with a weighted average discount rate of 2.4%. Cash outflows during the 2023 financial year as a result of this transaction were $1 million (30 June 2022: $4 million).

Such transactions are considered on an aircraft by aircraft basis as fleets near exit. This transaction was in preparation for the exit of the aircraft and provided certainty to the Group of the residual proceeds. No such transactions were entered into in the current year.

Movements in lease liabilities during the year, are presented below.

	AIRFRAME AND ENGINE LEASES WITH PURCHASE OPTION* $M	AIRFRAME AND ENGINE LEASES WITH NO PURCHASE OPTION $M	BUILDING LEASES WITH NO PURCHASE PURCHASE OPTION $M	TOTAL $M
2023				
Carrying value as at 1 July 2022	869	399	257	1,525
Additions	186	199	86	471
Interest cost	-	14	11	25
Capitalised interest	7	-	-	7
Repayments**	(172)	(158)	(63)	(393)
Foreign currency movements	13	8	1	22
Carrying value as at 30 June 2023	903	462	292	1,657
Represented by:				
Current	178	134	40	352
Non-current	725	328	252	1,305
Carrying value as at 30 June 2023	903	462	292	1,657
2022				
Carrying value as at 1 July 2021	989	491	281	1,761
Additions	-	4	21	25
Interest cost	-	9	10	19
Capitalised interest	7	-	-	7
Repayments**	(138)	(153)	(55)	(346)
Terminations	-	-	(2)	(2)
Foreign currency movements	11	48	2	61
Carrying value as at 30 June 2022	869	399	257	1,525
Represented by:				
Current	169	131	42	342
Non-current	700	268	215	1,183
Carrying value as at 30 June 2022	869	399	257	1,525

	2023 $M	2022 $M
Interest rates basis:		
Fixed rate	1,088	1,013
Floating rate	569	512
At amortised cost	1,657	1,525

* Airframes and engines where a purchase option is assessed as reasonably certain to be exercised.

** The principal amount of $368 million (30 June 2022: $327 million) is presented in the Statement of Cash Flows within 'Financing Activities', and interest payments of $25 million (30 June 2022: $19 million) are presented in 'Operating Activities'.

Lease liabilities with purchase options which are reasonably certain of being exercised are secured over aircraft and are subject to both fixed and floating interest rates. Fixed interest rates ranged from 0.3% to 3.6% per annum (30 June 2022: 0.5% to 3.6% per annum). The weighted average discount rates used for leases which have no purchase option, or one which is not likely to be exercised, is 3.7% per annum (30 June 2022: 2.9% per annum).

	2023 $M	2022 $M
Amounts recognised in earnings (within 'Other expenses')		
Expenses relating to short-term leases	4	4
Expenses relating to variable lease payments, not included in the measurement of lease liabilities	4	3
	8	7

Notes to the Financial Statements (continued)

For the year to and as at 30 June 2023

17. Redeemable Shares

Redeemable shares are initially recognised at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost using the effective interest rate method, where appropriate.

	2023 $M	2022 $M
Non-current:		
Redeemable shares	-	200
At amortised cost	-	200
At fair value	-	217

Redeemable shares issued to the New Zealand Government in the 2022 financial year were redeemable at the option of the Group, in part or in full, at any time with 20 days' written notice with an unconditional right to defer redemption until the scheduled redemption date of 14 December 2046. Dividends were payable quarterly in arrears and accrued at the rate of 5.2% per annum. The Group could elect to defer the payment of dividends, in which case they would accrue on a cumulative compound basis to the next payment date. On 28 November 2022 the Group redeemed all of the redeemable shares on issue. No further amounts can be issued under the subscription agreement. Further details are provided in Note 27.

18. Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the provision can be reliably measured.

	AIRCRAFT LEASE RETURN COSTS $M	RESTRUCTURING $M	OTHER $M	TOTAL $M
Balance as at 1 July 2022	266	8	13	287
Amount provided	49	2	1	52
Utilised during the year	(113)	(4)	(1)	(118)
Amount released	(22)	(2)	(2)	(26)
Foreign exchange movement	3	-	-	3
Balance as at 30 June 2023	183	4	11	198
Represented by:				
Current	53	4	8	65
Non-current	130	-	3	133
Balance as at 30 June 2023	183	4	11	198

Nature and purpose of provisions

Aircraft lease return costs
Where a commitment exists to maintain aircraft held under lease arrangements, a provision is made during the lease term for the lease return obligations specified within those lease agreements. The provision is calculated taking into account a number of variables and assumptions including the number of future hours or cycles expected to be operated, the expected cost of maintenance and the lifespan of limited life parts. The estimate of the provision is based upon historical experience, manufacturers' advice and, where appropriate, contractual obligations in determining the present value of the estimated future costs of major airframe inspections and engine overhauls by making appropriate charges to the Statement of Financial Performance, calculated by reference to the number of hours or cycles operated during the year. The provision is expected to be utilised at the next inspection or overhaul.

Restructuring
Restructuring provisions are recognised when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Costs relating to ongoing activities are not provided for.

Other
Other provisions include insurance provisions and make good provisions. Insurance provisions are expected to be utilised within 12 months and are based on historical claim experience. Make good provisions are based on cost estimates provided by third-party suppliers and are expected to be utilised within two years (30 June 2022: three years).

Notes to the Financial Statements (continued)

As at 30 June 2023

19. Other Liabilities

Employee entitlements
Liabilities in respect of employee entitlements are recognised in exchange for services rendered during the accounting period that have not yet been compensated as at reporting date. These include annual leave, long service leave, retirement leave and accrued compensation.

Defined benefit pension
Air New Zealand's net obligation in respect of defined benefit pension plans is calculated by an independent actuary, by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of the plan's assets. The discount rate reflects the yield on government bonds that have maturity dates approximating the terms of Air New Zealand's obligations.

When the calculation results in an asset, the value of the asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions from the plan.

	2023 $M	2022 $M
Current		
Employee entitlements	307	206
Amounts owing to associates	1	-
Other liabilities (including defined benefit liabilities)	5	9
	313	215
Non-current		
Employee entitlements	15	14
Other liabilities	20	14
	35	28

The Group operates one defined benefit plan for qualifying employees in New Zealand which is closed to new members. Defined benefit plans provide a benefit on retirement or resignation based upon the employee's length of membership and final average salary. Each year an actuarial calculation is undertaken using the Projected Unit Credit Method to calculate the present value of the defined benefit obligation and the related current service cost. A liability was recognised of $1 million (30 June 2022: $3 million). The current service cost recognised through earnings was $1 million (30 June 2022: $1 million).

20. Distributions to Owners

On 24 August 2023, the Board of Directors declared a special dividend for the 2023 financial year of 6.0 cents per Ordinary Share, payable on 21 September 2023 to registered shareholders at 8 September 2023. The total dividend payable will be $202 million. Imputation credits will be attached and supplementary dividends paid to non-resident shareholders. The dividend has not been recognised in the June 2023 financial statements.

Notes to the Financial Statements (continued)

For the year to and as at 30 June 2023

21. Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or rights are shown in equity as a deduction, net of taxation, from the proceeds.

When shares are acquired by a member of the Group, the amount of consideration paid is recognised directly in equity. Acquired shares are classified as treasury stock and presented as a deduction from share capital. When treasury stock is subsequently sold or reissued pursuant to equity compensation plans, the cost of treasury stock is reversed and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs, is recognised within Share Capital.

Where the Group funds the on-market purchase of shares to settle obligations under staff share awards or long-term incentive plans the total cost of the purchase (including transaction costs) is deducted from Share Capital.

	2023 $M	2022 $M
Share Capital comprises:		
Authorised, issued and fully paid in capital	3,347	3,349
Equity-settled share-based payments (net of taxation)	30	24
	3,377	3,373

Balance at the beginning of the year	3,373	2,213
Shares issued (net of transaction costs)	-	1,156
Equity settlements of staff share award obligations*	(2)	(4)
Equity-settled share-based payments	6	8
Balance at the end of the year	3,377	3,373

* During the year ended 30 June 2023 the Group funded the on-market purchase of 2,016,383 shares (30 June 2022: 2,279,412). The shares were used to settle obligations under staff share award schemes.

	2023	2022
Number of Ordinary Shares authorised, fully paid and on issue		
Balance at the beginning of the year	3,368,464,315	1,122,844,227
Shares issued	-	2,245,620,088
Balance at the end of the year**	3,368,464,315	3,368,464,315

** Includes treasury stock of 34,183 shares (30 June 2022: 34,183 shares).

Ordinary Shares
On 6 April 2022 the Group launched a $1.2 billion pro rata renounceable rights offer to eligible shareholders at a ratio of 2 for 1. The offer price on the new shares was NZD$0.53 and AUD$0.49. The new Ordinary Shares were alloted on 9 May 2022. Transaction costs of $36 million were recognised against the share issue.

Restrictions on dividend declarations on Ordinary Shares
The Group is restricted from paying dividends on its Ordinary Shares if at any time there are any amounts drawn under a New Zealand Government unsecured committed revolving standby facility (CSF2 Loan Facility). The Group has not drawn any amounts under the CSF2 Loan Facility.

Kiwi Share
One fully paid special rights convertible share (the Kiwi Share) is held by the Crown. While the Kiwi Share does not carry any general Voting Rights, the consent of the Crown as holder is required for certain prescribed actions of the Company as specified in the Constitution.

Non-New Zealand nationals are restricted from holding or having an interest in 10% or more of voting shares unless the prior written consent of the Kiwi Shareholder is obtained. In addition, any person that owns or operates an airline business is restricted from holding any shares in the Company without the Kiwi Shareholder's prior written consent.

Voting rights
On a show of hands or by a vote of voices, each holder of Ordinary Shares has one vote. On a poll, each holder of Ordinary Shares has one vote for each fully paid share. All Ordinary Shares carry equal rights to dividends and equal distribution rights on wind up.

Application of treasury stock method

Share repurchase
The Group utilises treasury stock acquired under a buy-back programme to fulfil obligations under employee share-based compensation plans. No treasury stock was utilised in the 2023 financial year (30 June 2022: Nil). Total treasury stock held as at 30 June 2023 is 34,090 shares (30 June 2022: 34,090 shares).

Staff Share Scheme
Unallocated shares of the Air New Zealand Staff Share Schemes are accounted for under the Treasury Stock method, and deducted from Ordinary Share capital on consolidation. The number of unallocated shares as at 30 June 2023 was 93 (30 June 2022: 93).

Notes to the Financial Statements (continued)

For the year to and as at 30 June 2023

21. Share Capital (continued)

Share-Based Payments

The fair value (at grant date) of share rights granted to employees is recognised as an expense, within the Statement of Financial Performance, over the vesting period of the rights, with a corresponding entry to 'Share Capital'. The amount recognised as an expense is adjusted at each reporting date to reflect the extent to which the vesting period has expired and management's best estimate of the number of rights that will ultimately vest.

The total expense recognised in the year ended 30 June 2023 in respect of equity-settled share-based payment transactions related to performance share rights was $4 million (30 June 2022: $3 million). An additional $2 million of expense was recognised in relation to an Exceptional Contributor incentive scheme (30 June 2022: $1 million). In the 2022 financial year a 'Thank You' staff share award was recognised of $4 million.

Performance share rights
Performance share rights have been offered to a number of senior executives on attainment of predetermined performance objectives.

	2023	2022
Number outstanding		
Outstanding at beginning of the year	12,421,918	11,977,616
Granted during year	14,788,362	5,276,405
Forfeited during year	(4,217,109)	(4,832,103)
Outstanding at the end of the year	22,993,171	12,421,918
Fair value of rights granted in year ($M)	6.1	5.0
Unamortised grant date fair value ($M)	6.4	5.2

The People, Remuneration & Diversity Committee of the Board will adjust share-based arrangement terms, if necessary, to ensure that the impact of share issues, share offers or share structure changes is value neutral as between participants and shareholders.

Key inputs and assumptions
The general principles underlying the Black Scholes and Marrabe pricing models have been used to value these rights and options using a Monte Carlo simulation approach. The key inputs for rights and options granted in the relevant year were as follows:

Performance share rights	WEIGHTED AVERAGE SHARE PRICE (CENTS)	EXPECTED VOLATILITY OF SHARE PRICE (%)	EXPECTED VOLATILITY OF PERFORMANCE BENCHMARK INDEX (%)	CORRELATION OF VOLATILITY INDICES	CONTRACTUAL LIFE (YEARS)	RISK FREE RATE (%)
2023	67	37	16	0.59	3.5	3.76
2022	155	37	16	0.59	3.5	1.34
2021	135	40	16	0.55	3.5	0.31
2020	280	23	12	0.34	3.5	0.84
2019	319	25	11	0.51	3.5	1.70

The Group has undertaken a stock settled share rights scheme. Performance share rights for a specified value are granted at no cost to the holder. For each performance share right that vests, one share will be issued. The number granted is determined by an independent valuation of the fair value at the date of issue. Vesting of performance share rights is subject to the holder remaining an employee and vesting conditions relating to the Air New Zealand share price being achieved. If vesting is not achieved on the third anniversary of the issue date, 50% of performance rights will lapse. For the remaining 50%, there will be a further 6 month opportunity for the performance rights to vest. If they have not vested at the end of this period they will lapse.

In order to vest, the Air New Zealand share price adjusted for distributions made over the period must outperform a comparison index over a period of three years (or up to a maximum of three and a half years) after the issue date. The index is made up of 50:50 of the NZX All Gross Index and the Bloomberg World Airline Total Return Index (adjusted for dividends).

Notes to the Financial Statements (continued)

As at 30 June 2023

22. Reserves

The Group's reserves as at the reporting date, are set out below:

	2023 $M	2022 $M
Cash flow hedge reserve	(46)	(38)
Costs of hedging reserve	(13)	(4)
Hedge reserves	(59)	(42)
Foreign currency translation reserve	(9)	(10)
General reserves	(1,230)	(1,644)
Total Reserves	(1,298)	(1,696)

The nature and purpose of reserves is set out below:

HEDGE RESERVES

Cash flow hedge reserve
The cash flow hedge reserve contains the effective portion of the cumulative change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Costs of hedging reserve
The costs of hedging reserve contains the cumulative change in both the fair value of time value on fuel options and currency basis on cross currency interest rate swaps which are excluded from hedge designations.

Foreign currency translation reserve
The foreign currency translation reserve contains foreign exchange differences arising on consolidation of foreign operations together with the translation of foreign currency borrowings designated as a hedge of net investments in those foreign operations.

General reserves
General reserves include the retained deficit net of dividends recognised, remeasurements in respect of the defined benefit liabilities and the Group's share of equity accounted associates' reserves.

23. Commitments

Capital commitments shown are for those asset purchases authorised and contracted for as at reporting date but not provided for in the financial statements, converted at the year end exchange rate. Where lease arrangements have not yet commenced, lease commitments are disclosed below.

Capital commitments:

	2023 $M	2022 $M
Aircraft and engines	2,855	2,815
Other property, plant and equipment and intangible assets	147	18
	3,002	2,833

In December 2022, the Group was advised of a delay in the delivery of one Airbus A321neo aircraft from the 2023 to the 2024 financial year. In February 2023, the delivery dates of eight Boeing 787 aircraft were deferred from the 2024 to 2028 financial years to the 2025 to 2028 financial years.

On 22 August 2023 the Company entered into an agreement to purchase two ATR72-600 aircraft for delivery in the 2025 financial year. The commitments relating to this purchase are reflected in the above table.

Capital commitments include eight Boeing 787 aircraft (contractual delivery from 2025 to 2028 financial years, four Airbus A321neo aircraft (delivery from the 2024 to 2027 financial years) and two ATR aircraft (delivery in the 2025 financial year).

Lease commitments:

	2023 $M	2022 $M
Aircraft	181	-
	181	-

Lease commitments include one Boeing 773 aircraft (delivery in 2024 financial year) and two Airbus A321neo aircraft (delivery in the 2025 financial year). The agreement to lease the A321neo aircraft was signed on 18 August 2023.

Notes to the Financial Statements (continued)

As at 30 June 2023

24. Contingent Liabilities

Contingent liabilities are subject to uncertainty or cannot be reliably measured and are not provided for. Disclosures as to the nature of any contingent liabilities are set out below. Judgements and estimates are applied to determine the probability that an outflow of resources will be required to settle an obligation. These are made based on a review of the facts and circumstances surrounding the event and advice from both internal and external parties.

	2023 $M	2022 $M
Letters of credit	20	20

All significant legal disputes involving probable loss that can be reliably estimated have been provided for in the financial statements.

There are no other significant contingent liability claims outstanding at balance date.

The Group has a partnership agreement with Pratt and Whitney in relation to the Christchurch Engine Centre (CEC) (Note 13). By the nature of the agreement, joint and several liability exists between the two parties. Total liabilities of the CEC are $215 million (30 June 2022: $154 million).

25. Financial Risk Management

The Group is subject to credit, foreign currency, interest rate, fuel price and liquidity risks. These risks are managed with various financial instruments, using a set of policies approved by the Board of Directors. Compliance with these policies is reviewed and reported monthly to the Board of Directors and is included as part of the internal audit programme. Group policy is not to enter, issue or hold financial instruments for speculative purposes.

CREDIT RISK

Credit risk is the risk of the potential loss from a transaction in the event of default by a counterparty during the term of the transaction or on settlement of the transaction. The Group incurs credit risk in respect of trade receivable transactions and other financial instruments in the normal course of business. The maximum exposure to credit risk is represented by the carrying value of financial assets and contract work in progress balances.

The Group places cash, short-term deposits and derivative financial instruments with good credit quality counterparties, having a minimum Standard and Poors' credit rating of A- or minimum Moodys' credit rating of A3. Limits are placed on the exposure to any one financial institution.

Credit evaluations are performed on all customers requiring direct credit. The Group is not exposed to any concentrations of credit risk within receivables, other assets and derivatives. The Group does not require collateral or other security to support financial instruments with credit risk. A significant proportion of receivables are settled through the International Air Transport Association (IATA) clearing mechanism which undertakes its own credit review of members. Over 95% of trade and other receivables are current, with less than 1.3% past due by more than 90 days (30 June 2022: 93% current and less than 1.2% due after more than 90 days). No impairment expense was recognised in relation to financial assets (30 June 2022: Nil).

MARKET RISK

FOREIGN CURRENCY RISK

Foreign currency risk is the risk of loss to the Group arising from adverse fluctuations in exchange rates.

The Group has exposure to foreign exchange risk through transactions denominated in foreign currencies, arising from normal trading activities, foreign currency borrowings and foreign currency capital commitments, purchases and sales. The documented risk management approach (as approved by the Board of Directors) is to manage forecast foreign currency operating revenues and expenditures and foreign currency denominated balance sheet items. Hedges of foreign currency capital transactions are only undertaken if they are not funded in the currencies of transactions and there is a large volume of forecast capital transactions over a short period of time.

Forecast operating transactions

Foreign currency operating cash inflows are primarily denominated in Australian Dollars, European Community Euro, Japanese Yen, Chinese Renminbi, Great Britain Pounds, Canadian Dollars and United States Dollars. Foreign currency operating cash outflows are primarily denominated in United States Dollars. The Group's treasury risk management policy is to hedge between 35% and 90% (30 June 2022: 35% to 90%) of forecast net operating cash flows for the first 6 months, with progressive reductions in percentages hedged over the next 6 to 12 months.

Highly probable forecast Japanese Yen, Euro and United States Dollar revenue transactions are designated in cash flow hedge relationships with Japanese Yen, Euro and United States Dollar denominated debts and lease liabilities, respectively (revenue hedges). To the extent a foreign currency gain or loss is incurred, and the cash flow hedge is deemed effective, foreign currency gains or losses on debts and lease liabilities are deferred in the cash flow hedge reserve until the revenue is realised.

Notes to the Financial Statements (continued)

As at 30 June 2023

25. Financial Risk Management (continued)

Balance sheet exposures

Foreign currency denominated liabilities:

The Group is exposed to foreign currency and foreign currency interest rate risk arising on Australian Dollar denominated medium term notes. Cross currency interest rate swaps were used to hedge the foreign currency risk and foreign interest rate risk.

The Group enters into foreign exchange contracts to manage the economic exposure arising from foreign currency denominated liabilities. Where changes in the fair value of a derivative provide an offset to the underlying hedged item as it impacts earnings, hedge accounting is not applied. Foreign currency translation gains or losses on lease return provisions and certain non-hedge accounted United States Dollar, Japanese Yen and Euro denominated interest-bearing liabilities are recognised in the Statement of Financial Performance within 'Foreign exchange gains/(losses)'. Fair value gains or losses on non-hedge accounted foreign currency derivatives provide an offset to these foreign exchange movements, and are also recognised within 'Foreign exchange gains/(losses)'.

In addition, a certain proportion of United States Dollar denominated interest-bearing liabilities remain unhedged to provide an offset to foreign currency movements within depreciation expense, resulting from revisions made to aircraft residual values during the year.

To the extent the Group has financial assets in the same foreign currency as the borrowing, the Group has a reduced exposure to foreign exchange risk. Foreign exchange gains and losses relating to these balances are offset in the Statement of Financial Performance.

Foreign operations

The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising on the net assets of certain of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Capital transactions

The Group enters into foreign exchange contracts to manage the exposure arising from forecast foreign currency purchases of property, plant and equipment, primarily purchases of aircraft in United States Dollars. The Group's treasury risk management policy is to undertake capex hedging when certain conditions are met and hedge a maximum of 50%-100% (30 June 2022: 50%-100%) of forecast purchases for the first 6-12 months, with a reduction in the percentage hedged over the next 13-18 months.

Foreign currency exposure:

With the exception of foreign currency denominated working capital balances, which together are immaterial to foreign currency fluctuations, the Group's exposure to foreign exchange risk arising on items recognised in the Statement of Financial Position at reporting date, and the extent to which that exposure has been managed is summarised below. Derivative financial instruments are excluded from this table as they are specifically used to manage risk and do not create an initial exposure.

Forecast foreign currency revenue and expenditure transactions, and forecast foreign currency capital expenditure occur in the future and are not included below. The effect of foreign currency risk arising on forecast transactions and how this is managed is detailed over the following pages.

Foreign currency exposure of items recognised at reporting date, before hedging

	NZD $M	USD $M	AUD $M	EUR $M	JPY $M	OTHER $M	TOTAL $M
As at 30 June 2023							
Investments in other entities	24	166	-	-	-	-	190
Interest-bearing assets	576	-	-	156	-	-	732
Lease liabilities	(304)	(873)	(9)	(186)	(282)	(3)	(1,657)
Interest-bearing liabilities	(102)	(630)	(578)	(96)	(272)	-	(1,678)
Provisions	(15)	(183)	-	-	-	-	(198)
	179	(1,520)	(587)	(126)	(554)	(3)	(2,611)
Hedged by:							
Derivatives	-	678	587	42	216	-	1,523
Cash flow hedges of forecast revenue	-	793	-	84	336	-	1,213
Unhedged	179	(49)	-	-	(2)	(3)	125
As at 30 June 2022							
Investments in other entities	35	129	-	-	-	-	164
Interest-bearing assets	183	-	36	141	-	-	360
Lease liabilities	(265)	(781)	(14)	(173)	(291)	(1)	(1,525)
Interest-bearing liabilities	(50)	(741)	(608)	(115)	(329)	-	(1,843)
Provisions	(29)	(258)	-	-	-	-	(287)
	(126)	(1,651)	(586)	(147)	(620)	(1)	(3,131)
Hedged by:							
Derivatives	-	943	586	72	283	-	1,884
Unhedged*	(126)	(708)	-	(75)	(337)	(1)	(1,247)

* Unhedged balances largely represent debt and lease liabilities previously designated as the hedging instrument in cash flow hedges of forecast foreign currency revenues, which were de-designated as a result of the impact of Covid-19 and significant reduction in forecast revenues. Revenue hedges were re-established in the 2023 financial year following the reopening of borders and recovery in passenger demand.

Notes to the Financial Statements (continued)

As at 30 June 2023

25. Financial Risk Management (continued)

Hedging foreign currency risk

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement is recognised immediately in the Statement of Financial Performance, unless the derivative is designated into an effective hedge relationship as a hedging instrument, in which case the timing of recognition of gain or loss in the Statement of Financial Performance depends on the nature of the designated hedge relationship.

Hedge accounted financial instruments

Where financial instruments qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship, as follows:

Cash flow hedges

Changes in the fair value of hedging instruments designated as cash flow hedges are recognised within Other Comprehensive Income and accumulated in equity within the cash flow hedge reserve to the extent that the hedges are deemed effective. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the Statement of Financial Performance. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative changes in fair value of the hedged item.

If a hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued. The cumulative gain or loss recognised in the cash flow hedge reserve remains there until the forecast transaction occurs. After discontinuation, once the hedged cash flows occur, the cumulative gain or loss is accounted for depending on the nature of the underlying transaction as described below. If the underlying hedged transaction is no longer expected to occur, the cumulative gain or loss recognised in the cash flow hedge reserve is immediately transferred to the Statement of Financial Performance.

Where the hedge relationship continues throughout its designated term, the amount recognised in the cash flow hedge reserve is transferred to the Statement of Financial Performance in the same period that the hedged item is recorded in the Statement of Financial Performance, or, when the hedged item is a non-financial asset, the amount recognised in the cash flow hedge reserve is transferred to the carrying amount of the asset when it is recognised.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in Other Comprehensive Income and accumulated in the foreign currency translation reserve within equity. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the Statement of Financial Performance.

On disposal of the foreign operations, the cumulative gain or loss recognised in equity is transferred to the Statement of Financial Performance.

Costs of hedging

The change in fair value of a hedging instrument relating to forward points of foreign exchange forward contracts and the foreign currency basis component of cross-currency interest rate swaps is accounted for depending on the hedge relationship as described below.

Impact of hedging foreign currency risk

The impact of the foreign currency hedging strategies (both hedge accounted and non-hedge accounted) on the financial statements during the year is set out below, by type of hedge.

CASH FLOW HEDGES OF FOREIGN CURRENCY RISK

Forecast operating transactions

The Group uses foreign exchange forward contracts to manage the net foreign currency exposure arising on forecast operating transactions. The amounts designated as the hedged item in cash flow hedges mirror the amounts designated as hedging instruments. Hedge ineffectiveness arises if the amount of the forecast transactions falls below the amount of the forward contracts.

The forecast revenue and expenditure transactions designated in cash flow hedges in place at reporting date, are expected to occur over the next 12 months (30 June 2022: 12 months). Forward contracts mature within 12 months (30 June 2022: 12 months).

Forecast operating transaction hedges are of spot foreign exchange risk. Forward points are excluded from the hedge designation. Changes in fair value gain or loss of the forward exchange contracts relating to forward points are recognised within 'Finance costs' in the Statement of Financial Performance. The hedge ineffectiveness is recognised in 'Foreign exchange gains/(losses)' in the Statement of Financial Performance. The amount of gain or loss accumulated in the cash flow hedge reserve is transferred to 'Foreign exchange gains/(losses)' in the Statement of Financial Performance when the forecast transactions occur.

Notes to the Financial Statements (continued)

As at 30 June 2023

25. Financial Risk Management (continued)

	2023 NZ$M	2022 NZ$M
Hedging instruments used		
Derivative financial instruments		
NZD	(480)	(305)
USD	828	544
AUD	(158)	(102)
EUR	(23)	(15)
JPY	(14)	(9)
CNH	(30)	(31)
GBP	(40)	(12)
Other	(66)	(41)
Hedge accounted foreign currency derivatives	17	29

During the 2023 financial year, the Group established Japanese Yen, Euro and United States Dollar revenue hedges. The amount and frequency of repayment of the debts and lease liabilities and the forecast revenue transactions is aligned to ensure the hedge effectiveness. The hedge ineffectiveness arises if the amount of the forecast revenue transactions falls below the amount of the designated hedging instruments.

The debts and lease liabilities designated in revenue hedges in place at reporting date have a maturity between one and twelve years. 'Interest-bearing liabilities' and 'Lease liabilities' on the Statement of Financial Position as at reporting date include debts and lease liabilities designated in revenue hedges totalling $343 million and $870 million, respectively (30 June 2022: Not applicable). The amount of gain or loss accumulated in the cash flow hedge reserve is transferred to 'Foreign exchange gains/(losses)' in the Statement of Financial Performance.

Balance sheet exposures

Cross currency interest rate swaps recognised within 'Derivative financial assets/(liabilities)' on the Statement of Financial Position were designated in cash flow hedges and fair value hedges. The amount and maturity of the cross currency interest rate swaps and Australian Dollar denominated medium term notes is aligned. Hedge ineffectiveness arises if the amount and maturity of the hedged debt falls below the amount and maturity of the cross currency interest rate swaps.

The cash flow hedges were established to manage Australian dollar/New Zealand dollar foreign currency risk arising on future principal and interest settlements on Australian Dollar denominated medium term notes. Currency basis risk is excluded from the hedge designation. Changes in the fair value gain or loss of cross currency interest rate swaps relating to currency basis risk are recognised in Other Comprehensive Income and accumulated in the costs of hedging reserve within 'Hedge reserves' until such time as the related hedge accounted cash flows affect profit or loss. The amount of gain or loss accumulated in the cash flow hedge reserve is transferred to 'Foreign exchange gains/(losses)' in the Statement of Financial Performance when the hedged future cash flows affect profit or loss.

The volume hedged, together with contract rates and maturities are set out below:

	2023 NZ$M	2022 NZ$M
Net fair value of derivative financial liabilities (NZ$M)	(32)	(17)
Volume (AUD M)	550	550
Weighted average contract rate, AUD/NZD (%)	6.1 / floating	6.1 / floating
Weighted average contract maturities (years)	5.3	5.3

Capital transactions

In the 2023 financial year, the Group used foreign exchange forward contracts to manage the foreign currency exposure arising on forecast capital transactions. The amount designated as a hedged item in cash flow hedges mirrors the amount designated as the hedging instrument. Hedge ineffectiveness arises if the amount of the forecast transactions falls below the amounts of the forward contracts.

The forecast capital transactions designated in cash flow hedges in place at reporting date, are expected to occur over the next 12 months (30 June 2022: Not applicable). Forward contracts mature within 12 months (30 June 2022: Not applicable). As at reporting date, the forward contracts designated in cash flow hedges totalling $1 million (30 June 2022: Nil) were included within 'Derivative financial assets/(liabilities)' on the Statement of Financial Position.

Forecast capital transaction hedges are of spot foreign exchange risk. Forward points are excluded from the hedge designation. Changes in fair value gain or loss of the forward exchange contracts relating to forward points are recognised within the costs of hedging reserve in the Hedging reserves. No hedge ineffectiveness arose in the current financial year. The amount of gain or loss accumulated in the cash flow hedge reserve is transferred to the carrying amount of the asset when the capital transaction is recognised as an asset on the Statement of Financial Position.

Impact of hedge accounting

The effective portion of changes in the fair value of foreign currency hedging instruments which were accumulated in the cash flow hedge reserve (within 'Hedge Reserves') during the year are set out below, together with transfers to either earnings or the asset carrying value (as appropriate) when the underlying hedged item occurs, or upon de-designation of the hedge where the underlying forecast transaction is no longer expected to occur.

Notes to the Financial Statements (continued)

As at 30 June 2023

25. Financial Risk Management (continued)

	2023 NZ$M	2022 NZ$M
Recognised in Statement of Changes in Equity		
Hedge reserves		
Balance at the beginning of the year	(67)	(84)
Change in fair value of hedging instruments*	25	13
Transfers to foreign exchange losses as hedged transactions occur	2	-
Transfers to foreign exchange gains on de-designation	-	12
Changes in costs of hedging reserve	(3)	(1)
Taxation on reserve movements	(7)	(7)
Balance at the end of the year	(50)	(67)
Represented by:		
Forecast transactions	(63)	(73)
Future principal and interest settlements	(4)	(18)
Tax effect	17	24
Balance at the end of the year	(50)	(67)

* The change in fair value of the hedging instrument is used for the purpose of assessing hedge effectiveness. No ineffectiveness arose on cash flow hedges of foreign currency transactions during the year (30 June 2022: Nil). Forward points and currency basis excluded from the hedge designation were $2 million (30 June 2022: $2 million) and $3 million (30 June 2022: $1 million).

The weighted average contract rates of hedge accounted foreign currency derivatives outstanding as at reporting date are set out below:

	2023	2022
USD	0.6107	0.6679
AUD	0.9980	0.9555
CAD	0.8324	0.8307
EUR	0.5907	0.6020
JPY	85.68	84.89
CNH	4.33	4.41
GBP	0.5188	0.5149

NET INVESTMENT HEDGE

Investments designated in a net investment hedge are included within 'Investments in other entities' on the Statement of Financial Position. The hedging instrument is included within 'Interest-bearing liabilities'. The hedging instruments designated in the net investment hedge at reporting date mature in 19 months (30 June 2022: 31 months). Hedge ineffectiveness arises if the carrying amount of the net investment falls below the amount of the designated borrowings.

	2023 NZ$M	2022 NZ$M
Hedged amount of United States Dollar investment	140	113
Hedged by: United States Dollar interest-bearing liabilities	(140)	(113)

The effective portion of changes in fair value of both the hedged item and the hedging instrument are recognised in the foreign currency translation reserve, as set out below.

	2023 NZ$M	2022 NZ$M
Foreign currency translation reserve		
Balance at the beginning of the year	(10)	(17)
Translation gains on hedged investment**	3	12
Translation losses on hedging interest-bearing liabilities**	(3)	(12)
Translation gains on unhedged investments	1	3
Taxation on reserve movements	-	4
Balance at the end of the year	(9)	(10)

** Translation gains/losses are those used for the purpose of assessing hedge effectiveness. No ineffectiveness arose on net investment hedges during the year (30 June 2022: Nil).

Notes to the Financial Statements (continued)

As at 30 June 2023

25. Financial Risk Management (continued)

HEDGED, BUT NOT HEDGE ACCOUNTED

Where changes in the fair value of a derivative provide an offset to the underlying hedged item as it impacts earnings, hedge accounting is not applied. The following foreign currency derivatives were recognised within 'Derivative financial assets/(liabilities)' on the Statement of Financial Position as at reporting date and were not designated in a hedge relationship.

	2023 $M	2022 $M
Hedging instruments		
Derivative financial instruments		
NZD	(1,030)	(1,242)
USD	747	930
AUD	9	(22)
EUR	54	72
JPY	219	284
Not hedge accounted foreign currency derivatives	(1)	22

The changes in fair value of hedged items and hedging instruments during the year offset within 'Foreign exchange gains/(losses)' within the Statement of Financial Performance, are set out below. In addition, foreign exchange losses of $24 million (30 June 2022: $43 million losses) were recognised in respect of debt and lease liabilities which have remained unhedged since being de-designated from cash flow hedges of forecast foreign currency revenues.

	2023 $M	2022 $M
Foreign currency (losses)/gains on:		
Lease liabilities	1	(11)
Interest-bearing liabilities	(14)	(21)
Provisions	(4)	(27)
Interest-bearing assets	-	(1)
Derivative financial instruments	15	64
	(2)	4

Sensitivity analysis

The sensitivity analyses that follow are hypothetical and should not be considered predictive of future performance. They only include financial instruments (derivative and non-derivative) and do not include the future forecast hedged transactions. As the sensitivities are only on financial instruments, the sensitivities ignore the offsetting impact on future forecast transactions that many of the derivatives are hedging. Changes in fair value can generally not be extrapolated because the relationship of change in assumption to change in fair value may not be linear. In addition, for the purposes of the below analyses, the effect of a variation in a particular assumption is calculated independently of any change in another assumption. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities. Furthermore, sensitivities to specific events or circumstances will be counteracted as far as possible through strategic management actions. The estimated fair values as disclosed should not be considered indicative of future earnings on these contracts.

Foreign currency sensitivity on financial instruments

The following table demonstrates the sensitivity of financial instruments at reporting date to a reasonably possible appreciation/depreciation in the United States Dollar against the New Zealand Dollar. Other currencies are evaluated by converting first to United States Dollars and then applying the above change against the New Zealand Dollar. All other variables are held constant. This analysis does not include future forecast hedged operating transactions.

Appreciation/depreciation (US cents):	2023 NZ$M +5c	2023 NZ$M -5c	2022 NZ$M +5c	2022 NZ$M -5c
Impact on earnings/loss before taxation:				
USD	-	1	54	(64)
EUR	(1)	2	6	(7)
JPY	-	-	25	(29)

The above reflects the foreign exchange sensitivity on unhedged debt following de-designations of hedge relationships.

	2023 NZ$M +5c	2023 NZ$M -5c	2022 NZ$M +5c	2022 NZ$M -5c
Impact on equity:				
USD	(7)	8	(46)	54
AUD	13	(14)	8	(9)
EUR	8	(9)	1	(1)
JPY	27	(31)	1	(1)
CNH	2	(3)	2	(3)
GBP	3	(4)	1	(1)
Other	5	(6)	3	(3)

The above would be deferred within equity and then offset by the foreign currency impact of the hedged item when it occurs.

Notes to the Financial Statements (continued)

As at 30 June 2023

25. Financial Risk Management (continued)

	2023	2022
Significant foreign exchange rates used at balance date for one New Zealand Dollar are:		
USD	0.607	0.622
AUD	0.917	0.904
CAD	0.804	0.802
CNY	4.40	4.17
EUR	0.558	0.596
JPY	87.9	84.9
GBP	0.481	0.513

FUEL PRICE RISK

Fuel price risk is the risk of loss to the Group arising from adverse fluctuations in fuel prices.

The Group enters into fuel option agreements (30 June 2022: fuel swap and option agreements) to reduce the impact of price changes on fuel costs in accordance with the policy approved by the Board of Directors. Uplift in the first six months is hedged between 35% and 90% (30 June 2022: first six months is hedged between 35% to 90%) with progressive reductions in percentages hedged over the next six to twelve months.

Crude oil hedging instruments such as fuel options and fuel swaps are designated as a hedge of the price risk in the crude oil component of highly probable jet fuel purchases. There is a 1:1 hedging ratio of the hedging instrument to the crude oil component identified as the hedged item. The Group considers the crude component to be a separately identifiable and reliably measurable component of jet fuel even though it is not contractually specified. The relationship of the crude oil component to jet fuel as a whole varies in line with the published crude oil and jet fuel price indices.

The amount and maturity of the fuel derivatives and forecast fuel purchases are aligned. Ineffectiveness is only expected to arise where the index of the hedging instrument differs to that of the underlying hedged item.

Cash flow hedges in respect of fuel derivatives include only the intrinsic value of fuel options. Time value on fuel options is excluded from the hedge designation. Changes in fair value gain or loss of the fuel options relating to time value are recognised in Other Comprehensive Income and accumulated within the costs of hedging reserve within 'Hedge Reserves' until such time as the hedged transactions affect profit or loss. The amount of gain or loss accumulated in the cash flow hedge reserve is transferred to 'Fuel' in the Statement of Financial Performance. The amount of gain or loss accumulated in the costs of hedging reserve is recognised in 'Foreign exchange gains/(losses) in the Statement of Financial Performance.

Impact of hedging fuel price risk

CASH FLOW HEDGES OF FUEL PRICE RISK

Forecast fuel purchase transactions are not recognised in the financial statements until the transactions occur. The number of barrels hedged is set out in the table below. All fuel derivative contracts mature within 12 months of reporting date.

Fuel derivatives were recognised within 'Derivative financial assets/(liabilities)' on the Statement of Financial Position as at reporting date and were designated as the hedging instrument in cash flow hedges.

Statement of Financial Position	2023 $M	2022 $M
Derivative financial assets	13	52

The effective portion of changes in the fair value of fuel hedging instruments that were accumulated in the cash flow hedge reserve (within 'Hedge Reserves') during the year are set out below, together with transfers to earnings when the underlying hedged item occurs, or upon de-designation of the hedge where the underlying forecast transaction is no longer expected to occur.

Hedge reserves	2023	2022
Balance at the beginning of the year	26	36
Change in fair value of hedging instruments*	(8)	98
Transfers to fuel	(30)	(108)
Changes in costs of hedging reserve	(11)	(4)
Taxation on reserve movements	14	4
Balance at the end of the year	(9)	26

* The change in fair value recognised in the cash flow hedge reserve excludes ineffectiveness which is recognised through earnings. No ineffectiveness arose on cash flow hedges of fuel price risk during the year (30 June 2022: Nil).

Notes to the Financial Statements (continued)

As at 30 June 2023

25. Financial Risk Management (continued)

Weighted average strike prices of fuel derivatives	2023 USD	2022 USD
Weighted average collar ceiling (Brent)	80	76
Weighted average collar floor (Brent)	60	63
Weighted average bought calls (Brent)	87	111
Weighted average Jet swap strike	-	61
Barrels hedged (millions of barrels)	3.8	2.1

Fuel price sensitivity on financial instruments

The sensitivity of the fair value of these derivatives as at reporting date to a reasonably possible change in the price per barrel of crude oil is shown below. This analysis assumes that all other variables remain constant and the respective impacts on profit or loss before taxation and equity are dictated by the proportion of effective/ineffective hedges. In practice, these elements would vary independently. This analysis does not include the future forecast hedged fuel transactions.

Price movement per barrel:	2023 $M +USD 30	2023 $M -USD 30	2022 $M +USD 30	2022 $M -USD 30
Impact on cash flow hedge reserve (within equity)	124	(55)	58	(37)

Amounts affecting the cash flow hedge reserve would be accumulated within equity and then offset by the fuel price impact of the hedged item when it occurs.

INTEREST RATE RISK

Interest rate risk is the risk of loss to the Group arising from adverse fluctuations in interest rates.

The Group's exposure to interest rates relates primarily to its interest-bearing borrowings. The carrying amount of interest-bearing liabilities is disclosed in Note 15. The exposure to movements in interest rates arising from cash and cash equivalent and interest-bearing assets is disclosed in Note 6 and Note 9.

Borrowings issued at variable interest rates expose the Group to changes in interest rates (cash flow risk). Borrowings issued at fixed rates expose the Group to changes in the fair value of the borrowings (fair value risk).

It is the Group's policy to manage its interest rate exposure using a mix of floating and fixed rate debts. The Group's policy is to fix between 70% to 90% (30 June 2022: 70% to 90%) of its exposure to interest rates in the next 12 months. Interest exposures outside of these parameters have to be approved by the Board of Directors.

Hedging interest rate risk

Fair value hedges

Changes in the fair value of hedging instruments designated as fair value hedges are recognised in the Statement of Financial Performance. The changes in fair value of hedged items attributable to the risk being hedged are recorded as part of the carrying value of the hedged item and offset changes in the fair value of hedging instruments in the Statement of Financial Performance.

For fair value hedges relating to items carried at amortised cost, an adjustment to carrying value is amortised through the Statement of Financial Performance over the remaining term of the hedge using the effective interest rate method.

FAIR VALUE HEDGES OF INTEREST RATE RISK

Interest rate swaps and cross currency interest rate swaps were used to achieve an appropriate mix of fixed and floating rate exposure to the interest rate risk.

During the 2023 financial year, the Group entered into an interest rate swap to receive fixed rate interest and pay variable rate interest. The interest rate swap was recognised within 'Derivative financial assets/(liabilities)' on the Statement of Financial Position. The interest rate swap was designated in a fair value hedge of the future interest rate cash flows on an unsecured bond recognised within 'Interest-bearing liabilities'. Hedge ineffectiveness is not expected to arise if the amount and maturity of the bond falls below the amount and maturity of the interest rate swap.

The changes in fair value gain or loss on the interest rate swap are recognised in 'Finance costs' in the Statement of Financial Performance. The changes in the fair value of the hedged risk are attributed to the carrying value of the unsecured bond and the revaluation is recognised within 'Finance costs' in the Statement of Financial Performance to offset the mark to market revaluation of the interest rate swap.

Notes to the Financial Statements (continued)

As at 30 June 2023

25. Financial Risk Management (continued)

Impact of hedging interest rate risk

	2023	2022
Net fair value of interest rate swap (NZ$M)	1	-
Volume (NZD M)	100	-
Weighted average contract rate (%)	6.61 / floating	-
Weighted average contract maturity (years)	5.5	-

Fair value gains/(losses) are used for the purpose of assessing hedge effectiveness. No ineffectiveness arose on fair value hedges of interest risk during the year (30 June 2022: Nil).

Cross currency interest rate swaps were recognised within 'Derivative financial assets/(liabilities)' on the Statement of Financial Position. The cross currency interest rate swaps were designated in the cash flow hedges and fair value hedges. Fair value hedges were established to manage foreign currency interest risk arising on future interest settlements on the Australian dollar denominated medium term notes. The cross currency interest rate swaps are considered to be highly effective as they are matched against underlying currency exposure.

Changes in fair value gain or loss on the fair value component of cross currency interest rate swaps are recognised in 'Finance costs' in the Statement of Financial Performance. The change in the fair value of the hedged risk is recorded as part of the carrying value of the Australian dollar medium term notes. This revaluation of Australian dollar medium term notes is recognised within 'Finance costs' in the Statement of Financial Performance to offset the mark to market revaluation of the fair value component of the cross currency interest rate swaps.

The weighted average contract rate and weighted average contract maturity is disclosed above. Fair value gains/losses are those used for the purpose of assessing hedge effectiveness. No ineffectiveness arose on fair value hedge of interest risk during the year (30 June 2022: Nil).

Interest rate sensitivity on financial instruments

Earnings are sensitive to changes in interest rates on the floating rate element of borrowings and lease obligations. Their sensitivity to a reasonably possible change in interest rate with all other variables held constant, is set out as per table below. This analysis assumes that the amount and mix of fixed and floating rate debt, including lease obligations, remains unchanged from that in place at reporting date, and that the change in interest rates is effective from the beginning of the year. In reality, the fixed/floating rate mix will fluctuate over the year and interest rates will change continually.

Cash and cash equivalents and interest bearing assets are excluded from the sensitivity analysis. The table below also does not take into consideration of the impact of hedge accounting.

Interest rate change:	$M +150 bp*	$M -150 bp*	$M +100 bp*	$M -100 bp*
Impact on earnings/(loss) before taxation	(22)	22	(18)	18

**bp = basis points*

LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. The Group manages the risk by targeting a minimum liquidity level, ensuring long-term commitments are managed with respect to forecast available cash inflow and by managing maturity profiles. The Group holds significant cash reserves and has available a government unsecured committed revolving standby facility to enable it to meet its liabilities as they fall due and to sustain operations in the event of unanticipated external factors or events.

The following table sets out the contractual, undiscounted cash flows for non-derivative financial liabilities and derivative financial instruments:

	STATEMENT OF FINANCIAL POSITION $M	CONTRACTUAL CASH FLOWS $M	< 1 YEAR $M	1-2 YEARS $M	2-5 YEARS $M	5+ YEARS $M
As at 30 June 2023						
Trade and other payables	780	780	780	-	-	-
Secured borrowings	998	1,137	234	226	496	181
Medium term notes	578	741	36	36	389	280
Unsecured bonds	102	135	7	7	121	-
Lease liabilities*	1,657	1,863	375	313	496	679
Amounts owing to associates	1	1	1	-	-	-
Total non-derivative financial liabilities	4,116	4,657	1,433	582	1,502	1,140
Foreign exchange derivatives						
– Inflow		1,970	1,970	-	-	-
– Outflow		(1,953)	(1,953)	-	-	-
	17	17	17	-	-	-
Fuel derivatives	13	13	13	-	-	-
Interest rate derivatives	(31)	(45)	(18)	(11)	(10)	(6)
Total derivative financial instruments	(1)	(15)	12	(11)	(10)	(6)

* Lease liabilities recognised within 5+ years include $206 million related to three properties with lease terms ranging between 10-19 years.

Notes to the Financial Statements (continued)

As at 30 June 2023

25. Financial Risk Management (continued)

	STATEMENT OF FINANCIAL POSITION $M	CONTRACTUAL CASH FLOWS $M	< 1 YEAR $M	1-2 YEARS $M	2-5 YEARS $M	5+ YEARS $M
As at 30 June 2022						
Trade and other payables	497	497	497	-	-	-
Secured borrowings	1,185	1,260	218	206	571	265
Medium term notes	608	792	37	37	424	294
Unsecured bonds	50	51	51	-	-	-
Lease liabilities**	1,525	1,764	361	293	575	535
Redeemable shares	200	216	11	205	-	-
Total non-derivative financial liabilities	4,065	4,580	1,175	741	1,570	1,094
Foreign exchange derivatives						
– Inflow		1,872	1,872	-	-	-
– Outflow		(1,822)	(1,822)	-	-	-
	51	50	50	-	-	-
Fuel derivatives	52	43	43	-	-	-
Interest rate derivatives	(17)	(17)	(1)	(5)	(8)	(3)
Total derivative financial instruments	86	76	92	(5)	(8)	(3)

** Lease liabilities recognised within 5+ years include $129 million related to six properties with lease terms ranging between 10-19 years.

FAIR VALUE ESTIMATION

Financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy as described below. Financial instruments are either carried at fair value or amounts approximating fair value, with the exception of interest-bearing liabilities and Redeemable Shares, for which the fair values are disclosed in Note 15 - Interest-bearing liabilities and Note 17 - Redeemable Shares. This equates to "Level 2" of the fair value hierarchy defined within NZ IFRS 13 - Fair Value Measurement. The fair value of derivative financial instruments is based on published market prices for similar assets or liabilities or market observable inputs to valuation at balance date ("Level 2" of the fair value hierarchy). The fair value of foreign currency forward contracts is determined using forward exchange rates at reporting date. The fair value of fuel swap and option agreements is determined using forward fuel prices at reporting date. The fair value of interest rate swaps is determined using forward interest rates as at reporting date.

Capital risk management

Capital risk is managed for the Air New Zealand Group as a whole.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to continue to generate shareholder value and benefits for other stakeholders, and to provide an acceptable return for shareholders by removing complexity, reducing costs and pricing the Group's services commensurately with the level of risk. The Group is not subject to any externally imposed capital requirements.

The Group's capital structure is managed in the light of economic conditions, future capital expenditure profiles and the risk characteristics of the underlying assets. The Group's capital structure may be modified by adjusting the amount of dividends paid to shareholders, initiating dividend reinvestment opportunities, returning capital to shareholders, issuing new shares or selling assets to reduce debt.

The Group monitors capital on the basis of gearing and leverage ratios. The gearing ratios are calculated as net debt over net debt plus equity. Net debt is calculated as total borrowings, bonds, Medium Term Notes, lease obligations and Redeemable Shares (including net open derivatives on these instruments) less cash and cash equivalents and interest-bearing assets. Capital comprises all components of equity. The leverage ratio is calculated as gross debt over earnings/(losses) before interest, taxation, depreciation and amortisation ("EBITDA"). Gross debt is calculated as total borrowings, bonds, medium term notes, lease obligations and Redeemable Shares. The gearing ratio and the calculation is disclosed in the Five Year Statistical Review.

The capital management policies and guidelines are regularly reviewed by the Board of Directors, most recently in the 2023 financial year. The new capital management framework will be in effect from the 2024 financial year. From the next financial year the Group will monitor capital primarily using a net leverage ratio. The ratio is calculated as net debt over last over last 12-months EBITDA. Net debt is calculated as total borrowings, bonds, medium term notes, lease liabilities and redeemable shares (including net open derivatives on these instruments) less cash and cash equivalents and interest-bearing assets. Gross debt is calculated as total borrowings, bonds, medium term notes, lease liabilities and redeemable shares.

Notes to the Financial Statements (continued)

As at 30 June 2023

26. Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Amounts subject to potential offset

For financial instruments subject to enforceable master netting arrangements, each agreement allows the parties to elect net settlement of the relevant financial assets and liabilities. In the absence of such election, settlement occurs on a gross basis, however each party will have the option to settle on a net basis in the event of default of the other party.

The following table shows the gross amounts of financial assets and financial liabilities which are subject to enforceable master netting arrangements and similar agreements, as recognised in the Statement of Financial Position. It also shows the potential net amounts if offset were to occur.

	STATEMENT OF FINANCIAL POSITION 2023 $M	AMOUNTS NOT OFFSET 2023 $M	NET AMOUNTS IF OFFSET 2023 $M	STATEMENT OF FINANCIAL POSITION 2022 $M	AMOUNTS NOT OFFSET 2022 $M	NET AMOUNTS IF OFFSET 2022 $M
Financial assets						
Bank and short-term deposits	2,227	(31)	2,196	1,793	(18)	1,775
Derivative financial assets	212	(182)	30	308	(204)	104
Financial liabilities						
Derivative financial liabilities	(213)	213	-	(222)	222	-

Letters of credit and security deposits held within 'Interest-bearing assets' are also subject to master netting arrangements. The amounts are disclosed in Note 9 - Other Assets and Note 24 - Contingent Liabilities.

27. Related Parties

Crown

The Crown, the majority shareholder of the Parent, owns 51% of the issued capital of the Company (30 June 2022: 51%).

On 9 May 2022, the Crown acquired $593 million of new Ordinary Shares issued by the Parent under a pro rata renounceable Rights Offer, in order to maintain a majority shareholding in Air New Zealand. A pre-commitment participation fee of $3 million was paid to the Crown in the 2022 financial year in relation to the equity raise.

Crown standby loan facility

On 27 May 2020, the Group entered into a debt funding agreement (CSF1 Loan Facility) with the New Zealand Government to support the airline as it managed the unprecedented impact of the Covid-19 outbreak on its business. The CSF1 Loan Facility was amended as part of a revised support package in December 2021, from a facility limit of $1.5 billion to a limit of $1 billion with an effective interest rate in the order of 3.5% per annum. Also at this time the Group announced that the airline had the ability to issue up to $1 billion of non-voting Redeemable Shares to the Crown.

The CSF1 Loan Facility was available for the period through to 30 January 2026 and was negotiated on an arms' length basis, with each party having been independently advised. Under the arrangement, the Group undertook various representations and operational, informational and other undertakings. The arrangement was subject to typical events of default. The CSF1 Loan Facility was secured against specific aircraft assets and a general security interest was provided against other assets of the Group (subject to certain exemptions). During the 2022 financial year the Group undertook draw downs of $500 million under the CSF1 Loan Facility. Following completion of a capital raise undertaken by the Group on 9 May 2022, the proceeds were used to repay in full the $850 million drawn down at that date under the CSF1 Loan Facility. The CSF1 Loan Facility was then cancelled.

On 30 March 2022, an unsecured committed standby revolving facility (CSF2 Loan Facility) was entered into with the Crown for up to $400 million for a period through to 30 January 2026. The purpose of the facility is to provide additional liquidity, if required, as the airline recovers from the effects of the pandemic. Interest on any amounts drawn will be charged initially at a bank bill benchmark rate plus an initial margin of 1.5% per annum together with a commitment fee of 1.0% per annum on the committed facility limit. No amounts were drawn under the facility as at 30 June 2023 (30 June 2022: Nil).

The CSF2 Loan Facility was negotiated on an arms' length basis, with each party having been independently advised. Under the terms of the arrangement, the Group undertook various representations, warranties and undertakings, including regular reporting on operational and financial performance, with additional reporting and information requirements if the loan has been drawn. The arrangement is subject to typical events of default. The facility is unsecured subject to the Group being required to grant the Crown first ranking security over aircraft assets which are financed using the facility.

For the year ended 30 June 2023, the Group recognised commitment fees of $4 million (30 June 2022: $11 million) and interest costs of Nil (30 June 2022: $16 million) within the Statement of Financial Performance in relation to these facilities.

Notes to the Financial Statements (continued)

As at 30 June 2023

27. Related Parties (continued)

Redeemable Shares

In December 2021, Air New Zealand entered into a Redeemable Shares subscription agreement with the New Zealand Government in which the Group had the ability to call for the Crown to subscribe for up to $1 billion of fully paid Redeemable Shares.

On 30 March 2022, the Group called for Redeemable Shares to be issued in two tranches, being $150 million on 7 April 2022 and $450 million on 6 May 2022. The availability period to issue new Redeemable Shares ceased on 9 May 2022. Some of the proceeds from the issue of the medium term notes (refer Note 15) were subsequently used to redeem $400 million of the Redeemable Shares on 2 June 2022. As at 30 June 2022, $200 million of Redeemable Shares remained on issue. These shares were redeemable at the option of the Group, in part or in full, at any time with 20 days' written notice with an unconditional right to defer redemption until the scheduled redemption date of 14 December 2046. Dividends were payable quarterly in arrears and accrued on a cumulative compound basis if unpaid. On 27 November 2022 the Group redeemed the outstanding $200 million on issue. No further redeemable shares are available to be issued under the agreement.

Dividends of $6 million were recognised within Finance costs in the Statement of Financial Performance during the year ended 30 June 2023 (30 June 2022: $4 million).

Transactions with Crown entities

Air New Zealand enters into numerous airline transactions with Government Departments, Crown Agencies and State Owned Enterprises on an arm's length basis. All transactions are entered into in the normal course of business.

During the prior financial year the Group entered into agreements with the Crown to undertake domestic charters to support quarantine activity as part of border restriction requirements. The transactions were negotiated on an arm's length basis.

Details of government grants and subsidies received in respect of international airfreight capacity and wage subsidies are outlined in Notes 1 and 2.

The New Zealand Government introduced legislation to lessen the impact of Covid-19 on businesses by allowing for the deferral of the payment of taxes without the imposition of penalties or interest. The Group was granted a deferral of FBT and PAYE for the period 1 July 2020 to 30 September 2021, which amounted to $298 million. The FBT and PAYE liabilities arising during this period were settled during the period January 2022 to March 2022.

Key management personnel

Compensation of key management personnel (including directors) was as follows:

	2023 $M	2022 $M
Short-term employee costs	14	9
Directors' fees	1	1
Share-based payments	2	1
	17	11

Certain key management personnel (including directors) have relevant interests in a number of companies (including non-executive directorships) to which Air New Zealand provides aircraft related services in the normal course of business, on standard commercial terms.

Staff share purchase schemes and Executive share performance rights plans

Shares held by the Staff Share Purchase scheme and Executive performance rights plans are detailed in Note 21.

Bank set-off arrangements

The Group has a set-off arrangement on certain Bank of New Zealand balances, allowing the offset of overdraft amounts against in-fund amounts. The following entities are included in the set-off arrangement:

Air Nelson Limited

Air New Zealand Limited

Air New Zealand Regional Maintenance Limited

Mount Cook Airline Limited

Notes to the Financial Statements (continued)

For the year to and as at 30 June 2023

27. Related Parties (continued)

Associated companies

Transactions between the Group and its associates are conducted on normal terms and conditions.

The Christchurch Engine Centre (CEC) provides maintenance services to the Group on certain V2500 engines. The Group receives revenue for contract and administration services performed for the CEC.

During the 2022 financial year the Group made capital contributions to Drylandcarbon One Limited Partnership of $12 million. No capital contributions were made in the 2023 financial year. Non-cash distributions were received of $1 million for the year ended 30 June 2023 (30 June 2022: Nil).

	2023 $M	2022 $M
During the year, there have been transactions between Air New Zealand and its associated companies as follows:		
Operating revenue	1	1
Operating expenditure	(1)	-
Balances outstanding at the end of the year are unsecured and on normal trading terms:		
Amounts owing to associates	1	-

During the year CEC paid total distributions to the Group of $16 million (30 June 2022: $32 million).

Other related party disclosures

Other balances and transactions with related parties are not considered material to Air New Zealand and are entered into in the normal course of business on standard commercial terms. There have been no related party debts forgiven during the year.

Independent Auditor's Report

Deloitte.

To the Shareholders of Air New Zealand Limited

Auditor-General	The Auditor-General is the auditor of Air New Zealand Limited and its subsidiaries (the Group). The Auditor-General has appointed me, Melissa Collier, using the staff and resources of Deloitte Limited, to carry out the audit of the consolidated financial statements of the Group on his behalf.
Opinion	We have audited the consolidated financial statements of the Group on pages 19 to 61, that comprise the Statement of Financial Position as at 30 June 2023, the Statement of Financial Performance, Statement of Comprehensive Income/(Loss), Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information. In our opinion the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 30 June 2023, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards. Our audit was completed on 24 August 2023. This is the date at which our opinion is expressed. The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the consolidated financial statements, we comment on other information, and we explain our independence.
Basis for opinion	We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor for the audit of the consolidated financial statements section of our report. We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Audit materiality	We consider materiality primarily in terms of the magnitude of misstatement in the consolidated financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work. We determined materiality for the consolidated financial statements as a whole to be $27 million which was determined with reference to a number of factors and taking into account the cyclical nature of the airline industry. $27 million represents 4.7% of profit before tax, 1.3% of total equity and 0.4% of operating revenue.
Key audit matters	Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (continued)

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Key audit matter	How our audit addressed the key audit matter and the results of our work
Aircraft – residual values and useful lives	
Group aircraft and related assets, including right of use assets, total $4,131 million at 30 June 2023 (2022: $4,095 million) as outlined in notes 10 and 11. The useful lives and residual values of aircraft may be influenced by changes to economic conditions, demand, competition and new technology. The Group considers these changes when reassessing the useful lives and residual values of aircraft to determine the appropriate depreciation rates. This is a key audit matter due to the significance of aircraft and related assets to the financial statements coupled with the level of judgement required by the Group in determining aircraft useful lives, residual values and the resulting impact on the depreciation charge.	In assessing the appropriateness of the carrying values and residual values of aircraft and related assets we performed the following procedures: • Challenged the Group's assumptions underpinning the calculation of residual values by making a comparison to external information such as industry data and period end exchange rates; • Updated our assessment of the historical accuracy of assumptions around residual values when aircraft are disposed of; • Evaluated the controls in place over the calculation of depreciation, in particular around the initial input of, or changes to, residual values and useful lives information; and • Undertook analytical procedures to test the depreciation calculation. We consider the Group's assessment of the residual values and useful lives of aircraft to be reasonable.
Revenue recognition	
The Group's revenue consists of passenger revenue which totalled $5,349 million (2022: $1,476 million). Passenger revenue is complex due to the various fare rules that may apply to a transaction, and as tickets are typically sold prior to the day of flight. Complex IT systems and processes are required to correctly record these sales as transportation sales in advance and then as revenue when the actual carriage is performed. We have included revenue recognition as a key audit matter due to the magnitude of revenue in relation to the financial statements and the substantial dependence on complex IT systems.	In performing our procedures we: • Evaluated the systems, processes and controls in place over passenger revenue in advance, which includes the key account reconciliation processes; • Tested the IT environment in which passenger sales occur and interface with other relevant systems; • Assessed the quality of information produced by these systems and tested the accuracy and completeness of reports generated by these systems which are used to recognise or defer passenger revenue; • Performed an analysis of passenger revenue and passenger revenue in advance and created expectations of revenue based on our knowledge of the Group, the industry and key performance measures, including airline capacity and available seat kilometres. We have compared this to the Group's revenue and obtained appropriate evidence for significant differences; and • Agreed a sample of passenger revenue and passenger revenue in advance samples to supporting documentation. We are satisfied revenue has been appropriately recognised.

Independent Auditor's Report (continued)

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Responsibilities of the Board of Directors for the consolidated financial statements	The Board of Directors is responsible on behalf of the Group for preparing consolidated financial statements that are fairly presented in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards. The Board of Directors is responsible on behalf of the Group for such internal control as it determines is necessary to enable the Group to prepare consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so. The Board of Director's responsibilities arise from the *Financial Markets Conduct Act 2013*.
Responsibilities of the auditor for the audit of the consolidated financial statements	Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of shareholders taken on the basis of these consolidated financial statements. We did not evaluate the security and controls over the electronic publication of the consolidated financial statements. As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also: • We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. • We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors. • We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern. • We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation. • We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (continued)

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Responsibilities of the auditor for the audit of the consolidated financial statements (continued)	• We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. • We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. Our responsibility arises from section 15 of the *Public Audit Act 2001*.
Other information	The Board of Directors is responsible on behalf of the Group for all other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.
Independence	We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and we have fulfilled our other ethical responsibilities in accordance with these requirements. In addition to the audit we have carried out engagements in the areas of review of the interim financial statements, assurance services relating to greenhouse gas emissions inventory, passenger facility charges and compliance with student fee protection rules. In addition we provide non-assurance services to the Corporate Taxpayers Group for which Air New Zealand is a member, along with a number of other organisations. These services are compatible with those independence requirements. In addition to these engagements, principals and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the Group. These engagements and trading activities have not impaired our independence as auditor of the Group. Other than the audit and these engagements and trading activities, we have no relationship with, or interests in the Group.

M Collier

Melissa Collier
for Deloitte Limited

On behalf of the Auditor-General
Auckland, New Zealand

Historical Summary of Financial Performance

Five Year Statistical Review

For the year to 30 June

	2023 $M	2022 $M	2021 $M	2020 $M	2019 $M
Operating Revenue					
Passenger revenue	5,349	1,476	1,470	3,942	4,960
Cargo	628	1,016	769	449	390
Contract services	133	117	161	216	197
Other revenue	220	125	117	229	238
	6,330	2,734	2,517	4,836	5,785
Operating Expenditure					
Labour	(1,441)	(976)	(830)	(1,197)	(1,351)
Fuel	(1,499)	(560)	(311)	(1,022)	(1,271)
Maintenance	(395)	(259)	(254)	(441)	(399)
Aircraft operations	(694)	(412)	(350)	(575)	(678)
Passenger services	(334)	(116)	(84)	(258)	(319)
Sales and marketing	(291)	(131)	(73)	(253)	(350)
Foreign exchange gains/(losses)	4	(3)	(29)	18	53
Other expenses	(394)	(281)	(252)	(326)	(290)
	(5,044)	(2,738)	(2,183)	(4,054)	(4,605)
Operating Earnings (excluding items below)	1,286	(4)	334	782	1,180
Depreciation and amortisation	(695)	(668)	(715)	(840)	(554)
Rental and lease expenses	-	-	-	-	(245)
Earnings/(Loss) Before Finance Costs, Associates, Other Significant Items and Taxation	591	(672)	(381)	(58)	381
Finance income	119	14	8	34	48
Finance costs	(164)	(94)	(90)	(103)	(79)
Share of earnings of associates (net of taxation)	39	27	19	39	37
Earnings/(Loss) Before Other Significant Items and Taxation	585	(725)	(444)	(88)	387
Other significant items	(11)	(85)	29	(541)	(5)
Earnings/(Loss) Before Taxation	574	(810)	(415)	(629)	382
Taxation (expense)/credit	(162)	219	123	174	(106)
Net Profit/(Loss) Attributable to Shareholders of Parent Company	412	(591)	(292)	(455)	276

Historical Summary of Cash Flows

Five Year Statistical Review

For the year to 30 June

	2023 $M	2022 $M	2021 $M	2020 $M	2019 $M
Cash flow from operating activities	1,853	574	323	222	997
Cash flow used in investing activities	(916)	(355)	(182)	(534)	(894)
Cash flow (used in)/from financing activities	(503)	1,308	(313)	(305)	(391)
Increase/(Decrease) in cash holding	434	1,527	(172)	(617)	(288)
Total cash and cash equivalents	2,227	1,793	266	438	1,055

Certain comparatives within the five year statistical review have been reclassified for comparative purposes, to ensure consistency with the current year. Following the IFRS Interpretations Committee ("IFRIC") issuing a final agenda decision in April 2021 on Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38) certain costs in respect of configuring or customising a supplier's application software in a Software as a Service ("SaaS") arrangement were no longer able to be capitalised and were required to be recognised as an operating expense. The agenda decision was applied retrospectively and comparatives restated accordingly. The Group adopted NZ IFRS 16 - Leases on 1 July 2019. In accordance with the transitional provisions of NZ IFRS 16, comparatives were not restated.

Historical Summary of Financial Position

Five Year Statistical Review

As at 30 June

	2023 $M	2022 $M	2021 $M	2020 $M	2019 $M
Current Assets					
Bank and short-term deposits	2,227	1,793	266	438	1,055
Other current assets	1,042	704	560	571	749
Total Current Assets	3,269	2,497	826	1,009	1,804
Non-Current Assets					
Property, plant and equipment	3,261	3,190	3,128	3,336	5,133
Other non-current assets	2,665	2,663	2,730	3,193	680
Total Non-Current Assets	5,926	5,853	5,858	6,529	5,813
Total Assets	9,195	8,350	6,684	7,538	7,617
Current Liabilities					
Debt[1]	545	590	907	513	307
Other current liabilities	3,291	2,581	1,446	1,589	2,359
Total Current Liabilities	3,836	3,171	2,353	2,102	2,666
Non-Current Liabilities					
Debt[1]	2,790	2,978	2,401	3,188	2,290
Other non-current liabilities	490	524	832	934	672
Total Non-Current Liabilities	3,280	3,502	3,233	4,122	2,962
Total Liabilities	7,116	6,673	5,586	6,224	5,628
Net Assets	2,079	1,677	1,098	1,314	1,989
Total Equity	2,079	1,677	1,098	1,314	1,989

1. Debt is comprised of secured borrowings, bonds, medium term notes, finance lease liabilities, lease liabilities and redeemable shares.

Historical Summary of Debt

Five Year Statistical Review

As at 30 June

	2023 $M	2022 $M	2021 $M	2020 $M	2019 $M
Debt					
Secured borrowings	998	1,185	1,497	1,413	1,459
Unsecured bonds	102	50	50	50	50
Medium term notes	578	608	-	-	-
Finance lease liabilities	-	-	-	-	1,088
Lease liabilities	1,657	1,525	1,761	2,238	-
Redeemable shares	-	200	-	-	-
	3,335	3,568	3,308	3,701	2,597
Bank and short-term deposits	2,227	1,793	266	438	1,055
Net open derivatives held in relation to interest-bearing liabilities and lease liabilities[1]	(31)	23	13	(37)	7
Interest-bearing assets (included within Other assets)	732	360	324	334	264
Net Debt	407	1,392	2,705	2,966	1,271
Net aircraft operating lease commitments[2]	-	-	-	-	1,246
Net Debt (including off Balance Sheet)	407	1,392	2,705	2,966	2,517

1. Unrealised gains/losses on open debt derivatives.
2. Net aircraft operating lease commitments for the next twelve months, multiplied by a factor of seven (excluding short-term leases in 2019, which provide cover for Boeing 787-9 engine issues).

The Group adopted NZ IFRS 16 - Leases on 1 July 2019. In accordance with the transitional provisions of NZ IFRS 16, comparatives have not been restated.

Key Financial Metrics

Five Year Statistical Review

		2023	2022	2021	2020	2019
Profitability and Capital Management						
EBITAS[1]/Operating Revenue	%	9.3	(24.6)	(15.1)	(1.2)	6.6
EBITDRASA[2]/Operating Revenue	%	20.3	(0.1)	13.3	16.2	20.4
Passenger Revenue per Revenue Passenger Kilometre (Yield)	cents	18.4	20.7	24.9	13.3	12.9
Passenger Revenue per Available Seat Kilometre (RASK)[3]	cents	15.6	13.9	14.3	10.8	10.8
Cost per Available Seat Kilometre (CASK)[4]	cents	14.0	13.7	12.5	10.5	10.0
Return on Invested Capital Pre-tax (ROIC)[5]	%	22.3	(21.2)	(8.2)	(13.3)	10.6
Liquidity ratio[6]	%	35.2	65.6	10.6	9.1	18.2
Gearing (incl. net capitalised aircraft operating leases)[7]	%	16.4	45.4	71.1	69.3	55.9
Shareholder Value						
Basic Earnings per Share[8]	cps	12.2	(40.8)	(26.0)	(40.5)	24.6
Operating Cash Flow per Share[8]	cps	55.0	17.0	28.8	19.8	88.8
Ordinary Dividends Declared per Share[8]	cps	-	-	-	-	22.0
Special Dividend Declared per Share[8]	cps	6.0	-	-	-	-
Net Tangible Assets per Share[8]	$	0.55	0.39	0.86	1.10	1.82
Closing Share Price 30 June	$	0.78	0.57	1.55	1.32	2.65
Weighted Average Number of Ordinary Shares	m	3,368	1,449	1,123	1,123	1,123
Total Number of Ordinary Shares	m	3,368	3,368	1,123	1,123	1,123
Total Market Capitalisation	$m	2,627	1,920	1,740	1,482	2,976
Total Shareholder Returns[9]	%	(14.9)	(19.5)	0.7	(5.3)	14.0

1. Earnings/(Loss) before interest and taxation (EBIT) excluding share of earnings of associates (net of taxation) and other significant items (refer footnote under Historical Summary of Cash Flows)
2. EBITDRA excluding share of earnings of associates (net of taxation) and other significant items (refer footnote under Historical Summary of Cash Flows)
3. Passenger revenue per passenger flights Available Seat Kilometre
4. Operating expenditure (excluding other significant items) per ASK (refer footnote under Historical Summary of Cash Flows)
5. (EBIT plus interest component of aircraft operating leases)/average capital employed (Net Debt plus Equity) over the period
6. (Bank and short-term deposits and interest-bearing assets (excluding restricted cash))/Operating Revenue
7. Net Debt (including capitalised aircraft operating leases)/(Net Debt plus Equity)
8. Per-share measures based upon Ordinary Shares. Net tangible assets exclude 'Intangible assets' and 'Deferred taxation' reported on the face of the Statement of Financial Position
9. Return over five years including the change in share price and dividends received (assuming dividends are reinvested in shares on ex dividend date)

Key Operating Statistics

Five Year Statistical Review

For the year to 30 June

	2023	2022	2021	2020	2019
Passengers Carried (000)					
Domestic	10,946	6,836	8,191	8,821	11,513
International					
Australia and Pacific Islands	3,352	734	386	2,889	3,880
Asia	697	51	32	765	950
America and Europe	781	124	40	1,050	1,395
Total	4,830	909	458	4,704	6,225
Total Group	15,776	7,745	8,649	13,525	17,738
Available Seat Kilometres (M)					
Domestic	6,685	4,929	5,480	5,619	7,104
International					
Australia and Pacific Islands	10,237	2,665	2,214	9,419	12,215
Asia	7,423	1,229	1,572	8,336	9,983
America and Europe	9,936	1,828	1,038	12,961	16,727
Total	27,596	5,722	4,824	30,716	38,925
Total passenger flights	34,281	10,651	10,304	36,335	46,029
Cargo-only flights	1,680	9,368	7,106	2,151	-
Total Group	35,961	20,019	17,410	38,486	46,029
Revenue Passenger Kilometres (M)					
Domestic	5,679	3,452	4,244	4,552	5,957
International					
Australia and Pacific Islands	8,707	1,937	964	7,472	10,043
Asia	6,128	445	292	6,736	8,386
America and Europe	8,518	1,312	408	10,808	14,187
Total	23,353	3,694	1,664	25,016	32,616
Total Group	29,032	7,146	5,908	29,568	38,573
Passenger Load Factor (%)					
Domestic	84.9	70.1	77.4	81.0	83.9
International					
Australia and Pacific Islands	85.1	72.7	43.5	79.3	82.2
Asia	82.6	36.2	18.6	80.8	84.0
America and Europe	85.7	71.8	39.3	83.4	84.8
Total	84.7	65.5	36.5	81.4	83.8
Total Group	84.7	67.1	57.3	81.4	83.8
GROUP EMPLOYEE NUMBERS (Full Time Equivalents)	11,474	8,863	7,840	9,988	11,793

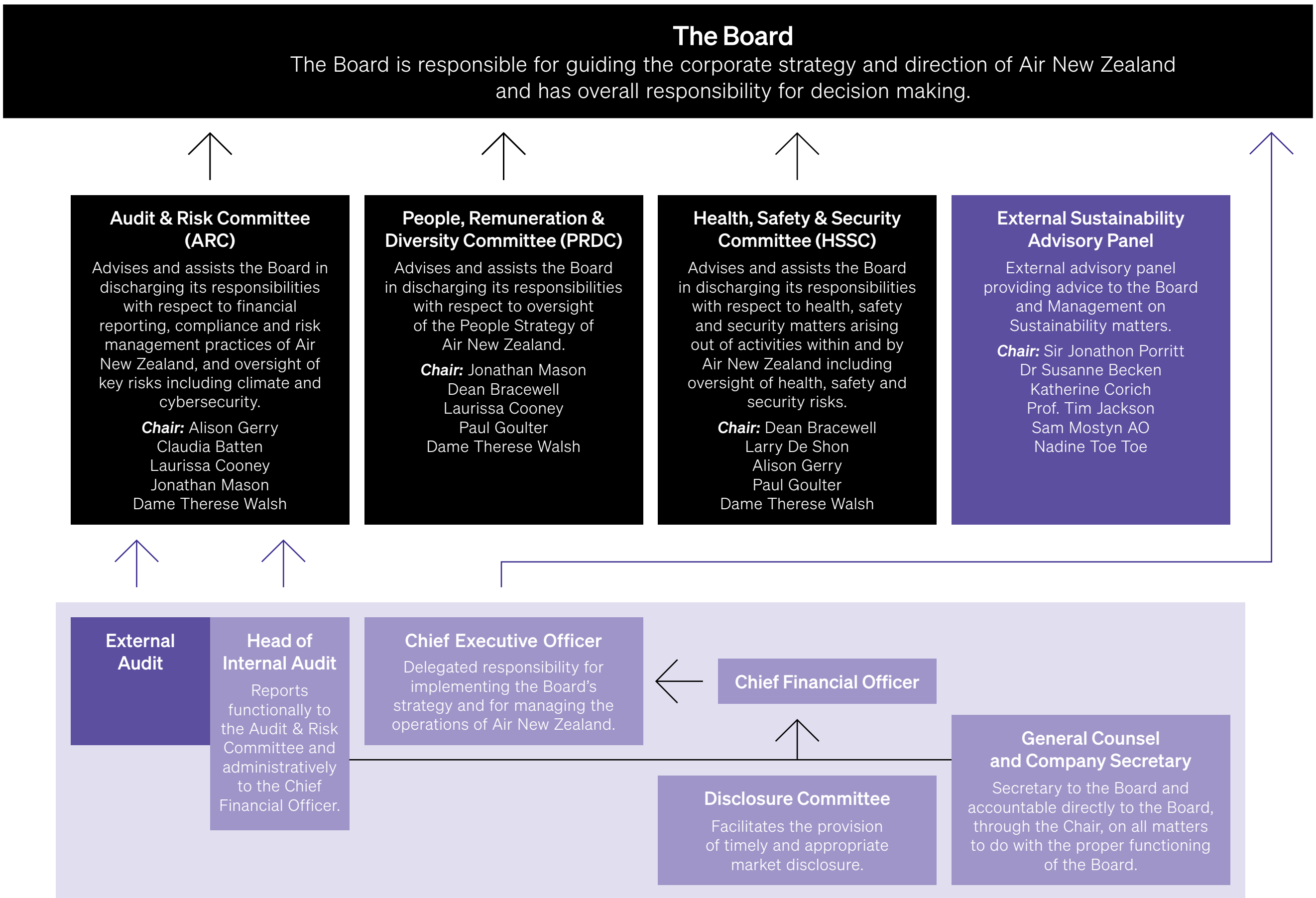
New Zealand, Australia and Pacific Islands represent short-haul operations. Asia, America and Europe represent long-haul operations. Certain comparatives within the operating statistics have been reclassified, to ensure consistency with the current year.

Corporate Governance Statement

Effective corporate governance is at the heart of the Air New Zealand Board's agenda, and the Board considers its governance practices to be consistent with the Principles of the NZX Corporate Governance Code dated 1 April 2023.

This Corporate Governance Statement was approved by the Board on 24 August 2023 and is current as at that date.

Our Governance Structure



Board / Committee meeting attendance – 1 July 2022 to 30 June 2023

	Board	Audit & Risk Committee	People, Remuneration & Diversity Committee	Health, Safety & Security Committee
	Attendance[1]	Attendance[1]	Attendance[1]	Attendance[1]
Dame Therese Walsh	11/11	4/4	4/4	4/4
Claudia Batten	11/11	4/4		
Dean Bracewell	10/11		4/4	4/4
Laurissa Cooney	11/11	4/4	4/4	
Larry De Shon	11/11			4/4
Alison Gerry	10/11	4/4		4/4
Paul Goulter	10/11		4/4	4/4
Jonathan Mason	11/11	4/4	4/4	

[1] The attendance is the number of meetings attended / number of meetings for which the director was a member.

Management commentary
(no financial statements)

Corporate Governance Statement (continued)

Current Directors

Dame Therese Walsh
DNZM, BCA, FCA
Independent Non-Executive Director
(Appointed 1 May 2016)
Chair

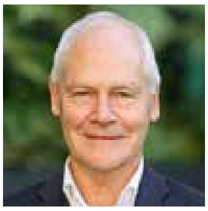
Claudia Batten
LLB(Hons), BCA
Independent Non-Executive Director
(Appointed 28 October 2021)

Dean Bracewell
Independent Non-Executive Director
(Appointed 20 April 2020)
Health, Safety & Security Committee Chair

Laurissa Cooney
BMS(Hons), FCA, CMInstD
Independent Non-Executive Director
(Appointed 1 October 2019)

Larry De Shon
BA Communications, BA Sociology
Independent Non-Executive Director
(Appointed 20 April 2020)

Alison Gerry
BMS(Hons), MAppFin
Independent Non-Executive Director
(Appointed 28 October 2021)
Audit & Risk Committee Chair

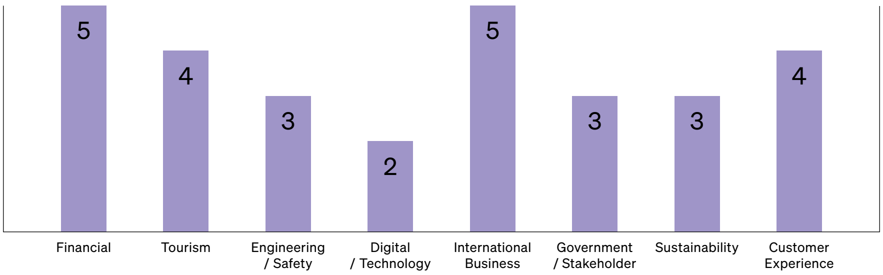


Paul Goulter
LLB, MA(Hons), BA
Independent Non-Executive Director
(Appointed 28 October 2021)

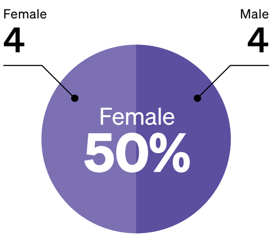
Jonathan Mason
MBA, MA, BA
Independent Non-Executive Director
(Appointed 1 March 2014)
People, Remuneration & Diversity Committee Chair

Details of directors' skills and experience can be found at:
airnewzealand.co.nz/air-new-zealand-board

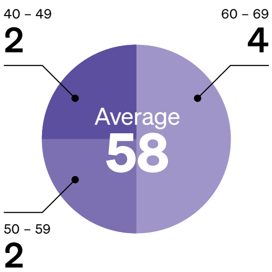
Board skills and diversity



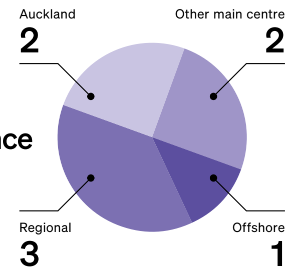
Gender



Age



Residence



Corporate Governance Statement (continued)

Independence

The Board has identified criteria in its Charter, against which it evaluates the independence of directors in line with the NZX Listing Rules. These are designed to ensure directors are not unduly influenced in their decisions and activities by any personal, family or business interests.

All directors have been determined to be Independent Directors under these criteria, and for the purposes of the NZX Listing Rules. Directors are required to inform the Board of all relevant information which may affect their independence such that the Board continually considers the independence of its members.

The Board Charter makes explicit that the Chair and the Chief Executive Officer roles are separate.

Director Appointments

There have been no new directors appointed during the 2023 financial year.

The Board's approach to appointing directors is depicted below. The Board as a whole considers the requirement for additional or replacement directors.

Needs Analysis

- Assessment of existing and desirable skills on the Board to fulfil its governance role and contribute to the long-term strategic direction of the Company.
- Diversity considerations.

Identification

- Identification of suitable candidates.
- External consultants may be engaged.

Suitability

- Ensure constitutional requirements are met.
- Ensure relevant independence criteria (including NZX Code) are satisfied.
- Interviewing and reference checking.

Appointment

- Formal letter of appointment outlining key terms and conditions of appointment.
- Shareholder approval at next Annual Shareholder Meeting.

Establishment

- Induction.
- Disclosure of Interests and agree conflicts management plans where relevant.
- Committee assignments.
- Ongoing evaluation and development.

Directors are expected to acquire a shareholding in the Company equivalent to 50% of the annual base director fee within 3 years of appointment.

Key Governance documents are available on the Air New Zealand website. These include:

- the **Company's Code of Conduct and Ethics**, stating the guiding principles of ethical and legal conduct, applicable to everyone working at or for Air New Zealand – directors, executives, employees, contractors and agents.
- **Charters for the Board and each of its Committees**, detailing authorities, responsibilities, membership and operation.
- the **Securities Trading Policy**, identifying behaviours that could be illegal for individuals, or otherwise unacceptable or risky in relation to dealings in Air New Zealand's securities by directors, employees or their associated persons.
- the **Continuous Disclosure Policy**, addressing compliance with continuous disclosure obligations and the timely treatment of Material Information.

Air New Zealand's key Governance documents can be found at:
airnewzealand.co.nz/corporate-governance

Management commentary
(no financial statements)

Corporate Governance Statement (continued)

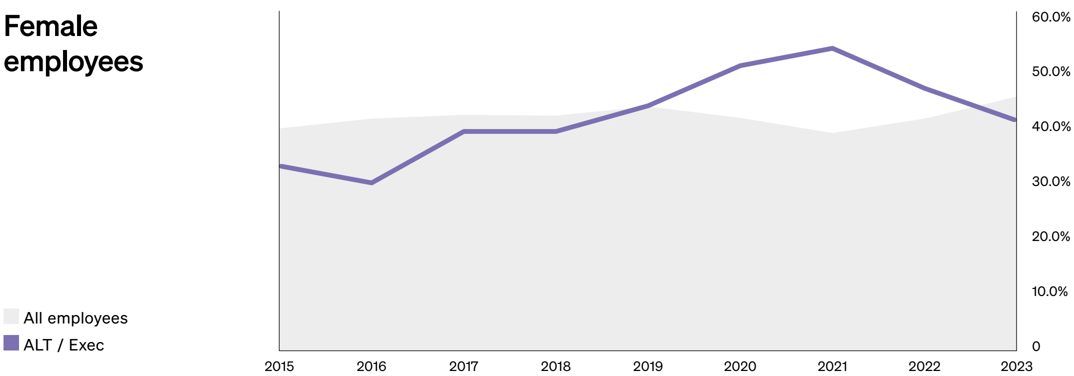
Diversity, Equity and Inclusion

The Company's Diversity, Equity & Inclusion Policy recognises the value of a diverse workforce, proudly representative of Aotearoa New Zealand, and aims to create an inclusive environment where Air New Zealanders can be themselves and thrive. Overall, the Board considers the Company's performance against this policy has been consistent. The Board has also had input into and endorsed the recently refreshed Diversity, Equity and Inclusion strategy and will continue to regularly evaluate progress against the strategy and the relevant targets.

Diversity is considered across a number of measures, including gender, ethnicity, disability, age, and sexual identity. There is a focus on recruitment practices that promote the retention and attraction of diverse talent, as well as a broad range of employee initiatives to reflect, support and develop the diversity we have across the airline. Air New Zealand's 10 Employee Networks play a key role in supporting and advocating for employees and ensuring the success of the airline's Diversity, Equity & Inclusion strategy.

With a target of 50% women in the senior leadership team (which includes the Executive), the Company achieved 41% as at 30 June 2023. The Board will continue to monitor this and is comfortable that the recent decline is not reflective of any systemic issues, with recruitment, retention and management of talent pipelines all operating well. Our 50% target will be maintained and there will be a continued focus on building a pipeline of women leaders at all levels of leadership to help us achieve this.

Female employees



Air New Zealand also has a target of 20% of the Company's people leadership roles being held by Māori and Pasifika employees by 2025; as at 30 June 2023 the result was 16%. The target will be maintained for the 2024 financial year, with ongoing support for our graduates of our Mangōpare leadership development programme, and continued focus on initiatives that support the recruitment, retention and development of Māori and Pasifika talent.

*AS AT 30 JUNE	2022	2023
Directors (female:male:gender diverse)	4:4:0	4:4:0
Executive team (female:male:gender diverse)*	3:6:0	4:6:0

* The Executive Team comprises the Chief Executive Officer and direct reports to the Chief Executive Officer, and corresponds to "Officers" as defined in the Listing Rules.

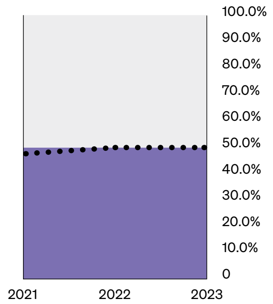
Jonathan Mason discusses the activities of the People, Remuneration & Diversity Committee:
youtube.com/watch?v=dNFWg0nypRw

Management commentary
(no financial statements)

Corporate Governance Statement (continued)

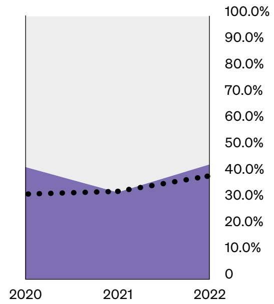
Gender balance – Board

● 3 year average
Male
Female



Gender balance – Executive

● 3 year average
Male
Female

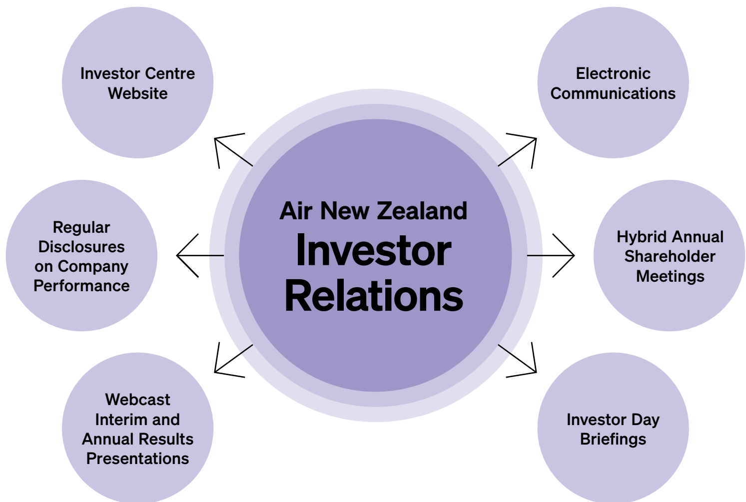


The Sustainability Report further identifies and quantifies activities, achievements and metrics related to Diversity, Equity & Inclusion initiatives.

Shareholder Engagement

Air New Zealand utilises a number of channels to communicate with its shareholders. Disclosure of material information is first made through announcements to the NZX and ASX. In accordance with legislation, the Constitution and Listing Rules, Air New Zealand refers any significant matters to shareholders for approval at a shareholder meeting. The Company's investor centre on the Air New Zealand website is the focal point for many of these disclosures, and shareholders are encouraged to utilise this site, which contains current and historical financial information, shareholder meeting materials, and links to other information of relevance to investors and key stakeholders.

Air New Zealand's Investor Centre can be found at:
airnewzealand.co.nz/investor-centre



There is a comprehensive frequently asked questions section included in the investor centre website to assist shareholders with common questions. In addition, all shareholders have the ability to make enquiries regarding their investment via the Investor Relations e-mail (investor@airnz.co.nz) which is provided on the investor centre website.

The Company operates an investor relations programme with dedicated individuals who manage scheduled interactions with investors, analysts and relevant market stakeholders throughout the year. Twice a year at the interim and annual results announcement, the CEO and CFO host an investor-focused conference call and answer questions raised by analysts and investors. A transcript of the investor call is made available on the Company's website to enable full transparency to all stakeholders. The Company also participates in bi-annual podcasts for existing and prospective retail shareholders, which provides an opportunity for those stakeholders to ask questions related to the interim and annual financial result, as well as strategic questions.

Air New Zealand posts any Notices of Shareholder Meetings on its website as soon as these are available. The general practice is to make these available not less than four weeks prior to the shareholder meeting. The Company has been holding a hybrid form (with attendance either physically or digitally) of its Annual Shareholders Meeting since 2016, which enables wide participation by shareholders.

Management commentary
(no financial statements)

Corporate Governance Statement (continued)

Differences in Practice to NZX Code

The Board has not established protocols setting out procedures to be followed in the event of a takeover offer. This is because the Board considers receipt of a takeover offer to be an extremely unlikely event in light of the Crown's majority shareholding in the Company and the other shareholding restrictions that apply to Air New Zealand. In addition, Air New Zealand would have adequate time to implement such protocols and procedures, and communicate those to shareholders, should circumstances change. Accordingly, and having regard to the supporting commentary in the NZX Corporate Governance Code, the Board considers that it is reasonable and appropriate for Air New Zealand not to follow Recommendation 3.6 of the Code at this time. Notwithstanding this, the Board agrees with the principles behind this recommendation, being good communication with shareholders and independent directors leading matters that require appropriate independence.

Board Activities

As the financial and operational disruption of the Covid-19 pandemic receded, the Board has more deliberately focused on the future position of the Company, and what that means for stakeholders including customers, employees and investors.

The Board-approved strategy, *Kia Mau*, continues to provide a robust framework as the Company focuses on the future and continuing to deliver service excellence to its customers as a key part of driving Air New Zealand's success. During the year Directors attended 11 Board meetings and 7 Strategy sessions. There were also 12 Committee meetings (4 ARC, 4 HSSC and 4 PRDC).

Key areas of activity during the year include:

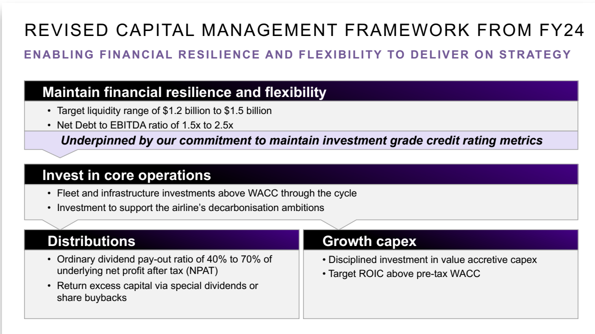
Kia Mau

Guiding the Company's strategy, ensuring it is refined in a dynamic operating context, and monitoring progress towards achievement, is central to the Board's activities.

The recovery path has presented challenges throughout the industry (and the wider economy) with ongoing supply chain issues, staff resourcing and restricted capacity, particularly as demand has been continually strong from customers. The Brilliant Basics driver of the Kia Mau strategy has been in sharp focus as it is key to improving operational performance and reliability, and customer satisfaction. The Board acknowledges short-term challenges and frustrations for customers as the overall aviation system has built back, but improvements are being implemented that will give the airline a stronger platform to deliver into the future. Directors have been encouraged as they observe the Full Potential framework enabling material and timely enhancements in areas such as the management of mishandled bags where significant efficiency improvements have been achieved.

Capital Management

In 2022 the Board successfully completed a Capital Raise to re-establish its funding base following the Covid-19 pandemic. At the time of the raise the Company's recovery path remained uncertain, but the demand for air travel, both domestic and international, has proven to be stronger than anticipated on an ongoing basis, both for the Company and the global airline industry more broadly. This has facilitated the Board looking at its capital management settings over the course of five meetings during the 2023 financial year, with a particular focus on appropriate liquidity and leverage targets that enable the Company to maintain an investment grade credit rating, as well as shareholder distribution parameters. The revised capital management framework is effective from the 2024 financial year.



As part of the capital management discussion, the Board assessed the strong financial performance in 2023 and determined payment of a special dividend to shareholders was appropriate, in the context of the Company's current liquidity, debt levels and capital expenditure profile.

The Company issued $100 million retail bonds in October 2022, replacing the $50 million retail bonds that were maturing. The Company also redeemed and cancelled the outstanding $200 million balance of Redeemable Shares issued prior to the Capital Raise. The Board will consider removing the remaining and undrawn standby Crown loan of $400 million at the appropriate juncture.

Management commentary
(no financial statements)

Corporate Governance Statement (continued)

Sustainability

A successful future requires the Company to remain committed to advancing its sustainability initiatives and the Board is focused on ensuring progress in managing and reporting on climate change impacts. To achieve this, the Board has collaborated with management to establish climate scenarios and models, both to meet climate disclosure requirements and to inform and shape the Company's responses. Directors have endorsed efforts to enhance the availability and sourcing of Sustainable Aviation Fuel (SAF), as well as pursuing options for lower emission aircraft.

The Company's sustainability roadmap to 2030 and beyond has been a key focus for the Board, given the challenges the airline industry faces and how critical this roadmap is to inform an effective and authentic response by the airline. The Company's science-based carbon reduction target provides an objective benchmark for the Board, as well as other stakeholders, to monitor the Company's progress.

The Board's focus on sustainability is not restricted to climate change, as demonstrated in the Sustainability Report. Sustainability issues are also expected to be discussed in all relevant Board papers to drive improvement in their identification, measurement and management.

Te Ao Māori

The Board and management continue on their journey to realise an authentic te ao Māori approach for the company, recognising the partnership principle underpinning Te Tiriti o Waitangi | The Treaty of Waitangi, and the importance of an effective Māori strategy to drive outcomes and value alongside the Kia Mau strategy.

The Board endorsed management's Māori strategy in February 2023, which is a significant step towards a more comprehensive approach to embedding te ao Māori into the business. This strategy is designed to ensure that the airline moves beyond solely focusing on cultural practices to a more holistic approach, which incorporates measurable outcomes related to workforce, stakeholders, policy and processes, and commercial performance. The strategy identifies a range of opportunities for Air New Zealand, including engaging with mana whenua in recruitment initiatives, ensuring that tikanga Māori is authentically incorporated into the business, and connections with the Māori economy and Māori entities shows demonstrable growth through shared initiatives.

Further Afield

Following the launch of the Auckland-New York direct service in October 2022, the Board hosted a high level business delegation to New York, building and rebuilding links with the US market to benefit the New Zealand business sector and wider economy.

Given Air New Zealand operates globally, the Board undertake one to two overseas visits each year to meet stakeholders and to undertake health and safety reviews. Directors visited several Pacific Islands in November 2022, building relationships with stakeholders in those ports, and engaging with staff and touring the facilities.

Air New Zealand Board members with Greg Foran (CEO) in New York
Left to right: Paul Goulter, Larry De Shon, Laurissa Cooney, Alison Gerry, Dame Therese Walsh (Chair), Claudia Batten, Greg Foran (CEO), Dean Bracewell and Jonathan Mason.

Management commentary
(no financial statements)

Corporate Governance Statement (continued)

Regional Initiatives

Air New Zealand is committed to supporting the growth and prosperity of regional New Zealand, and the Board has been active in this effort. Directors have visited several regions over the past year including the top of the South Island, meeting local leaders, engaging with business communities and gaining a deeper understanding of local issues and initiatives.

As the Company refreshes its customer offerings, such as airport lounge facilities and on-board food options, the Board is strongly supporting the use of local suppliers and specialities. By promoting local businesses, Air New Zealand is helping to support the economies of regional communities and providing a memorable experience for customers.

The Board was also pleased that the airline was able to provide additional support to the Gisborne and Hawkes Bay communities when Cyclone Gabrielle disrupted land transport options in February. This included operating a temporary daily air service between Napier and Gisborne to overcome road closures, and carrying over 5,700 passengers including a significant number of emergency workers and contractors. Going forward, the airline will continue to seek ways to support local efforts and its staff in those regions as the communities rebuild.

As Directors have visited different ports, they have also taken the time to engage with local employees and recognise their mahi in improving the customer experience.

Infrastructure

Getting the supporting infrastructure for the future is critical, both operationally and to ensure customers have a safe, appropriate, and cost-effective experience.

Auckland International Airport is the airline's main base and ~62% of domestic journeys and ~83% of international journeys go through the Auckland domestic or international terminals. As a regulated supplier Auckland International Airport undertakes a price setting event every five years, which is informed by the airport's multi-decade airport redevelopment programme. The Board has been closely involved with the airline's response to the 2023 airport price setting consultation and the overall redevelopment plans, given the airport's plans are a generational shift in investment and are likely to have an adverse impact on airline ticket prices and customer demand. The airline recognises the need for some level of investment in site development and improved terminal facilities at Auckland airport but considers the current proposals to be unaffordable. The Board continues to support a range of initiatives in response.

The Board approved a significant investment in new hangar facilities at Auckland airport incorporating sustainable design and construction techniques. The new hangar will replace decades-old facilities which are inefficient and no longer fit for purpose. Further investment in modern Ground Service Equipment has also been approved.

Employees

The Board considers Air New Zealand employees to be the most valuable asset of the airline. The airline has been challenged by staff shortfalls during the rapid 2022-23 demand recovery. There has been a shortfall of staff throughout the industry and the airline is focused on attracting, retaining and recruiting staff with the right competencies as this is fundamental to operational excellence. Basic wage rates have increased to address market expectations. In the financial year, the airline has taken on 3,000 new staff, particularly in airport roles (front and back of house), contact centres and flight crew.

For the longer term the Board has considered other strategic issues such as pilot sourcing and career progressions, senior executive succession, and supporting employees with meaningful incentives and initiatives. The parental leave policy was enhanced this year as was the staff travel offering.

The Board is encouraged by the 2023 Ranstad award for Most Attractive Employer, the seventh time the airline has received this award.

Risk Appetite

The Board enhanced its approach to risk management with the completion of work to define and approve its Risk Appetite Statement. This enables decision-makers in the airline to understand how willing the Company is to take risks. The Risk Appetite is aligned to the Strategic Risk areas described on pages 81 to 84. The Board expects the Risk Appetite to be addressed in matters presented to it and will continue to refine the Statement to respond to changes, particularly in the operating environment and the nature or extent of strategic risks including the effectiveness of mitigants. Fundamental for an airline, it is obvious that the Board is 'averse' to taking risk on safety issues – operational or staff related. At the other end of the spectrum, as part of our ambition to create the greatest flying experience the Board has set an 'open' risk appetite to innovate the customer experience and to challenge the status quo in both the international and domestic flying experience. The Board is open to other dimensions of innovation risk, but is explicit that innovation is not at the expense of safety.

Corporate Governance Statement (continued)

Safety

The safety of our customers, employees and our operations remains paramount for the airline and the Board. The direct effects of the pandemic have abated, but related impacts continue, including recruitment and retention challenges, a constrained supply chain, training and on-boarding of new personnel and increased levels of illness. Consequential workload pressure has contributed to elevated risk concerning fatigue, mental health and wellbeing. Particular focus on and initiatives in these areas and on safety overall has seen an improvement in the relevant risk control effectiveness scores.

The Board's Health, Safety & Security Committee meets quarterly and engages with management and representatives of our front-line workforce to review operational risk and safety performance. These meetings include the consideration of detailed reporting against safety metrics as well as spending time in the operations of the airline. The Committee has also met with key stakeholders with whom the airline works closely with to ensure safe operating practices. Directors visited several domestic and offshore ports over the year meeting with our employees and acknowledging their mahi.

Dean Bracewell discusses the activities of the Health, Safety & Security Committee:
youtube.com/watch?v=dNFWg0nypRw

Layered safety and well-being support within the airline includes a Peer Support Network, Employee Assistance Programme, a confidential Speak Up line and our other 10 Employee Networks. Maintaining and further developing a safety and security culture through effective training, as many new staff join, is a priority.

The airlines' safety processes and performance are audited by the Civil Aviation Authority which undertook four audits in 2023 all resulting in positive outcomes. Air New Zealand is also a member of IATA and the Star Alliance. A pre-requisite to these memberships is evaluation by the IATA Operational Safety Audit (IOSA) program, an internationally recognised and accepted evaluation system designed to assess the operational management and control systems of an airline. The airlines' IOSA accreditation was renewed in March 2023.

The Board was particularly pleased to note the repeated success of the airline in the NZ Workplace Health & Safety Awards, recognising industry leadership in health and safety.

Customer Initiatives

Initiatives which improve and innovate the customer journey have been of keen interest to the Board, including in-flight food offerings, innovative aircraft layouts including the new Skynest™ (which will debut on the new Boeing 787 aircraft due to enter the fleet in the 2025 financial year), and an enhanced Air New Zealand app.

Customer satisfaction has remained strong despite the recent challenges presented. Significant weather events in 2023, as well as global supply chain pressure for aircraft components (resulting in more frequent grounding of aircraft), has meant periods of heightened disruption to the network, schedule adjustments, and increased workload for our personnel, especially in the contact centre. The continued care our people demonstrate to our customers has been a major factor in the Company's success in external awards and industry recognition. Over the year these have included:

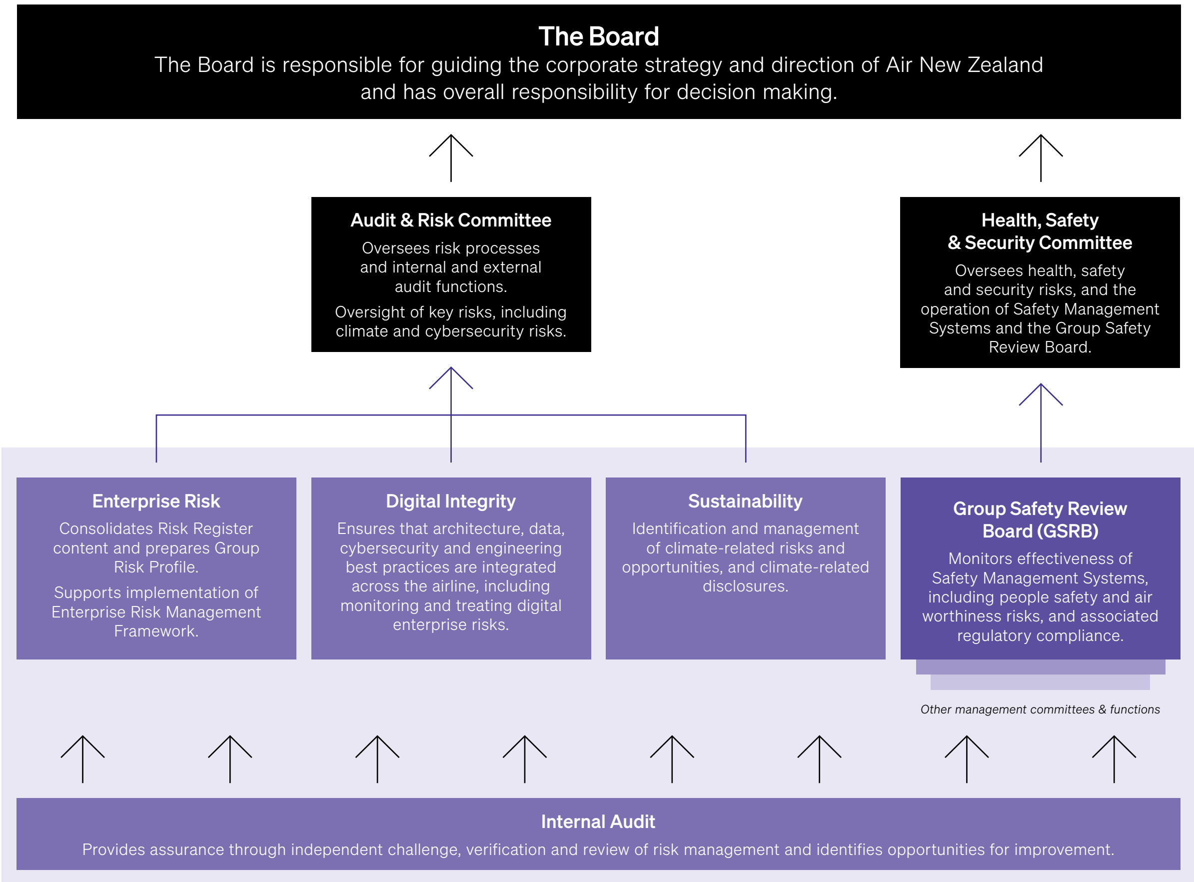
- Airline of the Year – Airlineratings.com
- Number One Corporate Reputation in New Zealand – Kantar Corporate Reputation Index
- Best Economy Class – Airlineratings.com
- Top Cabin Concept – Crystal Cabin Awards
- Cabin Concept of the Year – Onboard Hospitality Awards

Management commentary
(no financial statements)

Corporate Governance Statement (continued)

Risk Management/Strategic Risks

As we operate in a complex environment, we face inherent risks that cannot always be eliminated. It is important to the Board that material risks are identified and appropriate risk mitigation strategies are implemented to avoid unintended consequences and to position us more effectively to deliver our strategy.



Note: Only principal management relationships are depicted.

Risks are identified through both top-down and bottom-up processes, and follow a regular cadence of reporting to relevant management, Board Committees or the Board.

Strategic Risks presented on Air New Zealand's Group Risk Profile are confirmed by the Audit & Risk Committee, and prioritised based on an assessment of the risk rating. Risk ratings are a function of the likelihood and the impact of an event.

Alison Gerry discusses the activities of the Audit & Risk Committee:
youtube.com/watch?v=I6vvimc7opc

Given their significance, Strategic risks are assigned members of the Executive as Risk Owners, who ensure appropriate management of the risk.

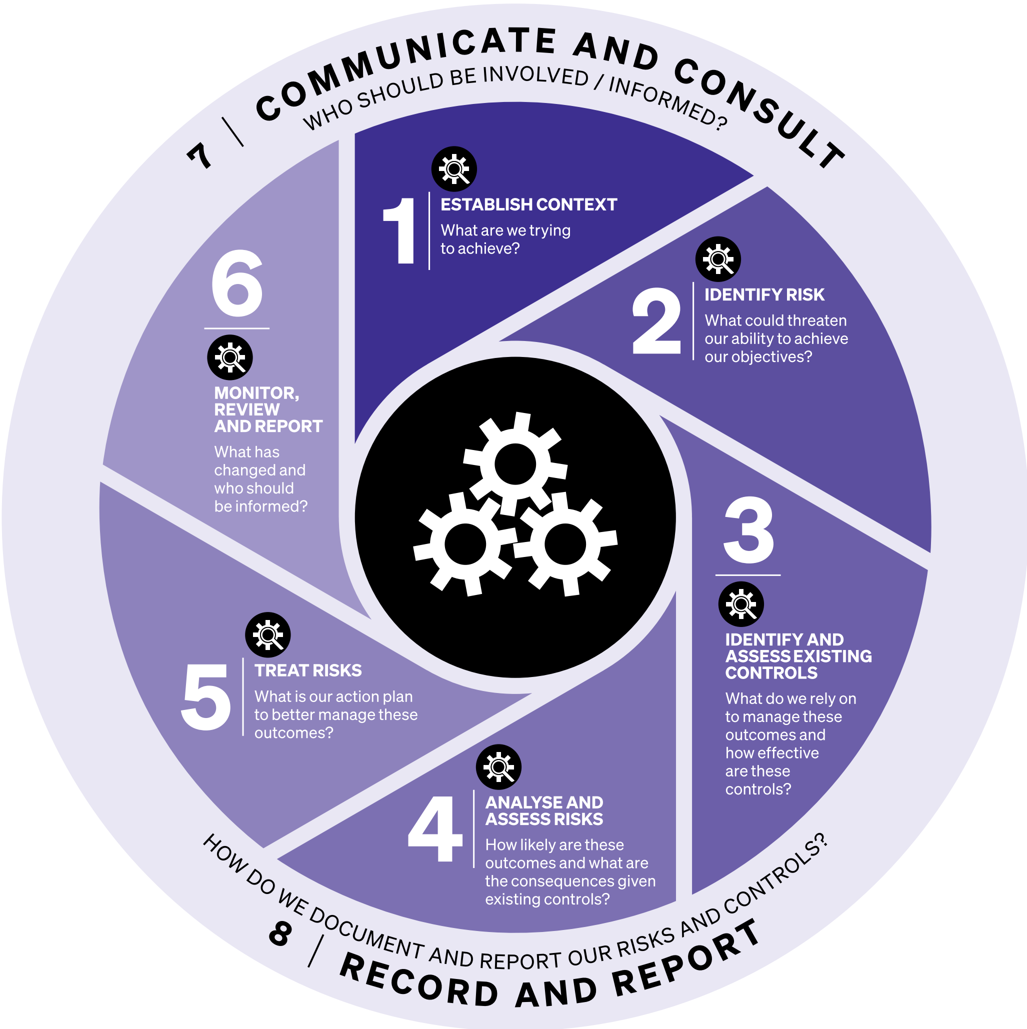
In September 2022 the Board of Directors approved Air New Zealand's Risk Appetite Statement ("RAS"). The RAS represents a clear and conscious decision about which risks, and how much of each, Air New Zealand is willing to take in the context of its business model and strategy. It has been constructed to reflect the areas of highest risk to the Company currently, and to reflect the Board's risk appetite going forward to drive the successful delivery of Kia Mau strategy.

Corporate Governance Statement (continued)

Following Air New Zealand's transformation to a more agile way of working for many of our workforce, work continues to ensure that the Enterprise Risk Management Framework is aligned to, and operates, effectively under this new organisational model. This includes developing and communicating consultation and approval guardrails (under an Empowerment Framework) to ensure risks are considered at the most appropriate level in decision making. Focus is particularly on the cadence of risk review and reporting, tooling, and identifying ways to improve risk capability in relevant functions.

The Board continues to give particular attention to climate risks and cybersecurity, drawing on a range of internal and external advice. The climate risks are further addressed in the Sustainability Report. Risks associated with the current economic and geopolitical environment, innovation, and the well-being of our workforce are also being closely monitored.

The Company's Strategic Risks are tabulated below. The identification of Strategic Risks enables both the Board and its Committees to focus on key risk areas including through targeted deep dives every six months on specific risks.



Management commentary
(no financial statements)

Corporate Governance Statement (continued)

Strategic Risk Area	Strategy	Description	Principal Mitigants
Climate change		Transition risks (change in technologies, increasing carbon regulation globally and societal/economic shifts towards decarbonisation), combined with physical climate change risks may constrain travel demand, operational and financial performance and network growth, adversely impacting investor expectations and Air New Zealand's social licence to operate.	"Ambitious Action" strategy and science-based target. Workstreams implementing decarbonisation levers. Engagement with regulators and legislators on carbon, climate, and transport policy. Transparent disclosure, and provision of options for customer emissions reporting. Response teams, emergency response training and toolkits for responding to crises, emergency and business disruption. Business Continuity Plans and testing.
Global uncertainty		Heightened economic, geopolitical and market uncertainties could affect the ability to accurately plan for future travel demand, adversely impacting supply side planning and the ability to meet revenue optimisation and growth targets.	Predictive monitoring of economic activity and indicators including continuous review of revenue projections. Disciplined capacity management. Use of fuel price hedging.
Technology and data		Failure to utilise and protect data and/or manage technology debt may compromise digital integrity and impede transformation and innovation, introduce cyber vulnerabilities, operational overhead and lead to digital/business disruption.	Technology Roadmap and business plan for technical debt reduction; Governance oversight, including of the Disaster Recovery programme by the Digital Risk Committee, Threat & Vulnerability Management and System Lifecycle management.
Cybersecurity		A cyber-attack may lead to a significant data privacy breach, loss of integrity/availability of information or of a control system and widespread business disruption resulting in financial loss, reputational damage and regulatory fines or sanctions.	Comprehensive Cybersecurity programme delivered by a dedicated Cybersecurity function, complemented by appropriate cybersecurity measures and insurance. Privacy programme includes training and awareness and Privacy Breach Response processes.
Agile transition and change management		Failure to transition to agile and low employee buy-in may impact the ability to embed new ways of working and impede the Airline's ability to achieve Kia Mau strategic objectives.	Best practice approach including initial consultant support, focused training and education for key roles and leader immersions. Continuous learning through multiple assessments, external benchmarking and feedback processes.

Kia Mau strategies

Grow Domestic | Optimise International | Lift Loyalty | Brilliant Basics | Serious about Sustainability | Digital Dexterity | Prioritising People & Safety

Management commentary
(no financial statements)

Corporate Governance Statement (continued)

Strategic Risk Area	Strategy	Description	Principal Mitigants
Legal and regulatory compliance		Rapidly changing and varied domestic and international requirements, CAA regulations, stock exchange requirements or other legal or regulatory obligations (e.g. privacy) create significant operational and commercial complexity potentially resulting in non-compliance and resultant legal and reputational impacts.	Active monitoring of regulatory changes, alignment of internal standards and procedures and conformance monitoring. Regular engagement with regulators and use of external law firms for legal and regulatory updates. Ongoing targeted legal, regulatory and privacy training of high-risk areas, including annual company-wide Code of Conduct and Ethics training to promote awareness. Systematic safety management including active safety promotion and operational risk management.
Innovation		Air New Zealand's failure to innovate in response to customer expectations may lead to customer dissatisfaction and loss of competitiveness, adversely impacting the ability to deliver strategy and reputational damage.	Full Potential model Quarterly Business Review enables capability development and alignment and prioritisation of initiatives to strategy. Research and analysis of customer behaviour. Monitoring of delivery effectiveness.
Supply chain		Global supply chain challenges (aircraft parts, raw material shortages and labour availability), increase in supplier ESG risks and aging Ground Service Equipment may result in sustained operational disruption and adversely impact revenue and brand.	Robust integrated business planning and dynamic review of supplier risk, including supplier performance monitoring and response and recovery planning. Alternative supply arrangements established as appropriate.
Breakdown in industrial relations		Inability to reset legacy employment agreements, pressure on pay rates and introduction of mandatory vaccines could lead to a deterioration in union relationships, a heightened risk of industrial unrest and the potential for significant operational disruption as flight demand returns in the recovery phase.	Dedicated Human Resources team with effective union relationship management, supported by communication and issue resolution processes.

Kia Mau strategies

Grow Domestic · Optimise International · Lift Loyalty · Brilliant Basics · Serious about Sustainability · Digital Dexterity · Prioritising People & Safety

Management commentary
(no financial statements)

Corporate Governance Statement (continued)

Strategic Risk Area	Strategy	Description	Principal Mitigants
Safety		Internal or external factors may affect the ability to deliver on the Operational and People Safety mission and result in critical health and safety incidents involving systems, employees, aircraft and/or customers impacting Air New Zealand's Air Operating Certificate.	Implementation of airline safety management systems including: • Health, Safety, Environment and Wellbeing Management framework and Systems (HSEW MS) • Airline Safety Management System (SMS) and • Airline Security Management System (SeMS). Governance and oversight of significant issues provided by the Board's Health, Safety & Security Committee. The Full Potential model, including Empowerment Framework Guardrails and the Quarterly Business Review process ensures a focus on safety risk management.
Competition		A significant increase in disruptive or traditional competition, airline/industry consolidation, or the unravelling of a key alliance relationship or formation of new alliance partnerships may lead to disintermediation of customers and marginalisation of Air New Zealand.	Competitive analysis and monitoring and pricing strategy. Customer research and investment in technology. Engagement with key stakeholders and active management of alliance partner relationships.
Aeronautical infrastructure and systems constraints		Lack of prudent investment in aeronautical infrastructure (including airways, security, lounge, baggage systems, traffic management, hangars, renewable energy generation and storage assets) could constrain the future growth of the airline.	Strategic planning process to clearly understand current and future infrastructure demand. Engagement with government, regulatory and industry stakeholder groups to influence and align infrastructure planning and development.
Workforce		War for talent, industry disruption, inability to attract talent or a deterioration in union relationships may lead to loss of institutional knowledge, capability gaps and the potential for significant operational disruption, constraining the ability to deliver strategy.	Sustainable job strategy combined with talent review, career development initiatives and succession planning for critical roles. Productive union relationships based on collaboration principles. Quarterly engagement surveys and rewards and recognition programme.

Kia Mau strategies

Grow Domestic · Optimise International · Lift Loyalty · Brilliant Basics · Serious about Sustainability · Digital Dexterity · Prioritising People & Safety

Management commentary
(no financial statements)

Corporate Governance Statement (continued)

Strategic Risk Area	Strategy	Description	Principal Mitigants
Social licence and corporate reputation		Lack of responsiveness to changing customer expectations, or lack of support from stakeholders/interest groups (politicians, government, regional New Zealand, customers, communities, media) may erode Air New Zealand's social licence, brand strength and corporate reputation resulting in diminished competitiveness and growth.	Stakeholder management and communication programme for central and regional government and other stakeholders including media. Research into customer sentiment and other key issues impacting Air New Zealand, including opportunities through international channels.
Business disruption		A significant disruptive event or crisis may threaten the safety of our workforce and/or lead to sustained operational disruption and the inability to comply with regulations, resulting in financial and reputational impacts.	Documented Crisis, Emergency and Business Resilience framework, including Emergency Response teams, training and plans which are tested through exercises.

A third line of defence, behind the business's identification and management of risks, and the operation of the risk management framework and engagement of the Board and Board Committees, is the internal audit function. This group acts for the Audit & Risk Committee (and through them, the Board) to independently and objectively assess, assure and enhance the business's management of risk. Outputs from this activity can include specific action plans whose achievement is monitored by the Audit & Risk Committee.

External Audit

As a Public Entity, Air New Zealand is subject to the Public Audit Act 2001. The Auditor-General is the auditor, but may appoint an independent auditor to conduct the audit process. Melissa Collier of Deloitte has been appointed in this respect, from the 2022 financial year.

The Audit & Risk Committee liaises with the Auditor-General on the appointment and re-appointment of the external auditors, to ensure the independence of the external auditor is maintained, and to approve the performance of any non-audit services in accordance with the Audit Independence Policy.

Air New Zealand requires the external auditor to rotate its lead audit partner at least every five years, with suitable succession planning to ensure consistency.

On a regular basis the Audit & Risk Committee meets with the external auditor to discuss any matters that either party believes should be discussed confidentially. The Chair of the Audit & Risk Committee will call a meeting of that Committee if so requested by the external auditor.

The appointed external auditor has historically attended the Annual Shareholders' Meeting, and is available to answer relevant questions from shareholders at that meeting

Kia Mau strategies

Grow Domestic | Optimise International | Lift Loyalty | Brilliant Basics | Serious about Sustainability | Digital Dexterity | Prioritising People & Safety

Management commentary
(no financial statements)

Corporate Governance Statement (continued)

Remuneration

Director Remuneration

In accordance with the Constitution, shareholder approval must be sought for any increase in the pool available to pay directors' fees. Approval was last sought in 2015, when the pool limit was set at $1,100,000 per annum. This approval was based on 7 directors; with a Board comprising 8 directors the pool limit is $1,232,333 per annum consistent with NZX Listing Rule 2.11.3.

Where the pool permits, the Board may amend the actual fees paid to reflect market conditions or other relevant factors. The Board has determined the following allocation of the pool.

	Position	Fees (Per Annum)
Board of Directors	Chair[1]	$270,000
	Member	$100,000
Audit & Risk Committee	Chair	$40,000
	Member	$20,000
Health, Safety & Security Committee	Chair	$40,000
	Member	$20,000
People, Remuneration & Diversity Committee	Chair	$20,000
	Member	$10,000

1. The Chair receives no additional committee fees.

Air New Zealand's Independent Non-Executive Directors do not participate in any executive remuneration scheme or employee share schemes; nor do they receive options, bonus payments or any incentive-based remuneration. Directors are entitled to be reimbursed by Air New Zealand for reasonable travelling, accommodation and other expenses they may incur whilst travelling to and from meetings of the directors or committees. Directors have an entitlement to a limited number of free of charge flights for each year served as a director as set out in a director travel policy.

Management commentary
(no financial statements)

Corporate Governance Statement (continued)

Remuneration and benefits of directors and former directors in the reporting period are tabulated below.

	Board Fees	ARC	HSSC	PRDC	Total Fees	Value of Travel Entitlement Utilised[1,2]
Dame Therese Walsh (Chair)	$270,000	-	-	-	$270,000	$106,993
Claudia Batten	$100,000	$20,000	-	-	$120,000	$32,052
Dean Bracewell	$100,000	-	$40,000 (Chair)	$10,000	$150,000	$61,245
Laurissa Cooney	$100,000	$20,000	-	$10,000	$130,000	$73,861
Larry De Shon	$100,000	-	$20,000	-	$120,000	$26,323
Alison Gerry	$100,000	$40,000 (Chair)	$20,000	-	$160,000	$118,697
Paul Goulter	$100,000	-	$20,000	$10,000	$130,000	$43,160
Jonathan Mason	$100,000	$20,000	-	$20,000 (Chair)	$140,000	$94,860
Total	**$970,000**	**$100,000**	**$100,000**	**$50,000**	**$1,220,000**	**$557,191**

Amounts stated as FBT and GST exclusive where applicable.

1. Includes value of travel benefits for related parties and benefits accrued in prior years utilised in current year.
2. The value of the travel entitlements utilised by former directors during the 2023 financial year were as follows: Jan Dawson ($44,927), Rob Jager ($92,524), Linda Jenkinson ($138,396), Tony Carter ($56,664), Paul Bingham ($213,352), Roger France ($7,071), John Palmer ($29,675), Warren Larsen ($28,614), Jane Freeman ($1,349).

The Board disestablished the Covid-19 Committee in May 2023. This Committee did not meet during the 2023 financial year, and no additional fees were payable to directors who were members of this Committee.

In addition to the director remuneration provisions above, Air New Zealand's employee remuneration policy and the remuneration of the Chief Executive Officer is discussed in the remuneration report.

Management commentary
(no financial statements)

Employee Remuneration

	Remuneration paid in FY23 including base for FY23, and incentive payments including performance rights issued under the LTI scheme that relate to FY22 performance and paid in FY23*	
	New Zealand Management	Aircrew, Engineering, Overseas and Other
100,000 - 110,000	219	399
110,000 - 120,000	175	309
120,000 - 130,000	169	250
130,000 - 140,000	124	215
140,000 - 150,000	102	195
150,000 - 160,000	101	178
160,000 - 170,000	68	175
170,000 - 180,000	64	98
180,000 - 190,000	63	125
190,000 - 200,000	52	132
200,000 - 210,000	38	114
210,000 - 220,000	31	93
220,000 - 230,000	21	66
230,000 - 240,000	16	65
240,000 - 250,000	10	80
250,000 - 260,000	13	62
260,000 - 270,000	9	44
270,000 - 280,000	5	23
280,000 - 290,000	11	18
290,000 - 300,000	5	22
300,000 - 310,000	6	26
310,000 - 320,000	4	53
320,000 - 330,000	3	38
330,000 - 340,000	1	19
340,000 - 350,000	3	29
350,000 - 360,000	-	18
360,000 - 370,000	4	19
370,000 - 380,000	3	12
380,000 - 390,000	1	15
390,000 - 400,000	2	28
400,000 - 410,000	2	26
410,000 - 420,000	1	16
420,000 - 430,000	2	10
430,000 - 440,000	1	6
440,000 - 450,000	-	6
450,000 - 460,000	5	15
460,000 - 470,000	3	9
470,000 - 480,000	-	7
480,000 - 490,000	4	8
490,000 - 500,000	1	4
500,000 - 510,000	1	9
510,000 - 520,000	1	3
520,000 - 530,000	1	3
530,000 - 540,000	1	2
540,000 - 550,000	3	6
550,000 - 560,000	-	6
560,000 - 570,000	-	3
570,000 - 580,000	-	1
580,000 - 590,000	-	1
590,000 - 600,000	-	2
600,000 - 610,000	1	-
610,000 - 620,000	1	1
620,000 - 630,000	-	1
660,000 - 670,000	-	1
670,000 - 680,000	1	-
680,000 - 690,000	1	-
710,000 - 720,000	1	1
840,000 - 850,000	-	1
870,000 - 880,000	1	-
890,000 - 900,000	1	-
1,010,000 - 1,020,000	1	-
1,250,000 - 1,260,000	1	-
1,300,000 - 1,310,000	1	-
1,310,000 - 1,320,000	1	-
1,330,000 - 1,340,000	1	-
1,340,000 - 1,350,000	1	-
1,350,000 - 1,360,000	1	-
3,610,000 - 3,620,000	1	-
Grand Total	**1,364**	**3,068**

* Performance rights issued under the LTI scheme remain at risk.

Management commentary
(no financial statements)

Remuneration Report

Remuneration Philosophy

Air New Zealand's remuneration philosophy is aligned with its recruitment, leadership development philosophies and performance management approaches to ensure the attraction, development, and retention of key talent.

Air New Zealand's remuneration strategy is underpinned by a pay-for-performance philosophy and uses annual performance incentives to create opportunities to achieve market competitive remuneration levels and in the case of superior company performance, total remuneration in excess of market.

Executive remuneration

The CEO and Executive remuneration packages are made up of three components:

- Fixed remuneration;
- Short-term performance incentives; and
- Long-term performance incentives

Air New Zealand's People, Remuneration & Diversity Committee is kept appraised of relevant market information and best practice, obtaining advice from external advisors when necessary. Remuneration levels are reviewed annually for market competitiveness and alignment with strategic priorities and company performance outcomes.

Fixed remuneration

Air New Zealand's philosophy is to set fixed remuneration at market competitive levels for Executives. Fixed remuneration consists of base salary and superannuation contributions which are matched by employer superannuation contribution of 4% of gross taxable earnings. The fixed remuneration is reviewed periodically based on market data from independent remuneration specialists.

Short-term performance incentives

The annual performance incentive component is delivered through Air New Zealand Short-Term Incentive Scheme (STI). For the CEO, the STI is set at 55% of the annual fixed salary at target performance.

For the 2023 financial year, the structure of the short-term incentive scheme was:

- The 2023 financial year targets were based on a broad range of business measures to promote collaboration through shared objectives and support the business recovery. The Group financial results contribute 50% of the incentive and the other 50% is based on Group customer, operational and safety measures.
- The maximum payment is capped at 175% of the target if all performance measures are exceeded.

Long-term performance incentives

Air New Zealand's long-term incentive plan arrangements are designed to align the interests of the CEO and Executives with those of our shareholders and to incentivise participants in the plan to enhance long-term shareholder value. In the 2023 financial year, the plan available to Executives was the Air New Zealand Long-Term Incentive Performance Rights Plan (LTIP). Participation in any year is by annual invitation at the discretion of the Board.

Long-Term Incentive Performance Rights Plan (LTIP)

Performance Rights

LTIP participants are eligible to receive a grant of performance rights. Any grant of performance rights is at the discretion of the People Remuneration & Diversity Committee of the Board of Directors but, in the normal course of events, is expected to equate to a value of 55% of fixed remuneration for the CEO, and 40% of fixed remuneration for Executives. The number of performance rights to be allocated will be determined by an independent valuation of the performance rights carried out each year at the time of issue.

Three years after the date of issue of any performance rights, if the Air New Zealand share price has outperformed the performance hurdle, a proportion of the performance rights will convert to shares. The performance hurdle comprises of an index made up of the NZSX All Gross Index and the Bloomberg World Airline Total Return Index in equal proportions.

The proportion of performance rights that convert to shares will depend on the extent to which the Air New Zealand share price has outperformed the index. In particular:

Performance against index	Percent of Rights Vesting
<100%	Nil
100%	50%
101% - 119%	Additional 2.5% vesting per 1% increment
120%	100% (maximum)

Management commentary
(no financial statements)

Remuneration Report (continued)

If vesting is not achieved on the third anniversary of the issue date, 50% of the performance rights will lapse. For the remaining 50% there will be a further 6-month opportunity for the performance rights to vest. If performance rights do not vest at that time, they also lapse.

Unless Air New Zealand's share price outperforms the index as outlined above, no value will accrue to the participating Executive.

Mandatory Shareholding

Participants are required to commit to investing a specified amount to purchase shares in the Company. The amount is set at a value of 55% of the fixed remuneration for the CEO, and 40% of fixed remuneration for Executives.

Until participants have attained this target, any shares issued to them from vested performance rights must be retained as part of the mandatory shareholding. This holding must be maintained while continuing to participate in the LTIP. Executives are not required to purchase shares outside of the LTIP to satisfy this mandatory shareholding requirement.

Chief Executive Officer Remuneration

CEO Target Remuneration

Based on remuneration components outlined earlier, CEO target remuneration is as follows:

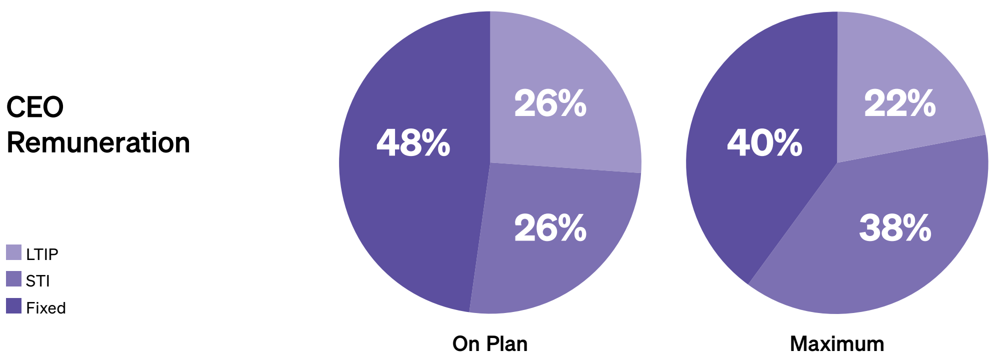
Financial Year	CEO	Salary[1] $	Benefits[2] $	STI[3] $	LTIP[4] $	Summary $
2023	Greg Foran	1,800,000	182,939	990,000	990,000	3,962,939
2022	Greg Foran	1,664,479	113,643	915,464	915,464	3,609,050
2021	Greg Foran	1,650,000	111,652	907,500	907,500	3,576,652

Comments to the table:

1. These are full-year salary equivalents. As part of the response to Covid-19, Greg Foran's annual contracted salary decreased from $1,650,000 to $1,400,000 for the 2021 financial year.
2. Benefits include superannuation and travel taken in the relevant financial year. As a member of the scheme, the CEO is eligible to contribute and receive matching Company contribution up to 4% of gross taxable earnings (including STI). The CEO and eligible beneficiaries are entitled to a number of trips for personal purposes at no cost to the individual. The dollar value represents the actual benefit received in each financial year, as no target is available for benefits. For Greg Foran's benefit calculation, 4% KiwiSaver on his target STI has been included.
3. STI target entitlement is 55% of salary.
4. The Long-Term Incentive Plan payout is expected to equate to 55% of salary if performance conditions stated under LTIP section are met.

CEO Remuneration Structure

The CEO remuneration structure is consistent with the executive management remuneration structure described previously. The CEO remuneration target and maximum total remuneration mix for the 2023 financial year is set out below. For LTIP the same target award value has been used for both on plan and maximum. The plan is subject to performance hurdles and any vested award is linked to the share price at the time of vesting. For STI the maximum payment is capped at 175% of the target if all performance measures are exceeded, which reduces the proportion of the LTIP target award at maximum.



Remuneration Report (continued)

CEO Realised Remuneration

Financial Year		CEO	Salary[1] $	Benefits[2] $	STI[3] $	LTIP[4] $	Summary $
2023	01/07/22 – 30/06/23	Greg Foran	1,839,029	171,239	1,123,650	-	3,133,918
2022	01/07/21 – 30/06/22	Greg Foran	1,657,169	76,733	613,361	-	2,347,263
2021	01/07/20 – 30/06/21	Greg Foran	1,400,000	65,352	-	-	1,465,352

Comments to the table:

1. Salary includes cash paid to, or received by, the CEO in respect of the financial period.
2. Benefits include:
   (a) Superannuation: as a member of the Air New Zealand's group superannuation scheme, the CEO is eligible to contribute and receive a matching Company contribution up to 4% of gross taxable earnings (including STI).
   (b) Travel: the CEO and eligible beneficiaries are entitled to a number of trips for personal purposes at no cost to the individual.
3. STI in the reporting period reflects the cash value of amounts received where entitlement is determined by the achievement of performance measures that relate to the current period and is not the result of an award made in a previous period.
4. LTIP Share Rights issued in 2019 were not converted to shares in the 2023 financial year as the performance conditions were not met.

CEO Share Rights Granted 2023 Financial Year

CEO	LTIP[1] #
Greg Foran	2,408,759

Comments to the table:

1. LTIP includes the number of Performance Share Rights granted in September 2022 (2023 financial year).

CEO Pay for Performance Calculation

Scheme	Description	Performance Measures	Scorecard Weighting	Scorecard Outcome	Percentage/Rating Achieved
STI	STI is set at 55% of fixed remuneration and is based on Company performance measures.	Return on Invested Capital (ROIC)[1]	25%	50%	Above target contribution to the STI scorecard
		Controllable Cost over Revenue[2]	25%	45%	Above target contribution to the STI scorecard
		Customer Satisfaction[3]	25%	2.5%	Partial achievement against STI scorecard
		Safe On Time Performance[4]	25%	16%	Partial achievement against STI scorecard
			100%	113.5%	
LTIP	Award of share rights under the Long-Term Incentive Performance Rights Plan is set at 55% of fixed remuneration.	Performance rights vest based on an index made of the NZSX All Gross Index and the Bloomberg World Airline Total Return Index in equal proportions.	100%	100%	100%

ROIC and Controllable Cost over Revenue was ahead of the target set by PRDC, overall, there was an above target contribution to the STI scorecard. Customer Satisfaction achieved a partial outcome against the target. For Safe On Time Performance, the Risk Control Effectiveness target was achieved and the performance on critical people safety risks remains strong, on time performance result was below the threshold to contribute to the STI scorecard.

1. ROIC is the return the company earns on the capital invested.
2. Controllable Cost over Revenue are costs that Air New Zealand can control, excluding fuel and foreign exchange.
3. Customer Satisfaction is measured via the MyVoice Customer Survey, an optional post-flight survey among passengers via an email link.
4. Pushing for On Time Performance could potentially have a negative impact on operational integrity, which is unacceptable to the airline. Safe On Time Performance is comprised of Risk Control Effectiveness which focuses on our critical safety risks, and On Time Performance. To ensure Air New Zealand continues to focus on operational safety, it must achieve both a minimum Risk Control Effectiveness and a minimum risk review completion target before On Time Performance can trigger a payment.

Interests Register

No disclosures were made of interests in transactions under s140(1) of the Companies Act 1993.

Directors have made general disclosures of interests in accordance with s140(2) of the Companies Act. Current interests, and those which ceased during the year, are tabulated below. New disclosures advised since 1 July 2022 are italicised.

Dame Therese Walsh	Antarctica New Zealand	Director
	ASB Bank Limited	Director (Chair)
	Climate Change Commission – nomination panel	Member
	On Being Bold Limited	Director
	Therese Walsh Consulting Limited	Director
	Wellington Homeless Women's Trust	Ambassador
Claudia Batten	Pyper Vision Limited	Shareholder
	Serko Limited	Chair
	Vista Group International Limited	Director
	Wonderful Investments Limited	Director
Dean Bracewell	Ara Street Investments Limited	Director and Shareholder
	Dean Bracewell Limited	Director and Shareholder
	Freightways Limited	Shareholder
	Halberg Trust	Director
	Port of Tauranga Limited	Director
	Property for Industry Limited	Director
	Tainui Group Holdings Limited	Director
Laurissa Cooney	Accordant Group Limited	Director
	GMT Bond Issuer Limited	Director
	GMT Wholesale Bond Issuer Limited	Director
	Goodman (NZ) Limited	Director
	Goodman Property Aggregated Limited	Director
	Ngāi Tai ki Tāmaki Charitable Investment Trust	Trustee to 1 June 2023; Audit Committee Member (Chair)
	The Aotearoa Circle Trust	Guardian
	Western Bay of Plenty Tourism and Visitors Trust ("Tourism Bay of Plenty") – ceased 1 May 2023	Trustee (Chair)
Larry De Shon	The Hartford Financial Services Group, Inc	Director
	United Rentals, Inc	Director
Alison Gerry	ANZ Bank New Zealand Limited	Director
	Glendora Avocados Limited	Director
	Glendora Holdings Limited	Director
	Infratil Limited	Director
	On Being Bold Limited	Director
	Sharesies AU Group Limited	Director
	Sharesies Group Limited	Director
	Sharesies Investment Management Limited	Director
	Sharesies Limited	Director
	Sharesies Nominee Limited	Director
Paul Goulter	New Zealand Nurses Organisation Incorporated	Officer
Jonathan Mason	Dilworth School for Boys	Trustee
	University of Auckland Council	Member
	University of Auckland Endowment Fund	Trustee
	Vector Limited	Director
	Westpac New Zealand Limited	Director
	World Wide Fund for Nature New Zealand	Trustee
	Zespri Group Limited	Director

There have been no interest register entries in respect of use of company information by directors.

Management commentary
(no financial statements)

Directors' Interests in Air New Zealand Securities

Directors had relevant interests in shares as at 30 June 2023 as below:

	Interest	Shares
Dean Bracewell[1]	Beneficial	125,000
Laurissa Cooney[2]	Beneficial	146,570
Larry De Shon	Beneficial	1,002,514
Alison Gerry[3]	Beneficial	84,393
Paul Goulter[3]	Beneficial	76,401
Jonathan Mason	Beneficial	164,000
Dame Therese Walsh	Beneficial	650,000

During the year, directors advised the following dealings that they (or associated persons) had in shares of the Company.

	Transaction	Date	Number	Consideration
Paul Goulter[3]	Purchase	15 March 2023	76,401	$59,975
Dame Therese Walsh	Purchase	1 March 2023	150,000	$117,750

1. Dean Bracewell holds his interest through an associated entity, Ara Street Investments Limited.
2. Laurissa Cooney has an interest in 107,570 shares through a Craigs' KiwiSaver Scheme, and 39,000 shares personally held.
3. Alison Gerry and Paul Goulter hold their respective interests via Sharesies Nominees Limited.

Indemnities and Insurance

Pursuant to section 162 of the Companies Act 1993 and the Constitution, Air New Zealand has entered into deeds of access, insurance and indemnity with the directors of the Group to indemnify them to the maximum extent permitted by law, against all liabilities which they may incur in the performance of their duties as directors of any company within the Group. Insurance cover extends to directors and officers for the expenses of defending legal proceedings and the cost of damages incurred. Specifically excluded are proven criminal liability and fines and penalties other than those pecuniary penalties which are legally insurable. In accordance with commercial practice, the insurance contract prohibits further disclosure of the terms of the policy. All directors who voted in favour of authorising the insurance certified that in their opinion, the cost of the insurance is fair to the Company.

Management commentary
(no financial statements)

Subsidiary and Joint Venture Companies

The following people were directors of Air New Zealand's subsidiary and joint venture companies in the financial year to 30 June 2023. Those who resigned during the year are signified by (R). These companies are New Zealand incorporated companies except where otherwise indicated.

No director of any subsidiary received beneficially any director's fees or other benefits except as an employee.

Air Nelson Limited	Jennifer Page Michael Williams Kelvin Duff (R)
Air New Zealand Aircraft Holdings Limited	Jennifer Page Baden Smith Richard Thomson
Air New Zealand Associated Companies Limited	Jennifer Page Leila Peters Richard Thomson
Air New Zealand Express Limited	Jennifer Page Richard Thomson
Air New Zealand Regional Maintenance Limited	Hamish Curson Brendon McWilliam
ANNZES Engines Christchurch Limited	Jennifer Page Richard Thomson
Mount Cook Airline Limited	Jennifer Page Michael Williams Kelvin Duff (R)
TEAL Insurance Limited	Katrina Meredith Jennifer Page Hannah Ringland Craig Tolley (R)
Air New Zealand (Australia) Pty Limited (incorporated in Australia)	Kathryn O'Brien Jennifer Page Paul McLean (R) Michael Zorbas (R)

* This table includes employees who have exited the business during the year.

Management commentary
(no financial statements)

Other Disclosures

Donations

The Air New Zealand Group has made donations totalling $100,000 in the financial year to 30 June 2023. No donations were made to any political party. It is Air New Zealand's policy not to make donations, in cash or in kind, or to provide free of charge travel to political parties.

Substantial product holders

The following information is provided in compliance with Section 293 of the Financial Markets Conduct Act 2013 and is stated as at 30 June 2023. The total number of listed Ordinary shares of Air New Zealand Limited at that date was 3,368,464,315.

Substantial Product Holder	Quoted voting products in the Company in which a relevant interest is held
The Sovereign in Right of New Zealand	1,717,916,801 ordinary shares*

In 1989, the Crown issued a Notice that arises through its holding of special rights Convertible Share, the "Kiwi Share" and the power of the Kiwi Shareholder under the Constitution. Full details of the rights pertaining to these shares are set out in the Company's Constitution. The Kiwi Share does not confer any right on its holder to vote at a shareholders' meeting unless the Kiwi Share has been converted into an Ordinary Share by its holder. The Kiwi Share is not listed on any stock exchange.

* As reported in its most recent Substantial Security Holder notice dated 11 May 2022, held by The Sovereign in Right of New Zealand acting by and through his Minister of Finance. By virtue of the Constitution Act 1986, the nominal holder of these shares changed from "Her Majesty the Queen in Right of New Zealand" to "The Sovereign in Right of New Zealand" on the demise of the late Queen, such change not being a transfer of shares.

Management commentary
(no financial statements)

Operating Fleet Statistics

As at 30 June 2023

Boeing 777-300ER

Number: 7
Average Age: 11.2 years
Maximum Passengers: 342
Cruising Speed: 910 km/hr
Average Daily Utilisation: 12:58 hrs

Boeing 787-9 Dreamliner

Number: 14
Average Age: 6.8 years
Maximum Passengers: 302 or 275
Cruising Speed: 910 km/hr
Average Daily Utilisation: 13:47 hrs

Airbus A321neo

Number: 10
Average Age: Short-haul: 4.3 years
Domestic: 0.6 years
Maximum Passengers: Short-haul: 214
Domestic: 217
Cruising Speed: 850 km/hr
Average Daily Utilisation: Short-haul: 9:23 hrs
Domestic: 5:28 hrs

Airbus A320neo

Number: 6
Average Age: 3.3 years
Maximum Passengers: 165
Cruising Speed: 850 km/hr
Average Daily Utilisation: 11:12 hrs

Airbus A320ceo

Number: 17
Average Age: 9.4 years
Maximum Passengers: 171
Cruising Speed: 850 km/hr
Average Daily Utilisation: 7:00 hrs

ATR 72-600

Number: 29
Average Age: 6.3 years
Maximum Passengers: 68
Cruising Speed: 518 km/hr
Average Daily Utilisation: 6:12 hrs

Bombardier Q300

Number: 23
Average Age: 16.4 years
Maximum Passengers: 50
Cruising Speed: 520 km/hr
Average Daily Utilisation: 5:53 hrs

Management commentary
(no financial statements)

Securities Statistics

Top Twenty Shareholders – as at 1 August 2023

Investor Name	Number of Ordinary Shares	% of Ordinary Shares
The Sovereign in Right of New Zealand acting by and through their Minister of Finance	1,717,916,801	51.00
New Zealand Depository Nominee	206,400,129	6.13
Citibank Nominees (NZ) Ltd	122,002,282	3.62
HSBC Nominees (New Zealand) Limited	112,872,662	3.35
HSBC Nominees (New Zealand) Limited	100,196,703	2.97
BNP Paribas Nominees NZ Limited Bpss40	67,057,959	1.99
JPMORGAN Chase Bank	45,485,040	1.35
BNP Paribas Nominees NZ Limited	25,570,778	0.76
Accident Compensation Corporation	17,375,375	0.52
Tea Custodians Limited	15,642,560	0.46
Public Trust	15,309,437	0.45
Private Nominees Limited	13,193,325	0.39
Xinwei Investment (NZ) Limited	13,164,081	0.39
Citicorp Nominees Pty Limited	12,434,506	0.37
Custodial Services Limited	8,250,517	0.24
Ping Luo	8,228,921	0.24
BNP Paribas Nominees (NZ) Limited	7,753,793	0.23
FNZ Custodians Limited	7,640,671	0.23
BNP Paribas Noms Pty Ltd	6,586,064	0.20
HSBC Custody Nominees (Australia) Limited	6,354,173	0.19
Total	**2,529,435,777**	**75.08**

Shareholder Statistics – as at 1 August 2023

Size of Holding	Investors	% Investors	Shares	% Issued
1-1,000	18,116	34.69	8,286,082	0.25
1,001-5,000	16,114	30.86	40,954,377	1.22
5,001-10,000	6,267	12.00	46,664,334	1.39
10,001-100,000	10,438	19.99	306,993,937	9.11
100,001 and Over	1,283	2.46	2,965,565,585	88.03
Total	**52,218**	**100.00**	**3,368,464,315**	**100.00**

Management commentary
(no financial statements)

Securities Statistics (continued)

Top Twenty Bondholders – as at 1 August 2023

Investor Name	Number of Bonds	% of Bonds
Forsyth Barr Custodians Limited	46,548,000	46.55
FNZ Custodians Limited	6,189,000	6.19
HSBC Nominees (New Zealand) Limited	4,830,000	4.83
Investment Custodial Services Limited	4,234,000	4.23
Private Nominees Limited	2,895,000	2.90
Forsyth Barr Custodians Limited	2,395,000	2.40
Mt Nominees Limited	2,070,000	2.07
JBWERE (NZ) Nominees Limited	1,906,000	1.91
BNP Paribas Nominees NZ Limited Bpss40	1,804,000	1.80
Custodial Services Limited	1,172,000	1.17
Hobson Wealth Custodian Limited	972,000	0.97
Forsyth Barr Custodians Limited	641,000	0.64
HSBC Nominees (New Zealand) Limited	550,000	0.55
Forsyth Barr Custodians Limited	420,000	0.42
I J Investments Limited	400,000	0.40
Malaghan Institute of Medical Research Trust Board	400,000	0.40
Cogent Nominees Limited	400,000	0.40
Pin Twenty Limited	390,000	0.39
JBWERE (NZ) Nominees Limited	300,000	0.30
Karl Leopold Zuba & Hedwig Zuba	250,000	0.25
Total	**78,766,000**	**78.77**

Bondholder Statistics – as at 1 August 2023

Size of Holding	Holders	% Holders	Bonds	% Issued
1-1,000	-	-	-	-
1,001-5,000	65	9.63	325,000	0.33
5,001-10,000	130	19.26	1,212,000	1.21
10,001-100,000	434	64.30	14,332,000	14.33
100,001 and Over	46	6.81	84,131,000	84.13
Total	**675**	**100.00**	**100,000,000**	**100.00**

Current on-market share buybacks

There is no current share buyback in the market.

Management commentary
(no financial statements)

General Information

Stock exchange listings

Air New Zealand's Ordinary Shares have been listed on the NZX Main Board (ticker code AIR) since 24 October 1989. It also has bonds listed on the NZX Debt Market (ticker code AIR020).

Air New Zealand's Ordinary Shares are listed on ASX (ticker code AIZ) as a Foreign Exempt Listing. The Foreign Exempt Listing means that Air New Zealand is expected to comply primarily with the Listing Rules of the NZX Main Board (being the rules of its home exchange) and is exempt from complying with most of ASX's Listing Rules.

Neither NZX nor ASX has taken any other disciplinary action against the Company during the financial year ended 30 June 2023. In particular there was no other exercise of powers by NZX under NZX Listing Rule 9.9.3 (relating to powers to cancel, suspend or censure an issuer) with respect to Air New Zealand during the reporting period.

On 20 July 2017, Air New Zealand launched a sponsored Level 1 American Depositary Receipt (ADR) programme. Air New Zealand's American Depositary Shares, each representing five Ordinary Air New Zealand shares and evidenced by ADRs, are traded over-the-counter in the United States (ticker code ANZLY).

Place of incorporation

New Zealand

In New Zealand, the Company's Ordinary Shares are listed with a "non-standard" (NS) designation. This is due to particular provisions of the Company's Constitution, including the rights attaching to the Kiwi Share[1] held by the Crown and requirements regulating ownership and transfer of Ordinary Shares.

New Zealand Exchange

Waivers:

Waivers from the NZX Listing Rules granted to the Company or relied upon by the Company during the financial year ended 30 June 2023 may be found at www.airnz.co.nz/nzx-waivers.

Compliance with Listing Rules:

For the purposes of ASX Listing Rule 1.15.3, Air New Zealand Limited confirms the Company continues to comply with the NZX Listing Rules.

1. In 1989, the Crown issued a Notice that arises through its holding of special rights Convertible Share, the "Kiwi Share" and the power of the Kiwi Shareholder under the Constitution. Full details of the rights pertaining to these shares are set out in the Company's Constitution. The Kiwi Share does not confer any right on its holder to vote at a shareholder's meeting unless the Kiwi Share has been converted into an Ordinary Share by its holder. The Kiwi Share is not listed on any stock exchange.

Shareholder Directory

New Zealand

Link Market Services Limited
Level 30, PwC Tower
15 Customs Street West, Auckland 1010
PO Box 91976, Auckland 1142
New Zealand

Investor Enquiries:
Phone: (64 9) 375 5998
Fax: (64 9) 375 5990
Email: enquiries@linkmarketservices.co.nz

Australia

Link Market Services Limited
Level 12, 680 George Street
Sydney 2000, Australia
Locked Bag A14, Sydney South
NSW 1235
Australia

Investor Enquiries:
Phone: (61) 1300 554 474
Fax: (61 2) 9287 0303

Investor Relations

Investor Relations Office
Private Bag 92007, Auckland 1142
New Zealand
Phone: 0800 22 22 18 (New Zealand)
(64 9) 336 2607 (Overseas)
Fax: (64 9) 336 2664
Email: investor@airnz.co.nz
Website: airnzinvestor.com

Annual Meeting

Date: 26 September 2023
Time: 2:00pm
Venue: Members Lounge
Sky Stadium
105 Waterloo Quay
Pipitea
Wellington

Current Credit Rating

Moody's rate Air New Zealand Baa2

Auditor

Deloitte Limited (on behalf of the Auditor-General)
Deloitte Centre
80 Queen Street, Auckland Central
PO Box 115033, Shortland Street
Auckland 1140
New Zealand

Registered Office

New Zealand
Air New Zealand Limited
Air New Zealand House
185 Fanshawe Street
Auckland 1010
Postal: Private Bag 92007
Auckland 1142, New Zealand
Phone: (64 9) 336 2400
Fax: (64 9) 336 2401
NZBN: 9429040402543

Registered Office (continued)

Australia
Level 12
7 Macquarie Place
Sydney
Postal: GPO 3923, Sydney
NSW 2000, Australia
Phone: (61 2) 8235 9999
Fax: (61 2) 8235 9946
ABN: 70 000 312 685

Board of Directors

Dame Therese Walsh – Chair
Claudia Batten
Dean Bracewell
Laurissa Cooney
Larry De Shon
Alison Gerry
Paul Goulter
Jonathan Mason

Chief Executive Officer
Greg Foran

Chief Financial Officer
Richard Thomson

General Counsel and Company Secretary
Jennifer Page

Management commentary
(no financial statements)

Management commentary
(no financial statements)