

AIRWAYS CORPORATION OF NEW ZEALAND LIMITED

**MINUTES OF BOARD OF DIRECTORS
OF AIRWAYS CORPORATION OF NEW ZEALAND LIMITED
MEETING HELD AT THE CROWN HOTEL, NAPIER
THURSDAY 20 MAY 2021 AT 8:45AM TO 2:56PM**

Present: Denise Church (Chair), Mark Pitt (Deputy Chair), Darin Cusack, John Holt, Lisa Jacobs, Paula Jackson, Mark Hutchinson and Nicola Greer

Apologies: Katie Bhreatnach, GM Customer and Regulatory Partnerships

In attendance: Graeme Sumner, Chief Executive Officer
James Young, Chief Financial Officer
Kim Nichols, Head of Safety & Assurance
Jamie Gray, Head of Public Affairs
Geoff Peck, Manager Enterprise Architecture & Networks (Item 1.2 only)
George Perigo, Chief Controller Hawke's Bay Tower (only for discussion following lunch)

BOARD ONLY TIME

The Board met for Board only time from approximately 8:45AM to 9:43AM.

The Board and CEO met without management present from approximately 9:50AM to 10:18AM.

FORMAL BOARD AGENDA (commenced at approximately 10:21AM)

The Board **noted** requirements for continuous disclosure. No matters were raised.

The Board **noted** the Register of Director's Interests with no change.

Opening remarks from Chair noted for the information of Management that in Board only time there was a discussion regarding Government's objective to "Build Back Better" and Airways part in that, including modernisation of digital systems. The Chair noted the strategic issues for discussion at the meeting would be Cyber Security and the Capital Plan.

ITEM 1.0 STRATEGIC PAPERS AND PRESENTATION

Item 1.1 Capital Plan

The Board **noted** the capital plan.

The Board noted the FY23 and outyears forecast is reliant on a price reset in FY22, but with potential for upside from recycling of capital from the exit of airfield power and lighting assets.

The Board acknowledged the capital investment programme over the next three years is being invested in safety critical, core infrastructure and digital projects, notably: Completion of ATM system build alongside the IL4 building transition with go live date of March 2022; Auckland digital tower spend of \$20m but noted this will likely be reviewed upward; Primary and Secondary Radar Surveillance systems and the exit of airfield power and lighting.

The Chair sought clarity on what component of the investment is 'necessary/stay in business' versus 'building a better future' and asked for it to be demarcated accordingly.

Chair noted that people and capability considerations must be an active consideration for the company in the capital investment plan and ability to execute.

The Board queried if inflation was accounted for in asset base growth, James confirmed it was.

The Board queried when end of life for Auckland Airport tower is currently anticipated. James advised an external consultant has been engaged to assess the Auckland Airport tower and surrounding buildings and develop a maintenance plan for them to remain operational until 2027, until a digital solution is operational.

CEO noted that a presentation will be made to June Board meeting regarding the Auckland Digital Tower project.

ACTION: Katie Wilkinson to lead update on the Auckland Digital Tower project at June meeting.

ACTION: The Board noted the exit of airfield power and lighting assets and requested Management provide an update at the June meeting, including sequence timeline for exit, breakdown of asset value by airport and options for exit that de-risk financial and health and safety considerations.

The Board took a break from 11:08AM TO 11:16AM

Item 1.2 ***Cyber Update***

The Board **noted** the cyber update paper.

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ITEM 2.0 BOARD MATTERS

Item 2.1 ***Continuous Disclosure***

No Matters raised

Item 2.2 ***Register of Directors Interests***

The Board **noted** the amended Register of Directors' Interests.

Item 2.3 ***Minutes of Board Meetings held 22 April 2021***

The Board **approved** the minutes of the previous board meeting held 22 April 2021 as a true and correct record of that meeting, but to note the meeting on 20 May 2021 is in person, not virtual, as stated in Minutes of 22 April 2022 (moved by Mark Pitt, seconded by Lisa Jacobs).

Item 2.4 ***Matters Arising and Action Items from the April Meeting***

The Board **noted** the Matters Arising and Action Items from the April meeting.

ITEM 3.0 HEALTH AND SAFETY

Item 3.1 ***Board Company Safety Report***

The Board **noted** the Company Safety Report. The Board queried if investigation outcomes are shared with aerodromes where there are thematic finding applicable to ensure consistency and standardisation (to the extent possible) across the system. Kim confirmed for the Board that is the current practice.

ACTION: Safety Culture Questionnaire to be added to Board resource centre in Diligent for the information of the Board.

ACTION: Kim to advise Directors the date of Airways' Safety Forum later in 2021; Operational Safety Summit and the upcoming Sydney Dekker Masterclass so interested Directors can diary for attendance.

ACTION: Kim to lead discussion with Board following above mentioned Forums to ensure shared learnings and insights amongst the Board.

ITEM 4.0 PERFORMANCE AGAINST BUSINESS PLAN

Item 4.1 *CEO Executive Summary and Company Performance Report*

The Board **noted** the CEO Executive Summary and Company Performance Report.

The CEO updated the Board on current CANSO Asia Pacific Conference 2021, issues being canvassed and noted he is presenting later in the evening. In relation to the Capital Plan, the Board noted its desire to move forward with UAV and digital future projects. Directors discussed what areas they would like to see from Management for June and subsequent meetings.

ACTION: Management were invited to report back to the June Board with advice on:

- Prioritising the capital spend to distinguish between critical risk elements versus high priority medium/low
- The Return on Investment (ROI), particularly those with positive ROI and implications for our people.
- The timing of the upcoming price reset and scenarios for choices that will support the Capital Plan.
- The foundational building blocks for the Capital Plan and projects for a potential claim for how increased funding and priorities can be made to realise the desired future digital state.
- Articulate the risks of not proceeding with current draft Capital Plan.
- A prioritised UAV and digital projects acceleration plan and options for how this might be worked into the Capital Plan if desired by the Board.

ACTION: Nicola Greer to meet with Sharon Cooke regarding the upcoming UAV management paper due to be considered by the Board in June.

ACTION: Discussion to be set for next Board strategy day to consider and develop a frame of reference for the desired future state for Airways, with emphasis on digital solutions.

Discussion on Item 4.1 (CEO Executive Summary and Company Performance Report) suspended to allow for Guest Speakers and Lunch.

The Board took a break from 12:55PM to 1:05PM.

GUEST SPEAKER: Hawkes Bay Airport

Wendie Harvey Chair, Jon Nichols Director, Stuart Ainslie Chief Executive

(Approximately 1:05PM to 1:43PM)

The Board took a lunch break with guests from 1:43PM to 2:10PM

George Perigo, Chief Controller Hawke's Bay Tower, joined the meeting at 2:10PM for a general discussion and left at 2:22PM.

Nicola Greer and the CEO left the meeting at 2:22pm. The CEO nominated James Young as Acting CEO following his departure from the meeting.

Discussion on Item 4.1 (CEO Executive Summary and Company Performance Report) resumed at 2.22pm.

The Board was updated by James Young on the recent discussion with his NATS counterpart on industry and broader recovery picture.

James Young updated the Board on domestic and Trans-Tasman recovery – both loadings and financial. The Trans-Tasman travel has been softer than initially forecast, particularly for leisure travel. James noted revenue recovery may need to be adjusted from 84% to 60-65% resulting in a \$10 million impact on revenue in FY22. James noted the increase to return to profitability currently anticipated to be up to 25%, with a break-even of approximately 15% increase.

ITEM 5.0 PAPERS FOR APPROVAL / ENDORSEMENT

Item 5.1 *Asset Impairment*

The Board **approved** the project variations (incl. write offs) outlined in the Asset Impairment paper and **authorised** the CEO to execute the variations on behalf of the Board. (moved by John Holt, seconded by Paula Jackson).

ITEM 6.1 PAPERS FOR INFORMATION

No matters raised

ITEM 7.0 OTHER MATTERS

Item 7.1 ***Next Board Meeting Arrangements***

The next Board meeting will be held on Wednesday 30 June 2021 in Airways offices in Christchurch.

Item 7.2 ***Board Work Plan 2021***

The Board **noted** the work plan for 2021.

CLOSE OF MEETING

There being no further business, the meeting concluded at approximately 2:56PM.

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Chair

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Date