

The Treasury

Letter of Expectation Information Release

April 2021

This document has been proactively released by **Hon Grant Robertson, Minister of Finance** on the Treasury website at <https://www.treasury.govt.nz/publications/information-release/shareholder-expectations-letters-2021-22-information-release>

No Information has been Withheld

Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to information@treasury.govt.nz.

Hon Grant Robertson

MP for Wellington Central

Deputy Prime Minister

Minister of Finance

Minister for Infrastructure

Minister for Sport and Recreation

Minister for Racing



08 APR 2021

Dame Therese Walsh
Chair
Air New Zealand

by email: Therese.Walsh@outlook.com

Dear Dame Therese

I am writing to you to convey the Government's expectations of Air New Zealand, given that the Crown is, and remains committed to being the majority shareholder. These expectations should be considered as Air New Zealand develops its strategy, including its future operating and strategic plans and capital structure.

I recognise that the last 12 months has been an incredibly challenging time for Air New Zealand, and like others in the airline industry globally, Air New Zealand has required support from its shareholders.

The Crown has provided significant support to Air New Zealand through this period in a variety of ways, including provision of the Crown Standby Loan Facility. Air New Zealand has also benefitted from the Government's support initiatives for the broader aviation and transport industries, including the International Air Freight Capacity/Maintaining International Air Connectivity scheme, and the cancellation of Airways fees and certain passenger related fees. Further, like many New Zealand businesses and individuals, Air New Zealand has benefitted from the support of the PAYE deferral scheme provided through the IRD and through the Wage Subsidy Scheme.

We have had good dialogue both last year and this year regarding the Crown's expectations of Air New Zealand and the objectives the Government is seeking to achieve through the Crown's majority shareholding. I look forward to this dialogue continuing, in particular recognising the government as an active majority shareholder.

Given the critical role that Air New Zealand plays in the success of New Zealand both socially and economically, the Government's enduring expectations for Air New Zealand are:

- To be a 'national airline' continuing in operation to support economic development, including access to international markets for our exporters and international tourism linkages, once international borders re-open;
- To maintain a comprehensive domestic route network that allows people and goods to move across New Zealand in a timely fashion at a reasonable cost;
- To demonstrate its commitment to environmental sustainability, including engaging with the development of new aviation fuels for New Zealand;
- To enhance its role as a leader for best practice workplace relations given that it is one of New Zealand's largest employers;
- To continue acting as a responsible corporate citizen; and
- To achieve these objectives while operating as a commercially sustainable and capital efficient business.

Regarding the objective to be a responsible corporate citizen, as already communicated to you, my expectation is that the executive and, where appropriate, directors of Air New Zealand should be aware of and have oversight over the activities or proposed activities of Air New Zealand and all of its subsidiaries, so that they can exercise their judgement over whether those activities or proposed activities are appropriate.

As noted above the Crown desires that Air New Zealand achieve these objectives while operating as a commercially sustainable and capital efficient business. A critical part of being capital efficient is ensuring Air New Zealand is continuously re-evaluating and optimising its fleet of aircraft, and the financing of those aircraft.

Achieving these expectations and objectives will require alignment of board culture and skills with Air New Zealand's strategy and stakeholder relationships as part of its ongoing renewal of the board. The Government, as majority shareholder, expects to be involved in the process that will lead to board renewal.

The Government expects that delivering the above objectives and meeting the Government's expectations will be aligned to the creation of long-term value for Air New Zealand, its shareholders, employees and stakeholders. As a result, nothing in this letter and none of the Government's objectives or expectations conflict with the duties of Air New Zealand's directors, including their duty to act in the best interests of the company.

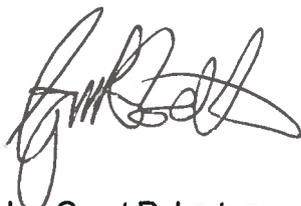
The Government's expectations set out in this letter do not alter the fundamental principles of the relationship between the Crown as majority shareholder and Air New Zealand, with the board of directors, Chief Executive and executive team, not shareholders, being responsible and accountable for all company decisions. The Government's expectations add to my letter to the previous Chair of Air New Zealand and the Chairs of the three listed electricity companies, dated 15 June 2018, which continues to apply. This letter can be found on the Treasury's website at:

<https://www.treasury.govt.nz/sites/default/files/2018-09/mof-ltr-jun18.pdf>

The Government expects to be informed in relation to the achievement of the above objectives both through regular direct dialogue and through Air New Zealand's public reporting as a listed company.

Air New Zealand may also be required to assess its progress against the above objectives and expectations through the Parliamentary select committee process.

Yours sincerely



Hon Grant Robertson
Minister of Finance

cc Greg Foran, Chief Executive
Greg.Foran@airnz.co.nz