

AIRWAYS CORPORATION OF NEW ZEALAND LIMITED

**MINUTES OF A MEETING OF THE BOARD OF DIRECTORS
OF AIRWAYS CORPORATION OF NEW ZEALAND LIMITED
HELD BY ZOOM CONFERENCE
ON THURSDAY 21 APRIL 2022 AT 9:00AM – 12:30PM**

Present: Denise Church (Chair), Mark Pitt (Deputy Chair), Darin Cusack, John Holt, Lisa Jacobs, Mark Hutchison, Nicola Greer and Gavin Fernandez

Apologies:

In attendance: Graeme Sumner, Chief Executive Officer
James Young, Chief Financial Officer
Katie Bhreatnach, GM Customer and Regulatory Partnerships
Kim Nichols, Head of Safety and Assurance
Katie Wilkinson, GM Air Traffic Services

BOARD ONLY TIME

The Board met for Board only time from approximately 09:00AM – 09:20AM.

The Board and CEO met without management present from approximately 09:20 -10.35AM and discussed organisational matters including the capital programme.

9.40am BREAK 20 minutes

FORMAL BOARD AGENDA (commenced at approximately 10:35AM)

ITEM 1.0 STRATEGIC PAPERS AND PRESENTATIONS

No matters were raised.

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, with an amendment for John Holt.

Item 2.3 ***Minutes of Meeting held 24 March 2022***

The Board **approved** the minutes of the previous Board meeting held on 24 March 2022 as a true and correct record of that meeting (moved by Mark Hutchinson, seconded by Darin Cusack).

Item 2.4 ***Matters Arising and Action Items***

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

Item 2.5 ***Proposed agenda topics for future meetings***

The Board **noted** the Proposed agenda topics for future meetings.

ITEM 3.0 HEALTH AND SAFETY

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

The Board **noted** the Company Safety Report.

Kim Nichols updated the Board on a significant safety event at Auckland International Airport regarding two employees and a contractor. There was also an event (electric shock) this morning at s9(2)(a) [REDACTED]. An external investigator has been engaged and we will be undertaking a thematic.

The Chair queried about the mood in the organisation regarding the prospect of returning to the workplace. Kim Nichols said we need to transition in a way which ensures care, reassurance and attention for our people. John Holt queried about Health and Safety visits to towers can be reinstated. Kim Nichols said under orange we can navigate that, while remaining protective of operations in smaller operations. First port of call is getting our people back in to work and being comfortable about that.

ACTION: Kim Nichols to provide the Board with a schedule of visitations and attendance at meetings over May and June. The Board noted their desire to be active to make up for the period of time in which this hasn't been possible.

Gavin Fernandez queried the process when there is a safety event, as on this occasion the Board received an email about it 3 or 4 days after the event. Kim Nichols said it depends on the occurrence and circumstances, as there are a lot of questions that can't be answered immediately. The Chair usually gets a quick heads up, with the CEOs assurance that Directors will be informed more fully when possible.

ACTION: Directors would prefer a one line update with more information to follow as soon as possible. It was noted this allows the use of the expertise around the table.

The CEO noted that Directors may get a flood of SMS alerts, as Airways has a strong reporting culture.

The Chair noted that Directors are anticipating an element of triage. Darin Cusack noted that Directors are keen on focusing on harm, and where media interest is likely. Directors asked that a sensible triage approach be applied.

Directors queried the process if a Director travels for a Board meeting and tests positive. Kim Nichols noted that we already have procedures in place for our people so can extend this to Directors, including the provision of RATs. ACTION.

Darin Cusack queried who provided the vote of thanks on Presage Safety Culture Review. Kim Nichols noted that her and Jamie Gray led a session with the working groups and thanked them. While the groups have been stood down from this finite activity, the work will be ongoing, and to acknowledge the work done, Kim is organising each and every person a smile box – a little thank you from us delivered to their homes. Directors acknowledged the hard work and the Chair queried whether there would be added benefit in the Chair and/or Mark Pitt as Chair of Safety Committee to thank those who contributed. Kim Nichols to consider as an ACTION.

Directors queried whether the OIA reporting in the Safety Report was all OIA requests, and whether all requests are treated as OIA requests. Katie Bhreatnach clarified that the reporting is only safety related OIAs, not all of them, so that there are greater number of OIA requests than represented here, and that we treat all requests for information as OIA requests.

Mark Hutchinson queried the bullying statistics and whether there has been an uptick. The CEO suggested that Jamie Gray take an action to report to the Board on this. Katie Bhreatnach was asked if she had a view, and said she wasn't sure what reporting metrics we have, but that there are two metrics Boards might have – the number of people raising bullying and in what forum, and people investigating it. s9(2)(a)

Mark Pitt queried progress of the Safety Roadmap. Kim Nichols said it is going to the ELT on 10 May and will then go to SSC and then to the Board. Regarding Safety Culture Programme, the Board noted that this is a significant piece of work and requires management continued focus and attention.

The Board noted some service outages due to staffing issues. s9(2)(a)

Katie Wilkinson noted that has also been service disruption in Queenstown, Palmerston North and Milford.

Mark Pitt **moved** that Gavin Fernandez join the safety sub committee with immediate effect. (moved by Mark Pitt, seconded by Darin Cusack). The Chair asked Kim Nichols to assist Gavin and brief prior to next Safety Sub Committee. ACTION

ITEM 4.0 PERFORMANCE

Item 4.1 *CEO Executive Summary and Company Performance Report*

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

The CEO spoke to the following:

s9(2)(g)(i) & s9(2)(i)

-Moving to orange will be a big change. From a team dynamic, May well be the first time many of us see each other in 9 or 10 months. We've been more conservative than most organisations in our approach to covid, and have lost physical connection. The CEO noted that he caught up face to face with James in Auckland last week.

s9(2)(g)(i)

The CEO spoke to the broader assessment of recovery. In particular, we have a mind towards watching Asia operating at around 12 percent of pre covid capacity, Europe 55%, and US back to pre covid capacity. He also noted that the price of oil and Ukraine war will also impact

international recovery. In short, in his view our current forecast is about right, with the possibility of further headwinds.

Darin Cusack queried about the DVORs DME and the genesis of the Minimum Operating Network. Katie Bhreatnach clarified that the genesis was the New Southern Sky Working Group and Ian Andrews lobbying MoT. The CEO noted the excellent work by AIL.

Darin Cusack requested an action to pick up a broader retention plan, rather than just straight rem when new Head of People and Culture joins. ACTION.

s9(2)(g)(i)

He also noted

that it came late in the piece and would have been good to know earlier.

Gavin Fernandez noted that on the topics of VORs, there are discussions on how long these are going to last before they are abandoned and that this is a topic that Gavin has expertise to contribute to. ACTION

Mark Pitt left the meeting at 11:30am.

John Holt queried about the meeting the CEO had with the MoT. The CEO clarified that the context was the aviation coalition which s9(2)(a) is the chair of, which a broad range of stakeholders attend.

Lisa Jacobs raised a query on monthly UAV incursions set out in the report, noting that for some it appears to be unknown whether there was operational impact or reported to the police or not, querying whether there is an opportunity for consistency of process and ensuring that we are doing what we can, given it's a real area of risk for us. Directors are minded to ensure that whatever we can do, we are doing. The CEO agreed. Katie Wilkinson clarified that no known operational impact often means nothing has been reported to us.

The Chair noted that a paper on the regulatory context on UAVs is due to come to the Board, and requested we consider bringing this forward.

Lisa Jacobs queried whether the Police could be joined in to this at a higher level. The Chair suggested engaging with s9(2)(a) – deputy commissioner in charge of district commanders. ACTION

Directors highlighted the criticality of building a coalition of support around this. s9(2)(g)(i)

Noting we have been battling away on this and feels like we aren't making enough traction. This is a key risk for our company, and looking at our mission, directs our attention to seeing something done about this. s9(2)(g)(i)

James clarified that we report on UAV incursions in our quarterly reports. Directors requested that we look at the flavour given to that, so it is of more interest. Redouble our efforts.

Chair requested to bring the action on UAVs forward to June, especially if synchronised with safety sub committee meeting with air nz. ACTION

Jamie Gray joined the meet at 11:45am.

ITEM 5.0 PAPERS FOR APPROVAL OR ENDORSEMENT

Item 5.1 *Statement of Corporate Intent and Budgets draft*

Gavin Fernandez shared feedback for Jamie Gray as fresh set of eyes new to the Board. He noted that the main themes, throughout all of these, is that we are under selling our climate change actions, social responsibility, responsible supply change management and ESG well enough. There is a clear need for legislative support but this is missing from the SCI. Nor is there any mention in the SCI of working with the regulator. The SCI suggests that, and he is sure it's not true, that we are presently reactive rather than proactive and predictive when it comes to safety – which is like shooting ourselves in the foot really. In the business case section, mitigation factors do not mention bringing in contractors and outsourcing. UAV issues need to be in red flashing lights. Regarding the Tech Review – he found it alarming. Need to bring out better what our values are – big gaps from the outside. The SCI as a whole needs to be reframed so that it is not a statement of performance expectations, but should be more aspirational. A business plan is where we are, then where do we want to be and how do we get there. They need to tell that story just like that. Finally, he noted that the procurement policy – doesn't mention values, ethics, supply change – EEE. Who do we buy from and what do we require from them. This threads in values that we need to address.

The Chair thanked Gavin generally and specifically for his observation that the SCI positions us for our anticipated future and achievement of our mission, and that there is a gap because rather than leading thinking in the aviation sector, we run the risk of looking as if we are staggering along. While we intended as a company to be leading thinkers in a number of those domains, we are now living in a sector where others like Air NZ are leading thinkers rather than us, especially in the area of climate change and sustainability.

Darin Cusack noted his appreciation for Gavin's feedback and his agreement on sustainability piece and ESG components and very much around that aspirational side of things. We are a people

organisation that delivers safe skies today and tomorrow – like to see the people and relationships more at the forefront.

John Holt noted an interest in there being more signals in the SCI on community.

Noting the flavour of comments, the Chair queried how well are we catering for those aspirations in the business plan as it is currently framed. What's the next thing you'd do to further that aspiration. CEO: thanked Gavin for his comments. We've taken a more utilitarian approach, than embracing an aspirational component. The chair also noted the comments on sustainability.

The CEO noted that we have sustainability initiatives that sit within different groups of Airways. Now have someone in ATS that is focused on 54 initiatives that came out of the Mitre review – some of those are focused on reducing air track miles. We can certainly bring that out more in the plan. He also noted that Jamie Gray needs to get more dedicated resource that can drive that sustainability agenda, where the focal point for it is in Airways. He also noted that Jamie has been doing great work with CANSO on sustainability. The CEO acknowledged that we have been hunkered down a bit in our thinking because of the constraints we've been operating under.

The Chair queried what flex do we have to advance the work? In particular, the Chair queried Katie Wilkinson – in an idea world, would you wish to advance some of that more powerfully or more quickly. Is that available/viable? Air NZ is very focused, but we have an opportunity to enhance airport operations, flight planning, flight routes – so we are an enabler. Now is the perfect time to mobilise. New appointment aimed at connecting strongly with Jamie's area. How we operate and how we present ourselves externally. Leverage off others momentum not just our own. In short – yes, but can't under estimate the commitment on time and resource.

Chair – that's what we are asking. Is there a gap? And if there is, is it viable to fill it. Directors are giving a clear message to the management team that we want and need to put resource in to this. Not are you and can you, as we need to scale up, so that we don't only look good, but are taking steps to be better. The change in the external environment is more significant than we were seeing a year ago, including from Air NZ and international in the aviation section. Implies we need to be more proactive. Comes back to the major lever we have as an enabler.

Katie Wilkinson acknowledged that we can more ambitious. The Chair noted that Directors expect to see that in the next version of the business plan. ACTION: take it away and do some more intentional planning and ensure our focus is strong enough.

John Holt raised an additional action for the CEO querying where sustainability is positioned in the organisation. In his experience, the Head of sustainability often now reports to the CEO in organisations that are focused on sustainability. Gavin noted he also has significant involvement in sustainability area, and many organisations have the CFO co-sponsor, rather than the Coms person. Rather than telling the story, sustainability sits with the person holding the purse strings who can enable the action. Gavin noted his preference to see the CFO involved. Nic agreed this reporting line aligns with her experience in other organisations.

Directors queried management where we will make the most impact, and our work as an enabler. Aspiration and resourcing with major part of that on front foot. Enabling impacts and reporting. Position as active players.

ACTION: bring back the SCI and Business Plan to the Board for May. Significant shift in approach captured. Make the numbers really clear and what it can help us achieve. Gavin will pass on his notes to Jamie and James.

The Board **reviewed** the draft Statement of Corporate Intent (SCI) and provided significant feedback, and **approved** the draft 10-year budget for valuation purposes, noting it has been derived off the Price Plan, and noting Board interest in accelerated efforts on some initiatives. (moved by Lisa Jacobs, seconded by Mark Hutchinson).

Jamie Gray left the meeting at 12:30PM.

Item 5.2 ***Renewal of Contractors Airside Liability Policy***

Gavin F requested ratings of the insurers is included in the annual strategy paper if not already done going forward. ACTION

The Board **noted** the updated premium, terms of contractor's airside liability policy and **approved** renewal of the policy. (moved by Mark Hutchinson, seconded by John Holt)

ITEM 6.0 PAPERS FOR INFORMATION

No matters were raised.

ITEM 7.0 PAPERS FOR DISCUSSION

Item 7.1 ***Instrument Landing System - Internal Audit***

Chair asked Kim Nichols to clarify her level of satisfaction with the recommendation actions. Kim Nichols noted that Asset management and end of life issues will interconnect with the Deloitte review. Deferral of capital expenditure and risk appetite and informed decision making at the right level at the right time. Level 2 could of and should have been invoked. Rest of that comfortable that we can implement improvements identified.

CEO noted that this talks to the matter of focus and the level of focus we have on this to ensure those matters are dealt with. The Chair noted that the progress on this needs to be kept on the radar of Directors. John Holt noted that the Board expressed some of these concerns around the process at the last meeting. Regarding communications, while it is great that it has improved, is it acceptable yet? Kim Nichols noted that clarity on the operational side around the involvement of other groups such as safety, customer needs to be improved – which is not difficult to solve. Fundamentally, they see it as a technology event, and they focus on that. We need to help our people and business understand that when these events occur, there is a sphere of excellence and situational awareness of environment we are in. Chair: how will we have confidence that necessary shifts are occurring? Kim Nichols: recommunication around what the crisis plan requires. Clear processes. Helping people understand when and how to communicate at the

right point. Realising you're in a system. The CEO noted that we pressure tested the process recently when we had an outage in Dunedin and it worked well.

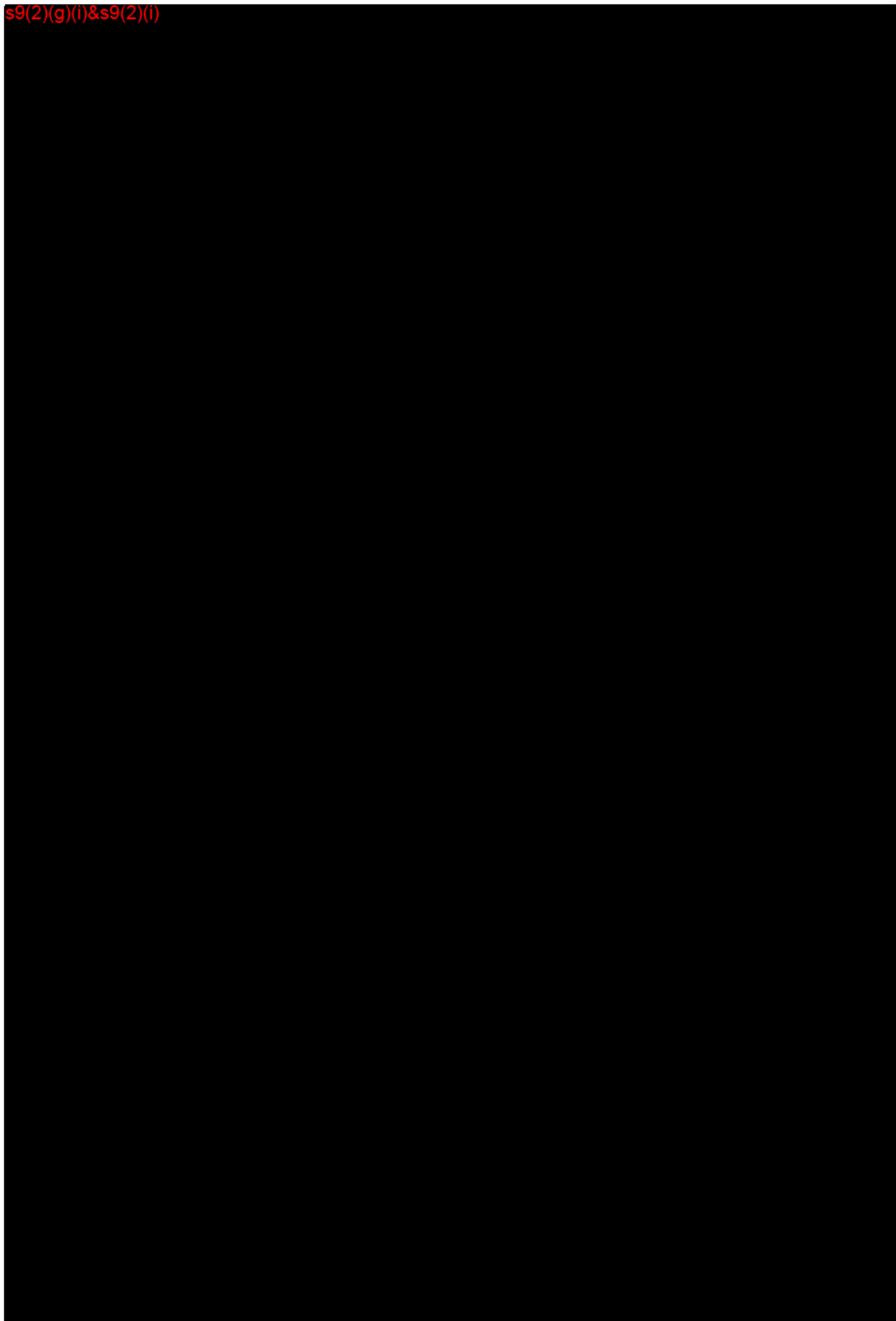
Gavin Fernandez requested an ACTION on Ed Overy -in addition to what we do with the Deloitte review, as a follow up action from the ILS failure, out of all of our catalogue of equipment: how often is the maintenance schedule reviewed, and is it appropriately categorised so it is clear where it is on condition or proactively preventative maintenance. Further, who looks at this and how often.

ACTION: Kim Nichols to update the Board on whether the MIM is published.

s9(2)(g)(i)&s9(2)(i)



s9(2)(g)(i)&s9(2)(i)



Lisa Jacobs left the meeting.

s9(2)(g)(i)&s9(2)(i)



ACTION: noting the Board's interest in this, John Holt as Head of PCC Sub Committee would like to join the discussion. Other Directors may join if interested. Further thought from the CEO needed on the proposal.

John Holt left the meeting.

s9(2)(g)(i)



ITEM 8.0 OTHER MATTERS

Item 8.1 *Next Board Meeting Arrangements*

The next Board meeting will be held on 18 May 2022.

ACTION: CEO and Moana to come back to the Chair on the location for this meeting and travel availability.

Item 8.2 *Board Workplan 2022*

The Board **noted** the work plan for 2022.

Item 8.3 *End of Meeting Reflection*

The Chair invited Directors reflect on what's been useful and learnings by email.

CLOSE OF MEETING

There being no further business, the formal Board meeting concluded at approximately 1:00PM

s9(2)(a)
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Chair

Date