

FY20 Modern Slavery Statement MODERN SLAVERY ACT 2018 (CTH)



Auckland Airport supports the introduction of Australia’s Modern Slavery Act 2018. We are a business that strives for improvement and we are constantly reviewing our operations to identify and mitigate all aspects of risk. Our values of we care, respectful, collaborative, integrity and exceptional underpin our commitment and approach to raising awareness of human rights violations in our supply chains and operations.

This Modern Slavery Statement is made by Auckland International Airport Limited (ARBN 085 819 156) (**'Auckland Airport'**). Auckland Airport also owns and controls five active subsidiaries to which this statement also applies, (together **'Auckland Airport Group'**).

This statement describes the actions Auckland Airport Group has taken to assess and address potential human rights violations in our operations and supply chains during the financial year that ended 30 June 2020 (**FY20**).

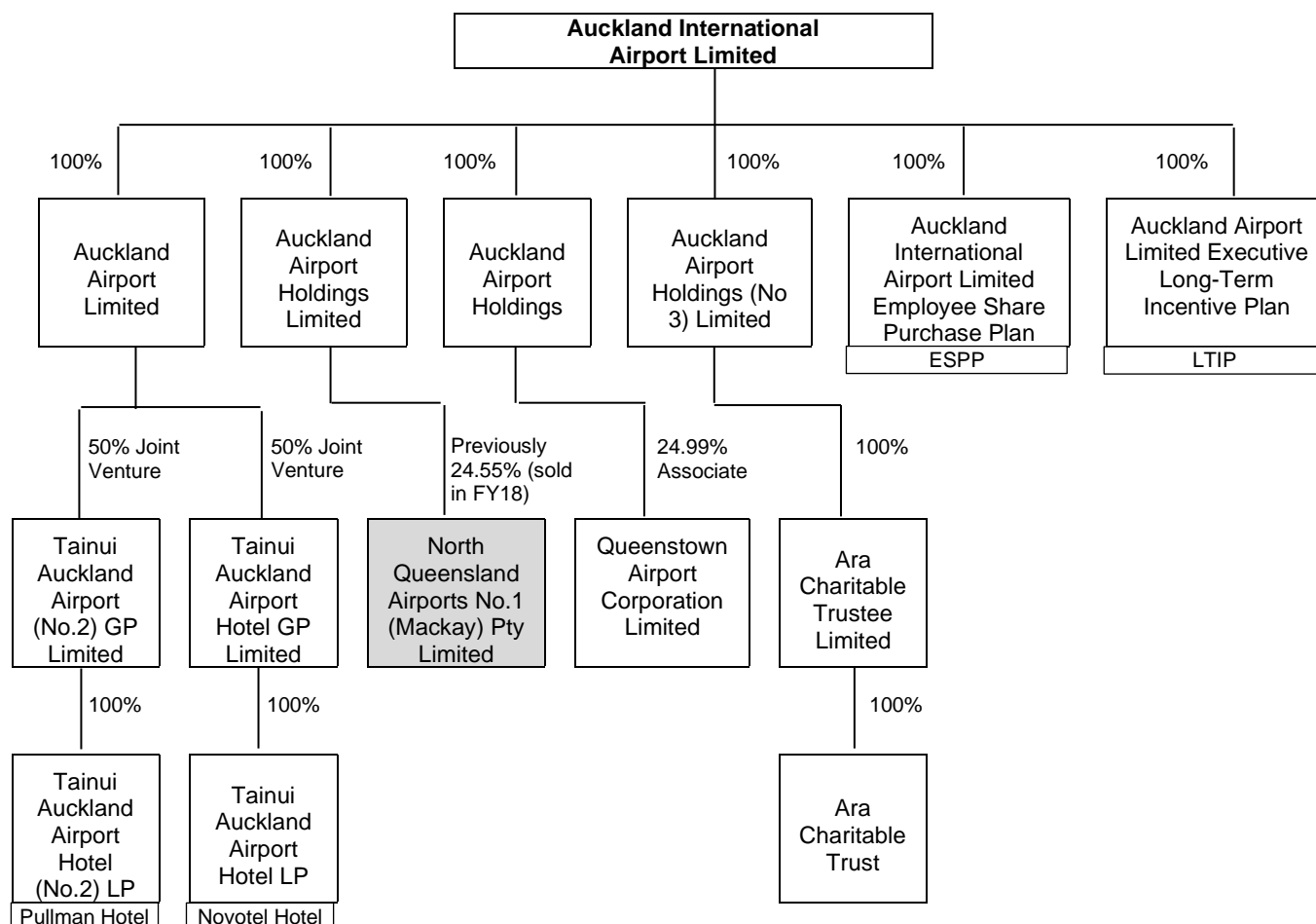
STRUCTURE, OPERATIONS AND SUPPLY CHAINS

OUR STRUCTURE

Auckland Airport is a limited liability company, incorporated in New Zealand on 20 January 1988 and listed on the New Zealand Stock Exchange on 28 July 1998. Auckland Airport was registered in Australia as a foreign company under the Corporations Law on 22 January 1999, was granted Foreign Exempt Listing Entity Status by the Australian Stock Exchange on 22 April 2016 with its shares quoted on the Australian Stock Exchange effective 1 July 2002.

The structure of the Auckland Airport Group is set out below:

Auckland Airport Group as at 30 June 2020



OUR OPERATIONS

Our operations and revenue streams are:

Aeronautical:

Auckland Airport is New Zealand's largest owner and operator of airports, providing infrastructure and services to facilitate the movement of aircraft, passengers, and cargo. Before border restrictions were imposed because of COVID-19, over 75% of international passengers arriving into or departing New Zealand did so through Auckland Airport, generating over 21 million passenger movements in 2019. Traditionally, the aeronautical business segment contributes approximately 50% of total company revenue.

Consumer:

Auckland Airport's consumer segment includes the provision of amenities for retail businesses both in the terminal and within the surrounding precinct. Before COVID-19, there were 120 retail tenants (across both the domestic and international terminal), 49 sold goods and 43 were food and beverage retailers. The balance of services included baggage wrapping, foreign currency exchange, storage lockers and telecommunication providers. There are also eight hangars and 11 office tenancies located both within the terminal and the surrounding precinct. Outside of the terminal buildings we lease premises to 36 retailers: 11 sell goods, 14 are food and beverage retailers and 11 provide services.

This segment of our business also includes the operation of car parking facilities and two hotels on the airport precinct, the Novotel and Ibis, and digital channels. These activities enhance Auckland Airport's customer proposition by providing important services in and around the airport that are valued by customers travelling through the precinct.

Investment property:

The investment property portfolio has grown strongly in recent years, through developing and managing in excess of 500,000m² of new facilities ranging from logistics and distribution warehouses to office buildings. The investment property portfolio is now valued at over \$2 billion, with an annual rent roll of \$116 million. Auckland Airport owns approximately 1,500 hectares of contiguous land, with 181 hectares of this still available for development.

Auckland Airport workforce

As at 30 June 2020, Auckland Airport employed 527 people. Approximately 69% of our people are employed on individual employment agreements and 31% on collective employment agreements. As a result of the impact of COVID-19 on our operations and revenue, our work force reduced by 25.4% over the period 17 March 2020 to 30 June 2020.

All of our employees are based in New Zealand¹ and recruitment is either undertaken by our internal People & Capability Team or by external recruiters managed by our People & Capability Team.

We have an outsourced model for many services including construction, business technology support, cleaning, property management, car park operations and maintenance, which are more fully described in the ***supply chain section***.

All recruiters, suppliers and consultants are bound by our Supplier Code of Conduct.

Our purpose and values

¹ One member of our team has been based in China over the period of the COVID-19 restrictions. We also have one Contractor that is primarily based in China.

Auckland Airports Guiding Star is: *“We are working for New Zealand. We are committed to growing our country’s success in travel, trade and tourism, building a vibrant economic hub that will create enduring value for New Zealand for generations to come.”*

We are rebuilding our approach to sustainability, centred around our Purpose, Community, People and Place. For more information about our business structure and strategy and our approach to sustainability, please see our website: <https://corporate.aucklandairport.co.nz/sustainability>

In late 2019 we undertook an employee-led refresh of our values: we care, respectful, collaborative, integrity and exceptional.



OUR SUPPLY CHAINS – FY20

In FY20, Auckland Airport Group engaged directly with more than 1,500 suppliers from 17 countries, spending NZ\$541,000,000.

What we source

Auckland Airport procures services and goods not for resale:

Services:	Includes construction services, building and grounds maintenance, roading services, car park operations, cleaning services, security, business technology services, baggage system maintenance services, medical support, employee assistance, bus operations, passenger lounge operations, utilities, marketing services, recruitment, and training.
Goods not for resale:	Includes Personal Protective Equipment (PPE), uniforms, office equipment, CCTV cameras, display screens (FIDS), IT hardware, vehicles, airbridges, EV chargers and new airport infrastructure built on site by construction contractors including roads, taxiways, airfield aprons, upgraded runway slabs, utility networks (eg water, wastewater, gas, electricity, aviation fuel), airport terminals, car parking facilities and industrial, commercial and office rental properties.

Where we source from

Approximately 95% of our direct procurement spend² was with New Zealand suppliers. Some of our

² Direct procurement spend refers to spend with suppliers that Auckland Airport has a direct contractual relationship with.

suppliers are New Zealand entities, being a company that is resident in New Zealand for income tax purposes, however, are head-quartered overseas.

Operational expenditure represented 21% of our total procurement spend:

- Outsourced operations represented 60% of total operational expenditure including: cleaning, security, passenger facilitation, parking related services, utilities, and building asset maintenance.
- IT operational costs represented 15% of total operational expenditure across provision of IT operations, system support, and licensing.
- Activities such as corporate travel, health and safety supplies, marketing and promotion, professional services, office supplies, and compliance costs represented 25% of total operational expenditure.
- Capital expenditure represented 79% of our total procurement spend including:
 - Construction;
 - Construction related professional services; and
 - Technology systems and infrastructure.

RISKS OF MODERN SLAVERY IN OUR OPERATIONS AND SUPPLY CHAIN

Auckland Airport has identified the following modern slavery risk areas in its operations and supply chains.

Operations

Employment

As all Auckland Airport employees are either directly employed by Auckland Airport or under a collective employment agreement, we consider this aspect of our business as having a low modern slavery risk.

Subsidiaries

Two of the Auckland Airport Group subsidiaries are partial owners of hotel and airport entities that have operations in New Zealand. Having limited control reduces the oversight of the day-to-day operations of these entities, which could pose a risk of modern slavery, albeit Auckland Airport directors appointed to the boards of these entities are able to question management about these risks and demand corrective action if necessary.

Supply chains

Contractor risk

While we typically engage New Zealand based suppliers in our capital projects, we recognise that those suppliers typically have suppliers of their own who, in turn, rely on other suppliers. This depth poses a risk of modern slavery practices due to the lack of transparency of our Tier 13 suppliers' supply chains, so Auckland Airport is committed to working with our Tier 1 suppliers to identify and address this risk over the next two years.

A considerable portion of our operational expenditure is through engagement with New Zealand based suppliers for provision of outsourced services such as mechanical and electrical maintenance, cleaning, ground maintenance, and security but we recognise that many of these services rely upon provision of

³ Auckland Airport defines Tier One suppliers as those suppliers that directly supply goods, materials or services to our company and subsidiaries, while Tier Two suppliers and below are defined as those companies that supply goods, materials, or services to the supplier at the next higher level in the supply chain.

low cost labour, often through migrant workers. Auckland Airport intends to work with our Tier 1 operational expenditure suppliers to identify and address labour related risk through their supply chain over the next two years.

Use of off-shore vendors to deliver certain IT, marketing and consultancy services also present a risk of modern slavery to Auckland Airport.

Goods not for resale risk

This area may also present a risk as items such as Personal Protective Equipment (PPE), uniforms, office equipment, CCTV cameras, display screens (FIDS), IT hardware, vehicles, airbridges, EV chargers will be influenced by the employment conditions where these products are made as well as the materials used.

Human Trafficking

We recognise that Auckland Airport is a major international gateway into New Zealand and a potential entry point for trafficked persons.

Supply chain risk management plans

We are aiming to progressively develop a more comprehensive supply chain map to better define spend categories and demonstrate the geographic location and nature of the products and services sourced.

ACTIONS TAKEN TO ASSESS AND ADDRESS MODERN SLAVERY RISKS

Auckland Airport's actions to assess and address modern slavery risks is an area of continuous improvement and will be governed by our overarching Risk Management Framework and Sustainability Strategy. Our Supplier Code of Conduct is guided by the core principles in the UN Global Compact, the United Nations Universal Declaration of Human Rights, UN Convention of the Rights of the Child and the International Labour Organisation Core Conventions.

Risk management is an integral part of Auckland Airport's business. Auckland Airport has developed an enterprise-wide Risk Management Framework, designed to promote a culture which ensures a proactive and consistent approach to identifying, mitigating and managing risk (including that of any real or threatened human rights violations).

Policies and procedures

A number of policies, procedures and standards are in place to assist Auckland Airport in upholding and protecting human rights. These policies apply to directors, employees, contractors, and consultants. They also guide engagement with our suppliers.

The Supplier Code of Conduct is reviewed and updated regularly, including during FY20. In FY21, the updates will include explicit reference to modern slavery.

During the FY20 reporting period, Auckland Airport also reconfirmed its whistle-blower concept, which includes protections for all staff who wish to raise concerns in relation to real or suspected human rights violations.

The Auckland Airport Board's Safety and Operational Risk Committee (SORC) manages our operational risks. SORC has a specific responsibility to review and monitor the application of Auckland Airport's enterprise-wide processes for identifying and managing compliance with applicable law and Auckland Airport's policies.

The **Ethics and Code of Conduct Policy** sets out the expectation of all Directors, managers, and

employees to act ethically by engaging in sound practices, respecting others and accepting responsibility for their behaviour. The Ethics and Code of Conduct Policy requires compliance with all company policies and all applicable laws and regulations.

The **Risk Management Policy** sets out the role all staff have in risk management. While the Board has ultimate responsibility for reviewing and ratifying the risk management structure, processes and guidelines which are to be developed, maintained and implemented by Management, the active identification of risks and implementation measures are the responsibility of all staff.

The **Procurement Policy** reflects Auckland Airport's commitment to best practice contracting and procurement principles. The Procurement Policy details the governance and standards expected for procurement activities at Auckland Airport and requires adherence to Auckland Airport's Supplier Code of Conduct. The Supplier Code of Conduct requires all suppliers ensure that the practices and principles outlined in Auckland Airport's Supplier Code of Conduct flow throughout their own supply chains.

Subsidiary oversight

Having appropriate Auckland Airport representation on the Boards of the entities that the subsidiary owns part of and, therefore, we have oversight at a governance level of supply chain and operational risks.

Supply chains

Our supply chains and infrastructure development programme were significantly disrupted in FY20 as a result of the impact of COVID-19 on the operations of our business, and we were required to defer or cancel more than NZ\$2 billion of infrastructure spend. We also reduced our operational spend by 3% in FY20 and 55% in FY21, when compared to FY19 operational expenditure. We are now aiming to progressively develop a more comprehensive supply chain map to better define the spend categories (particularly within our capital expenditure classification) and demonstrate the geographic location and nature of the products and services sourced.

- As noted, we recognise that our suppliers often have suppliers of their own who, in turn, rely on other suppliers. This layering poses a risk of modern slavery practices due to the lack of transparency of these supplier processes.
- Auckland Airport is committed to working with our direct suppliers to identify and address this risk.

Human trafficking

Both the New Zealand Police and New Zealand Custom Service have significant representation at Auckland Airport to facilitate oversight of the human trafficking risk.

Auckland Airport's approach to managing the risk of Modern Slavery is still developing and over the upcoming reporting period, Auckland Airport will bolster its protective measures by transitioning to more explicit controls. In order to achieve this, Auckland Airport plans to:

- update the SORC Charter to explicitly refer to modern slavery as an identified risk;
- create and adopt a specific Modern Slavery Policy to enhance our existing policies which recognise and aim to reduce the risk of human rights violations in our operations;
- update the Sustainability Charter to include modern slavery as a material area of focus under our "Purpose" pillar;
- roll out a modern slavery awareness training module across the business; and
- update the Risk Management Policy to specifically refer to modern slavery.

COVID-19 BUSINESS IMPACT

Our business has been significantly impacted by COVID-19 and the closure of international borders. During the period from March to 30 June 2020, we reduced operational activities in our terminals, ceased or deferred infrastructure projects with a projected total completion value of more than NZ\$2 billion and reduced spend across all other procurement categories.

- Despite a significant decline in passenger and flight numbers because of COVID-19, Auckland Airport remained open and operational, albeit in a heavily reduced capacity.
- Unfortunately, the ongoing disruption and projected lengthy recovery period has resulted in an organisational restructure and a reduction of existing roles across our workforce after the end of the FY20 Statement period.
- Due to COVID-19, the business also had to re-assess expenditure and planned activities, including staff training.

We intend to implement a modern slavery training initiative for relevant staff in FY21.

ASSESSING THE EFFECTIVENESS OF THESE ACTIONS

For FY20, assessing the effectiveness of each of the actions set out above is summarised below:

- **Policies & procedures:** From a governance perspective, the Safety and Operational Risk Committee routinely reviews our risk position and effectiveness of policies and procedures in place to reduce and mitigate risk. Further, compliance with policies and procedures forms part of performance reviews for employees, contractors and relevant third parties. Particular to the Whistle-blower policy we record any receipt of, and responses to complaints made under the whistle-blower policy in relation to human rights violations.
- **Human trafficking:** recording incidence rates of potential or suspected human trafficking by keeping open lines of communication with New Zealand Government agencies to make sure there is transparency throughout immigration procedures and Auckland Airport is aware of any such incidences.
- **Subsidiary oversight:** Auckland Airport ensures that the leadership team members appointed to the position of director of a subsidiary have the appropriate level of experience and understanding of their director's duties and obligations in order to conduct the appropriate level of oversight. Auckland Airport intends to develop more detailed measures of effectiveness in the next reporting period.
- **Supply chains:** ensuring we are working directly with our suppliers and recording receipt, awareness and adherence to our commitment to protecting human rights under our Supplier Code of Conduct.

Going forward

- In parallel with the actions set out to mitigate any potential modern slavery risks in our supply chains, we plan to develop targets that will increase in sophistication annually to specifically measure our effectiveness in addressing the risk of modern slavery and human rights violations.

Practical steps and targets for FY21

- For all the relevant Auckland Airport policies and charters to be updated to address modern slavery adequately and specifically, including adopting an Auckland Airport Modern Slavery Policy.
- To have sent all our Tier 1 suppliers and any new suppliers [that are identified as being in a high risk geographic location] a 'Modern Slavery Supplier Questionnaire' that requests information and evidence on their approach and activities to address modern slavery risks in their business and

supply chains.

- For the Leadership team, along with employees involved in procurement, contract management and recruitment activities on behalf of Auckland Airport, to complete modern slavery training.
- To include a statement that addresses modern slavery in relevant Auckland Airport contract templates, new supply agreements, requests for tender/proposal documents and purchase order terms and conditions. To assess the effectiveness of our proposed actions, in FY21 we plan to:
- report on modern slavery as an 'identified risk' to the Board Safety and Operational Risk Committee;
- retain an independent third-party to commence a programme of assurance across our supply chain activities; and
- actively track the modern slavery training to ensure employees, contractors and consultants undertaking procurement activities have the requisite modern slavery risk awareness to be undertaking any business with suppliers.

Beyond FY21, Auckland Airport intends to track its performance and assess the quality and effectiveness of our actions by establishing sophisticated key performance indicators. These include, recording and reporting on the response rates to the Modern Slavery Supplier Questionnaire, monitoring the percentage of Auckland Airport employees undergoing modern slavery awareness training, monitoring the number of complaints received and remedied under Auckland Airport's whistle-blower policies.

Auckland Airport fully endorses the Modern Slavery Act and is committed to assessing and addressing the risks of modern slavery through our operations and supply chains.

CONSULTATION

Auckland Airport is committed to developing a robust and comprehensive response to modern slavery. The same policies, procedures and risk frameworks that are in place for Auckland Airport apply to the Auckland Airport Group. The Auckland Airport subsidiaries detailed above have directors that are all executive level employees of Auckland Airport. All directors of the subsidiaries have been consulted with in relation to this statement and are aware of their obligations in identifying, assessing and addressing risks posed by modern slavery to the entities they are directors of. All the directors of the subsidiaries have reviewed and endorse this statement.

This statement has been prepared in consultation with the key teams that work together to drive responsible procurement for Auckland Airport, including members of the Procurement, Legal, Risk, Sustainability and Corporate Governance teams. It has been reviewed by our Chief Executive.

This statement was approved by the Board of Auckland International Airport on 19 April 2021.

Signed:



Patrick Strange
Chair

Auckland International Airport Limited