

Sustainability Report 21-22





Contents

- 05** *Committed to the Journey*
- 06** *Sustainability Timeline*
- 08** *FY21 SDG Highlights*
- 10** *Freightways' Growth Strategy*
- 12** *The Freightways' Family*
- 14** *SaveBoard*
- 16** *CEO's Report*
- 18** *SDG Matrix*
- 30** *Environmental Statement*
- 32** *Health & Safety*
- 35** *Pricing For Effort*
- 36** *Community*



Committed to the Journey

There are no quick fixes to the environmental situations humanity faces. But, with patience and determination, there are things that Freightways can, and indeed must, do to play our part in helping change the future for the better.

In this, our second Sustainability Report, we set out our own journey of change this year and where we see that leading us as a team and a company.

An evidence-based approach to setting goals is very much in keeping with how Freightways does business. We're not ones for chatter. We prefer to set targets that define, as clearly as possible, what success looks like. This year for example we identified what it will take for us to make advances around carbon that align with the global plan to hold climate warming to 1.5°C. Within that context, we've defined how much we need to retain of how we do business now, and the extent to which new vehicles and potentially new fuel types should be part of planning our fleet.

Exciting things have been happening elsewhere in Freightways. We're pioneering initiatives in waste transformation that are literally turning coffee cups and other materials into new opportunities in the building sector. SaveBoard and the many other things we're doing with discarded materials are examples not only of where Freightways is making investments, but also how the pressures to rethink waste are creating new products and opportunities that are shifting our horizons.

The United Nations Sustainable Development Goals (UN SDG's) continue to be our key framework for making and tracking change in the world. Again this year, we've reported much of our progress against them, adding specific targets for actions where they are available. An ESG-conscious market is not something any publicly listed company should be afraid of. We're excited by this journey and the better place or places it may lead us. We are not 100% where we want to be yet, but we have commitment, momentum and we are focused on a better future.

Sustainability Timeline



2013

We develop our Environmental Statement



2014

CEMARS and Toitū certification



2017

We identify specific UN Sustainable Development Goals (SDGs) for the Group



2018

We share our SDGs for the first time in our Annual Report



2019

We start to share specific examples of how we are applying our SDGs in our Annual Report



2020

We publish our first Sustainability Report, outlining the journey ahead



2021

We committed to science-based emissions targets, with 50% reductions by 2035.



2021-22

Our second Sustainability Report updates our progress



United Nations Sustainable Development Goal (SDG) Highlights



SDG3 Good health and wellbeing

- We saw a 4.8% reduction in injuries during the year, from 252 to 240
- The cost of injuries reduced by 39%
- Our Lost Time Injury Frequency Rate (LTIFR) was 11

2021 11 LTIFR
2020 10 LTIFR



SDG8 Decent work and economic growth

- Courier income increased thanks to Pricing for Effort. Overall we saw a 8% increase in average contractor earnings
- Training programmes that had been halted because of lockdowns resumed in the second half of the year and into 2021
- 954 team members completed personal improvement training

2021 954 people gained more skills
2020 356 people gained more skills



SDG9 Industry, innovation and infrastructure

- The Startery (Freightways Group’s start-up incubator) continued to influence how we innovate
- There was increased emphasis on innovations surrounding customer experience
- NOW Couriers utilised as our innovation hub

2021 3 new lines of business
2020 2 new lines of business



SDG13 Climate action

- We were named top 10 carbon reducer by Toitū Envirocare in 2020
- We set ourselves a target to reduce fossil-based virgin plastic use by more than 70% by 2022
- Total gross GHG emissions (tCO₂e) per million dollars of revenue decreased from 136.64 tCO₂e in our base year of 2013/14 to 92.73 in FY21

2021 10.3% decreased GHG emissions per million dollars of revenue
2020 24% decreased GHG emissions per million dollars of revenue



SDG16 Peace, justice and strong institutions

- We submitted our first Climate-related Financial Disclosures filings this year, one year ahead of the NZX requirement

Our strategy on a page

The Freightways Blueprint

Our purpose: **What we do**

We are a business that is always on the move. Across the Group, we pick up and process physical and digital items in order to deliver them reliably and efficiently for our customers. We look to progress our people through career opportunities. We seek appropriate and sustainable returns for our investors. And we look to move the dial for communities we work in through the causes we support and by reducing our emissions.

Our principles & capabilities: **How we work**

Three principles guide how our teams, and our partners, deliver:

- We take responsibility and play an active role in improving our roles, our department, our branch, our brand and our businesses.
- We think and act commercially. The deals we do make sense and work for our contractors, our teams, our customers and our partners.
- We work as a family. People know when they work with us they are supported, their security and wellbeing is a priority and they will get home safe every night.

We depend on our capabilities to deliver what our customers, investors and communities expect. We're efficient. With 100,000,000 items, being handled on average, 5 times each – our businesses manage 500,000,000 movements every year.

We are reliable. Shifting multiple items through multiple touch points in our network, across two nations every day, is what we call flawless execution. And we're known for it.

We act like entrepreneurs. We chase high-value opportunities that can be new horizons for our existing businesses. We always look forward and up.

We love our customers. We focus our attention on what is important for our customers. We place emphasis on the customer experience and the quality and longevity of our commercial relationships.

Our vision: **Why we do this**

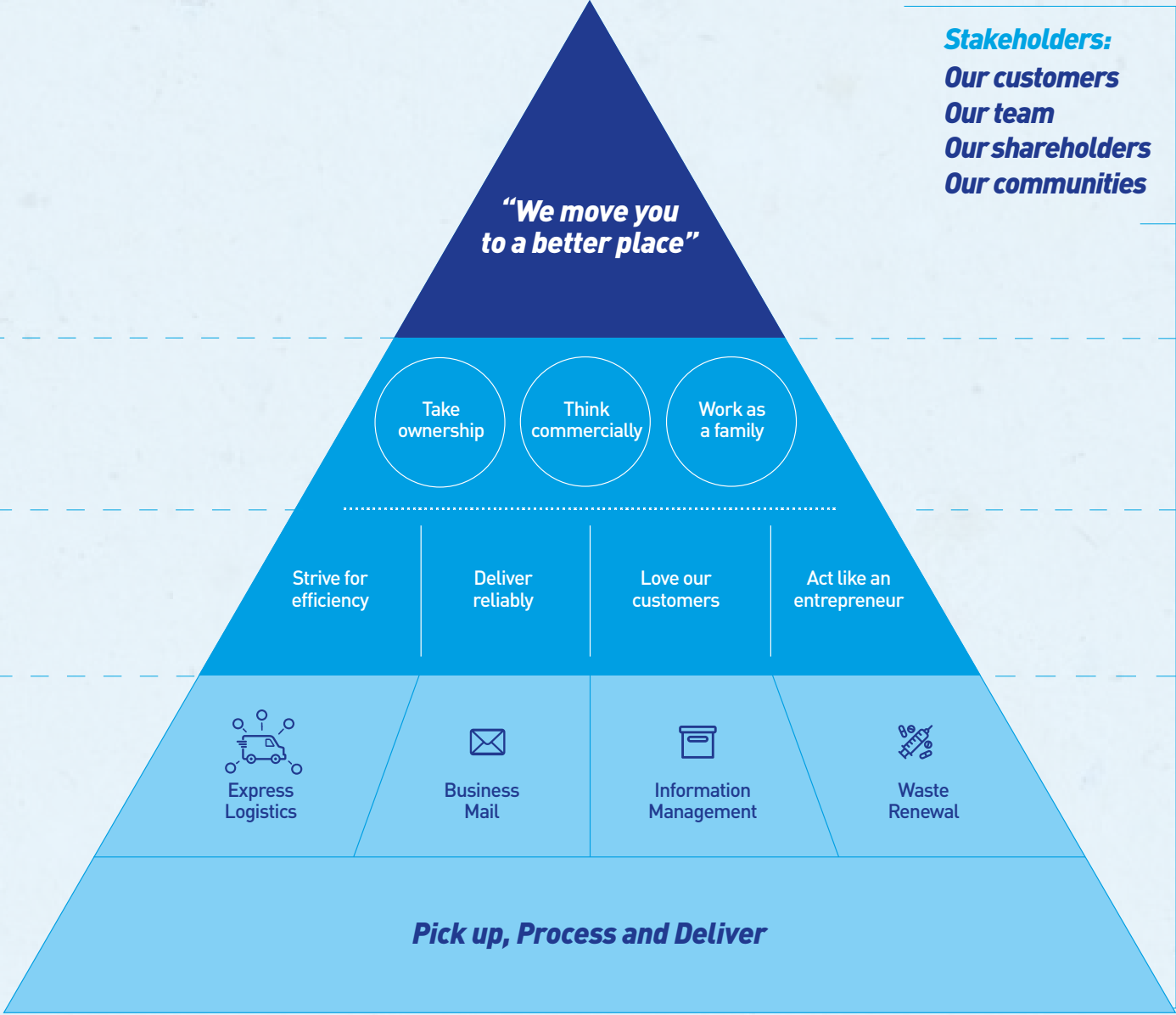
Better outcomes won't just happen. It takes a conscious effort from our team to move things forward for our customers, our team and our shareholders and our communities. Our 'why' is to move everyone we work with to better place.

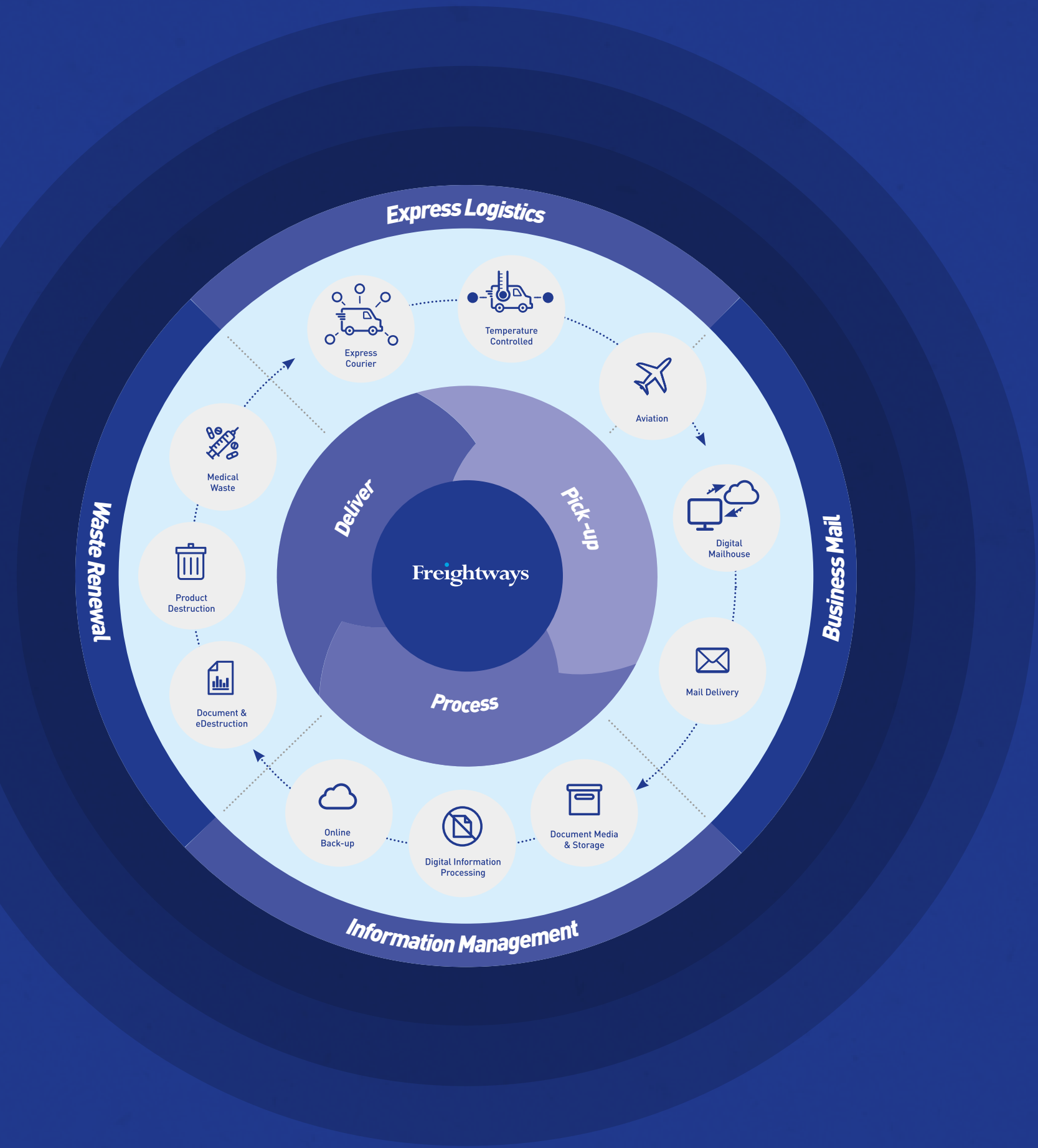
Our vision

Our principles

Our capabilities

What we do





Our organisational diagram

Our family of brands

Freightways’ origins date back to 1964. Since then the Group has grown organically and by acquisition to become a leading express logistics business with a presence across Australia and New Zealand.

Our market-leading brands combine shared infrastructure with specialist knowledge in each niche. We now work across a range of business sectors, achieving high levels of quality and efficiency through our focus on adding value to how we pick-up, process and deliver. Our strong culture and commitment unifies our people and feeds our deep team spirit. We draw on all of that to continue to evolve our businesses to meet the changing needs of our customers.

Express Logistics

Our multi-brand strategy in the New Zealand express freight market caters to a range of customer needs and delivery timeframes. All share branch networks, air and road linehaul and IT. These brands include New Zealand Couriers, Post Haste, Castle Parcels, NOW Couriers, SUB60, Security Express, Kiwi Express, Stuck, Pass the Parcel, Big Chill Distribution and Produce Pronto. We also offer airfreight capability for our overnight Express Logistics delivery service through our joint venture airline, Parcelair and our linehaul partner, Parceline.

Mail Delivery

DX Mail is New Zealand’s only dedicated business mail specialist, offering time sensitive, physical postal services, from door-to-door to box-to-box.

Dataprint offers mailhouse-print services and digital mail presentation platforms across New Zealand. Our technology and solutions transform data into effective communications with customers.

Information Management

The Information Management Group (TIMG) helps businesses protect and add value to the data they entrust us with. It offers physical storage and information management services, as well as digital information processing services such as digitalisation, business process outsourcing, online back-up and eDiscovery services. We have offices in New Zealand and Australia.

Waste Renewal

Shred-X offers document destruction, eDestruction and product destruction services. We also provide medical waste collection and processing services under the Med-X brand. This year we continued to find new ways to transform what would once have been waste into new products.

Performance in FY21

Revenue:

\$800.5m in FY21
\$630.9m in FY20

Net profit after tax:

\$49.6m in FY21
\$47.4m in FY20

Earnings per share:

43.9* cents in FY21
35.5 cents in FY20

*Earnings per share excluding change in fair value of contingent consideration (Big Chill Distribution Limited) and other income & expenses.

SaveBoard

Once binned, now board

SaveBoard will save up to 4000 tonnes of packaging waste from New Zealand landfills every year.

SaveBoard is a new venture backed by Freightways, Tetra Pak and circular economy organisation, Closed Loop. This innovative organisation will ensure that buildings of the future will be made from building materials upcycled from waste.

Right now, around 250,000 tonnes of plastic and packaging waste is sent to landfill every year in New Zealand. The new partnership will create a stable domestic market for products such as food packaging, coffee cups, fast food wrappers, used beverage cartons, soft plastics and coffee cups; and through the process, efficiently limit the volume of waste going to landfill.

SaveBoard will turn these materials into an impact-resistant board with similar performance to plywood, OSB and particleboard, so that it can be used for interior and exterior applications. The board can be manufactured to look like traditional building board products or, in the true spirit of the circular economy, it can feature colourful patterns created from the packaging designs. Already used in the US for roofing, mainly in the hurricane and cyclone belts, SaveBoard is a true substitute to wallboard for lining houses because of its better permeability rating (retains heat and reduces noise) and the fact that it's 100% recyclable.

For us, SaveBoard is an opportunity to efficiently use our resources and our network to fully realise a commitment to circular waste solutions with minimal carbon kilometres all while providing a new strategic growth category. This is an end-product solution that stems from our expertise in pick-up, process and delivery, so it fits well with our core capabilities.

By striving for efficiencies in processing what we collect and combining our capabilities with those of a food processing and packaging solutions company and a circular economy pioneer, we will soon be able to provide a brand-new sustainable product to one of New Zealand's largest industries.

The product is made with zero water, zero glues, zero chemicals and zero VOC emissions or formaldehydes, meaning it meets all obligations under 14G of the Building Act. Not only does SaveBoard reduce waste, but it's also made with – 80% reduction in embodied carbon compared to plywood, and – 90% reduction compared to plasterboard and fibre cement. Recovering and remanufacturing the offcuts and end-of-life boards can mean a zero waste to landfill solution.

The benefits extend even beyond the real impact on climate change. This innovative but proven technology has the potential to decrease the cost of housing and also create healthy homes. Those benefits in themselves are big wins at a time where home affordability remains an issue for many.

SaveBoard is scheduled for its first production run late this year. The plant will serve the New Zealand market and save up to 4,000 tonnes of packaging waste from landfill annually.

Next, we will explore setting up a plant in Australia where there is a ban on exporting waste from next year.



“Save up to 4,000 tonnes of packaging waste from landfill annually”

CEO's Report

Momentum, without distractions

We've never been one to say things just for the sake of it. Freightways thrives on its authenticity and on tackling everything we do with a healthy mix of passion and pragmatism. Our approach to our environmental, social and governance responsibilities is no exception.

In establishing our path to sustainability, we selected a narrow range of goals in consultation with our people and our stakeholders that, we believed, would be most impactful and made the most sense for our business. As we've evolved our strategy, we've been careful to embed our Sustainable Development Goals into our plans. The two now fit hand in glove. We act like entrepreneurs – and part of doing that well is having the best impacts we can on our people, our communities and the planet.

Doing right by the business

As a major participant in the transport sector, we cannot change our current emissions overnight. However, we are doing things that align with our other Goals to achieve real results. Pricing for Effort has made a material difference to our Express Packages business, and as well as increasing our couriers' earnings, it has motivated a lift in our quality of service. This year, our Messenger Services team reduced the churn in their courier network to just 8.8%. That's a remarkably low figure and speaks volumes for how they work in partnership with their contractors.

Reducing the virgin plastic content will see us shift to bags with 70% recycled content. A bag may seem like a small

thing to change, but we use hundreds of thousands a year. The cumulative effect of this material shift over the years ahead will be significant. We've done this not just because it's the right thing to do, but also because it's an effective way to drive change in that part of the business.

The Startery is our startup incubator. It aligns directly with our commitment to SDG9, allowing us to develop new products like SaveBoard and new services for customers that extend what we can do and, at the same time, put money on the table. SaveBoard in particular is an example of growing a new business investment out of what has historically been classed as rubbish.

Testing blue oceans

As a business, we're good at making those shifts. Our whole information management business was originally all about security. Today, it's evolving into a processor of high value waste. Once we just stored information for our customers. Now we collect hard drives and other computer equipment and use our digital and technology skills to safely delete data, dismantle drives and shred materials ready for recycling. We're making similar changes in the textiles industry.

The future of responsible business lies in "blue ocean" opportunities like these. Waste Renewal has evolved into a \$70 million business within our Group. It's an area where we are actively investing, to increase the number of waste streams we can transform.

We're not ignoring carbon reduction

We are committed to playing our part in the new carbon reality, but the technology solutions will take time. That's why we've established science-based targets that will see us strive for a 50% reduction in our carbon footprint by 2035.

We're doing what we can in the short term. For instance, we've made good progress in reducing our emissions per item by optimising our fleet movements and our network, and by paying our people enough to afford modern vehicles. Our carbon intensity is decreasing, meaning we're achieving higher volumes of deliveries with less emissions. But things will get to the point where we can't optimise our current arrangements any more and we will need new infrastructure and technology at reasonable prices and proximity to make further carbon reductions feasible.

The EV vans in the market right now are not viable for our needs. They can only carry around a third of the loads we require and they simply don't have the range to keep up with our workloads. Those developments will come, but we need to get the balance right. Timing the shift to such technology is crucial.

In heavy transport, there are even bigger challenges. There is nothing even bleeding edge available right now and while we have been looking at options like hydrogen vehicles, there are no working examples that meet our requirements yet.

Staying on course

All of us are impatient for changes that will help the world but it's important to examine our obligations overall and align our strategies to take the right steps first, because there could be serious repercussions – financially and for our people – if we get it wrong.

So, we will have our first Save-Board factory up and running by the end of the year, with a second plant expected to open in Sydney next year. Establishing those plants will not only enable collecting and repurposing tonnes of products that couldn't otherwise be recycled in the Southern Hemisphere, it will also deliver bold new building products for the construction industry at a time of huge demand.

Similarly, we know we can make changes to our diversity mix that will change the career trajectories for our people and future-proof our leadership. Our new target for our executive leadership is that 40% will come from groups that are currently under-represented within the Group (by gender, ethnicity and age) by 2030. Sponsoring a range of people

into our leadership programme is crucial to ensuring our strongest performers are qualified to make the greatest difference. Strictly speaking, an initiative like this doesn't align directly with any one Goal (it's probably closest to being part of our corporate governance). We're fine with that. The SDGs have never been about conformity for us. Rather they are a framework and a means for us to do right by our business.

Our most effective way to push forward though, given that there are major issues that remain unresolved, is to see the world simply, do the right thing and stay balanced in our actions. That's how we will manage the interests of our team, customers, communities, investors, governments and the planet to the best of our abilities.

Mark Troughear
Chief Executive Officer



SDG Matrix

Goals that move us to a better place

How we prioritise our actions

We are committed to incorporating non-financial criteria into our broader decision making and public reporting to meet the rising interest from stakeholders in better understanding our company activities and their impacts.

Four years ago, we conducted an assessment to determine which issues are most material to how we do business and what we report. Specifically, we wanted to gauge which issues were of most interest to the business and which were of interest and concern to our wider stakeholders.

To do this, we drew on the Sustainable Development Goals (SDGs) developed by the United Nations because they represent a consistent set of goals within a cohesive framework. They also align with our wish to take the right actions to improve the lives of our people, the communities we are part of, the environment and the priorities and interests of customers, investors and other stakeholders.

Our materiality process

We first engaged with our own people to identify which SDGs they felt were most important to the business. We asked a broad cross-section of our staff to identify which goals they felt we contributed to already and the ones they felt we should aim to deliver on within our businesses. We then asked a number of working groups to do the same.

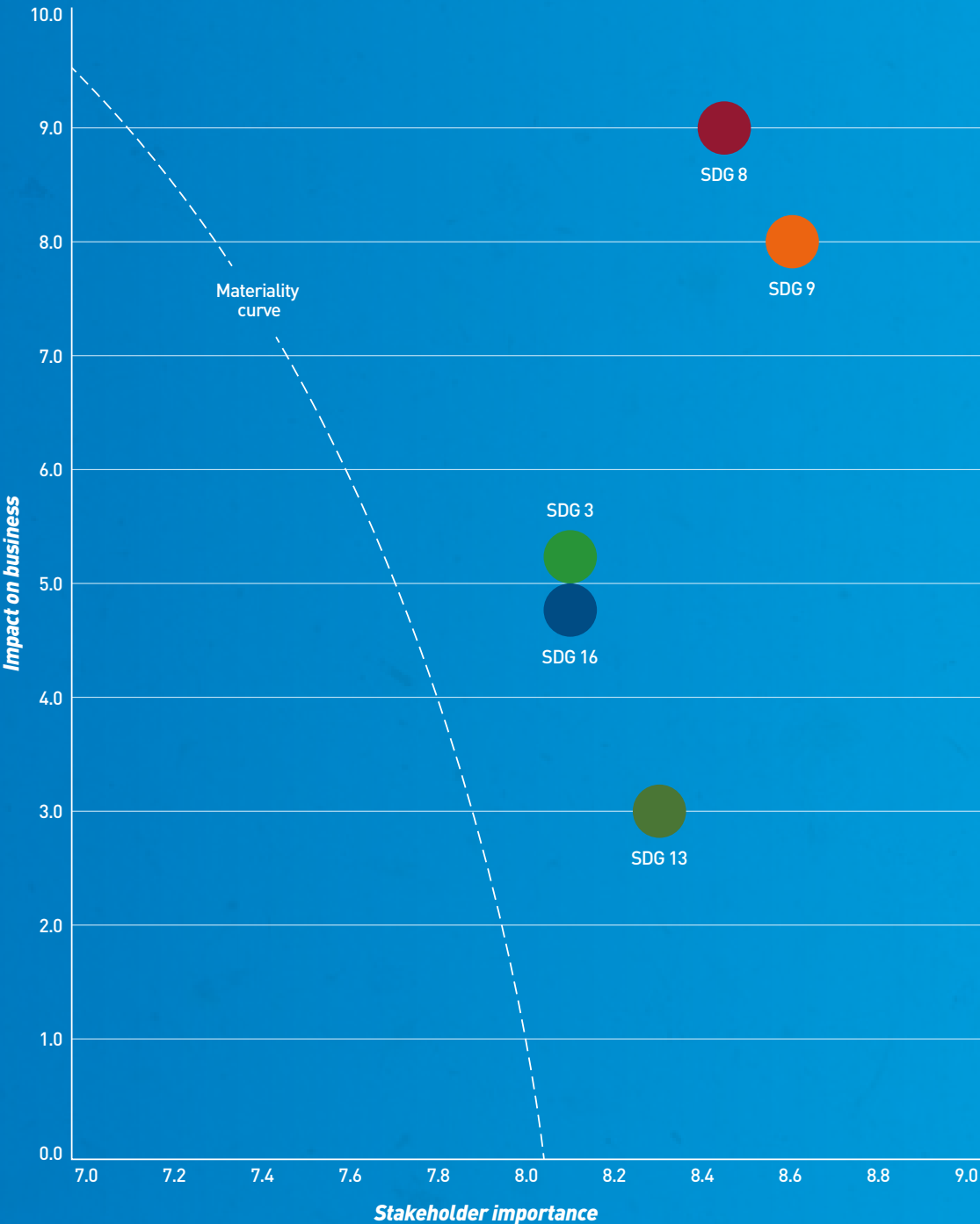
To ensure that the SDGs felt real for people, we broke them down into tangible aspects using a combination of the framework’s definitions and our own interpretation of what they meant for us in our business settings. We then asked individuals and working groups to score these aspects. We then aggregated the results and assigned those that ranked most highly around the higher-level SDGs.

We then engaged with clients and investors, asking them to rank the SDGs. To assist them, we provided the interpretation of the Goals that our people had used and asked them to score which Goals were most important to them.

We ended up selecting five of the 17 UN SDGs as being of prime materiality. These Goals now form the basis for much of our decision making. We have used them in this report to structure the environmental, social and governance actions we have taken within the Freightways Group.

We intend to reassess our materiality next year to check that the SDGs we are pursuing are still right for us, and to refresh if necessary.

We ended up selecting five of the 17 UN SDGs as being of prime materiality. These Goals now form the basis for much of our decision making. We have used them in this report to structure the environmental, social and governance actions we have taken within the Freightways Group.



SDG #3



Good health and wellbeing

Key Programmes & Initiatives

We believe that everyone has a part to play, every day, in keeping others safe. We've devoted a lot of energy this year to getting that message across in ways that people will take onboard and act on. As part of that, we appointed a new GM responsible for Health & Safety for the Group.

Over the last six months we have developed a culture programme called Delivering Safety Culture to ensure our leaders and managers understand what they must be doing to best look after their people.

Forklifts, for example, represent one of our critical risk areas. We've just invested in a virtual reality training programme for our drivers that will simulate our workplace environments and identify potential accidents so that our drivers can see where dangers may lie.

For more information about other Health and Safety initiatives, see our case study on page 33.

Engagement around health and wellbeing is increasing within the business as more and more people come to understand the importance of being and staying well.

Every brand now has a champion for Health and Wellbeing. That champion helps build capability and awareness, and normalises conversations so that they are part of how we care and look out for each other.

The Movement is our employee wellness programme. It's an online portal where our people can find advice on a wide range of wellbeing issues – from help with sleep to information on ear and eye tests. Each company in the Group has its own version that caters to the needs of its teams. Recognising that everyone has times of difficulty, we've also been promoting our Employee Assistance Programme (EAP), which offers all employees access to an external professional for confidential counselling, guidance or advice via a helpline, regardless of whether the cause of that difficulty is within their professional or private lives.

Other actions

Pink Shirt Day has organically grown to become one of our most popular annual events, with staff from around the country wearing pink and donating money to show their support for workplace environments that are welcoming and inclusive. Pink Shirt was one of a range of campaigns

we undertook this year to foster understanding and promote tolerance, diversity and interest in, and respect for, our full range of people and cultures.

Our people continue to engage with Promapp, our online process mapping tool where the content has now been extended to contain information about employee wellness. Articles this year have explored things like: how to action requests for family violence leave; how to join our workplace wellness programme, The Movement; and how to report/ investigate mental health issues, which offered people a number of actions they could take for themselves or a co-worker.

We're currently entering data into Success Factors, a cloud-based platform that will enable our people to look up their sick leave entitlements, annual leave balance and information about what we're doing from an HR perspective. The new platform will replace a paper-based system and enable everyone to access their own page online or by mobile.

Each of our brands has its own way of acknowledging good work. New Zealand Couriers publishes an internal newsletter, Signed Sealed Delivered, four times a year, which is now up to its 50th issue. Many of the stories are sourced from customer feedback on the website, through the call centre, Google reviews and from our own people. Issue 49, which was published in September '21, included 57 accounts of people going above and beyond to deliver for their customers.

We launched an internal campaign, Wellbeing at Work, throughout the business in late 2020 to support those struggling with the effects of COVID-19 and multiple lockdowns in Auckland. The campaign, which was distributed through internal communications channels, centred around the Five Ways to Wellbeing at Work put out by the Mental Health Foundation:

- 1. **Give.** Your time. Your words. Your presence.
- 2. **Connect.** Talk and listen. Be there. Feel connected.
- 3. **Take notice.** Remember the simple things that bring you joy.
- 4. **Keep learning.** Embrace new experiences. See opportunities. Surprise yourself.
- 5. **Be active.** Do what you can. Enjoy what you do. Move your mood.

Having supportive workplace conversations/ checking in around workmate mental health and stress levels was top of mind in 2020/21. We developed a poster titled ARE YOU OK? and distributed it around our workplaces.

Results

- We saw a 4.8% reduction in injuries from 252 to 240 during FY21.
- We reduced the cost of injuries by 39% in FY21.
- 357 staff underwent some form of Health and Safety training in FY21.
- 1044 current users of The Movement platform in FY21.

2020 357 staff underwent some form of Health and Safety training	2021 813 staff underwent some form of health and safety training
2020 Zero category 1 injuries	2021 Zero Category 1 injuries
2020 1053 staff logins with the The Movement	2021 2120 staff logins with the The Movement

Our areas of focus:

- **Health and safety in employment – injury reduction**
- **Non-GHG emissions (e.g. particulate, NOx)**
- **Road safety**
- **Employee wellness programme**

SDG3 & our business:

People lie at the heart of who we are. Relationships, expertise and hard work are integral to our ability to add value on a daily basis. Our commitment to SDG3 reflects our intention to protect the health and wellbeing of those who work here, and to minimise the adverse impacts that our vehicles have in communities. Applying this SDG to how we plan ensures that we always carefully consider the human implications in the acquisitions we make and the actions and initiatives we undertake.



4.8%
reduction in injuries from 252 to 240 during FY21



Cost of injuries down
39% this year



SDG #8



Decent work and economic growth

Key Programmes & Initiatives

Our courier brands have all done well this year. Volumes were up and our networks flexed quickly to cope with new volumes. Having 100% control of our air and linehaul network has also been a godsend through lockdowns and changing alert levels. It's meant we've actually employed more people through our businesses as we have grown.

While much of our planned training was halted in 2020 due to COVID-19 and lockdowns, we made a concerted effort in late 2020 and 2021 to catch up and to keep our promises to our people in terms of accessing their professional development. Many seized opportunities to improve their skills, knowledge and understanding of business management.

Meanwhile our contractors have benefited from network optimisation, improved density and our Pricing for Effort (PFE) initiative. The resulting lift in earnings has made it easier for couriers to reinvest in modern, fuel-efficient vehicles. The number of contractors we had to recruit also reduced by 10% year on year while the numbers of those wanting to be a contractor for us increased.

PFE for our couriers has made them more invested and commercially minded – for example, they are now increasing capacity to meet seasonal demand. Our intention going forward is continued year on year growth for our fleet, staying well ahead of inflation, and an improved work/life balance.

For more information about how we have been rewarding our contractors this year, see our case study article on page 35.

Other actions

New Zealand Couriers' popular internal quarterly magazine, Signed Sealed Delivered, offers contractors tips and information for running a successful business. Among the topics covered: income tax; GST; end of year financial year obligations; COVID payments; and how to financially plan ahead.

This year we firmed a partnership with Ascendia Postal Services. Ascendia, which is owned by La Post (French Post) and Swiss Post, specialises in eCommerce parcel solutions for e-tailers selling globally, including access to platforms like Etsy, Woo Commerce and Shopify. By partnering with

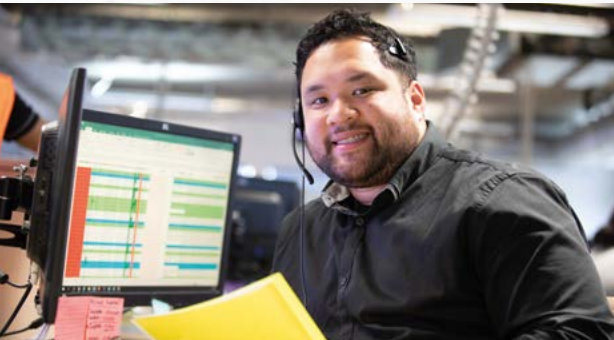
Ascendia we can now offer our customers, cheaper options of international sends via post, as well as, higher priced but swifter international courier options.

Every year, we undertake independent testing of the performance of our courier network against our competitors. Performances help us drive new business and offer proof sources for our rate card. On average New Zealand Couriers delivers parcels to residential addresses 14 hours earlier than our nearest competitor. When all the deliveries made were tallied, we had a 97 – 99% success rate of delivering on time as promised.

TIMG AU undertook a range of training initiatives this year:

- The Learning Hub offers an online platform, where all learning is available in one place, accessible to all employees. This year, we attracted over 500 active users. We are continuously building our library of online learning;
- We launched the Leadership Series – Helping Managers to become better People Leaders. Up to 60 managers/ leaders from across all three businesses attended each session to learn new leadership skills, share knowledge and build relationships with other managers/ leaders across the Group; and
- We undertook one on one strengths coaching sessions, exploring individual strengths using the Strengths profile followed by a strength team building session. The sessions have already increased engagement, and led to improved performance for individuals and teams. We've done this with three teams so far – with more to come.

Our Shred-X brand in Australia had an outstanding year as they pivoted to collect and destroy PPE gear from hospitals and aged-care facilities through their Med X brand.



Results

- Our profit in FY21 was \$49.6m.
- FY21 saw an 8% year on year increase in average contractor earnings. Specifically, our Pricing for Effort initiatives saw contractors earn \$1.32 per item.
- All training was halted in 2020 due to lockdowns, but resumed in later that year and into 2021.
- 24 emerging leaders have now completed our Management Concepts programme in FY21.
- 106 people completed the Freightways Fundamentals programme this year while 150 people attended the Freightways Express Logistics Sales Training.

2020	2021
356 staff completed self improvement training of some form in FY21	954 staff completed self improvement training of some form from July 2021

Our areas of focus:

- Profitability leading to sustainable employment
- Professional development and management/ leadership
- Rewarding contractors for their efforts

SDG8 & our business:

To be successful as a business, employer and as a partner to our contractor drivers, we need to foster an inclusive work environment and provide the services that meet the needs of our customers. Success depends on building an environment where a diverse team of committed Kiwis and Australians can contribute, develop their skills and be paid fairly. Our businesses growth is fuelled by encouraging our team of professionals to consistently learn and develop.



Courier pay increased thanks to Pricing For Effort (PFE)



Training programmes that were halted during 2020 lockdowns, resumed in the second half of the year



SDG #9



Industry, innovation and infrastructure

Key Programmes & Initiatives

One of the key outcomes from COVID-19 has been the development of even stronger direct-to-consumer capabilities for our courier businesses. Previously, we concentrated on deliveries between businesses, but recent changes have made the direct to consumer (B2C) market more attractive and more financially viable.

This year, we have focused on giving both the sellers and receivers of transactions greater choice, control and visibility. Designing for both audiences is critical to developing an end-to-end transaction where receivers have full control over how and when packages are delivered, and senders have the visibility throughout that they need to retain control of the process. Purchase and post-purchase experiences are a make-or-break for merchants today, so we need to play our part in ensuring the businesses we deliver for are offering amazing experiences that customers agree are worth paying for.

Historically, we've offered stand-alone digital tools for sending and tracking items. System integration however was costly and complex, and for that reason, was really only available to our larger customers. To resolve this, we've

invested significantly this year in the development of smart APIs (application programme interfaces) to our delivery data, that make automation easy, cost effectively and quickly available to most customers.

Our APIs are already relatively sophisticated and continue to evolve and offer more features. We've now identified exciting areas for improvement, including enhancing our address validation tools and providing better integration with popular ecommerce platforms. The other behaviour we are looking to change is the tendency for our customers to call first. As much as possible, we want them to be able to easily resolve everything online.

NOW Couriers has become a go-to innovation hub for our courier businesses. Because it is small and focused on Auckland, this makes it easier for us to have conversations around innovation with those specific customers. Access to NOW Couriers enables us to offer features and processes that can then be quickly changed to better suit what customers require. It's meant we've been able to really focus on things like customer experience and to ensure our interfaces are easy and intuitive to use. Those innovations are tested in a development environment and informed by

feedback from users and customers before we roll them out more broadly. Looking ahead, working this way will make us a nimbler organisation and ensure we only introduce and implement ideas across the whole of our Group courier network that have been proven to work.

Other areas where we are looking to make improvements across the Group include how we improve automated freight sortation through better consignment visibility before items are picked up.

Eighteen months ago we launched The Startery, our direct response to developing new services to market. We adopted a start-up model/entrepreneurial approach to innovation, creating an incubator system that Freightways could continue to replicate. Today, the Startery functions as a fast moving, exploratory think-tank where leaders can come together to critique, fund and empower teams in a lean style.

The Startery team itself is made up of product managers (dubbed 'entrepreneurs'), product marketers, product developers and UX designers. Their role is to provide the skills, resources and funding to get business ideas off the ground without impacting the day-to-day operations and running of the rest of the business. Projects have two years to go from exploration to testing to delivery and making money.

Other actions

Parceline (our linehaul network) has developed and deployed a unique utilisation app that measures how our trucks are being used on every route. It gives us a detailed understanding of on-time performance, what's being loaded onto our trucks and utilisation levels of each vehicle. The app also enables us to see those routes that are being most used and those that are not, so that we can target customers to make better use of journeys that are available. Utilisation on back loads has been another efficiency issue for a long time. The app gives the business visibility of where we have back load space available and when, so that we can find a customer to suit that availability.

In Australia, TIMG have large warehouses that are used to store document archives, that due to unused space,

presented an opportunity for us to work with 3PL companies to literally fill the gap. In Sydney, this strategy is delivering us an immediate yield on what would otherwise just be empty warehouse space. We charge for monthly storage and activity.

In New Zealand, we've also turned our attention to how we could use spare warehousing resources to fuel our core business in specific sectors like eCommerce. Smaller on – and off-shore companies that don't have their own storage facilities and yet want to be able to economically fulfil in the New Zealand market, can use TIMG as a dropship storage facility to do just that.

Results

- So far, our innovation hub The Startery has generated more than 30 ideas – 18 of which made it to the point where they were ready for pitch. Nine of those have since been accepted for investment. Of those, eight are currently under development: five are in desirability testing, one is in product testing, and three have been stood up as businesses.
- Our APIs have become a seamless pathway for our customers to adopt a Freightways multi-brand approach to their courier needs.
- API customer engagement has seen rapid growth. Growth in customer integration API calls is up 200%. Email notifications were around 250,000 per month jumping to 375,000 per month during lockdown.
- 8 significant technology initiatives have been piloted with NOW Couriers. 7 are being rolled out.
- Revenue growth for NOW Couriers same day service has seen a 251% annual increase, with a 328% increase in sales during lockdown, when compared to FY20.

2020

50,000 tonnes of paper was diverted from landfill by TIMG and Shred-X

2021

56,000 tonnes of paper was diverted from landfill by TIMG and Shred-X

Our areas of focus:

- **Product and process innovation**
- **Customer experience**
- **Data security**
- **New business opportunities**

SDG8 & our business:

Freightways businesses are focused on adding value for our customers at every opportunity. Whether it is working to constantly improve our transport businesses, helping our customers improve their supply chain and 'final mile' services, or introducing 'step-change' improvements in our Information Management businesses, we play an integral role in helping our customers work more efficiently, responsibly and profitably.



More emphasis on experience innovation



NOW Couriers acts as our innovation hub



SDG #13

Climate action

Key Programmes & Initiatives

Our baseline carbon footprint in 2020 was 50,625 tonnes CO2e. This includes all our New Zealand business units and brands, other than Big Chill.

Our 2030 target of 33,170 tonnes CO2e (35% reduction) and our 2035 target of 25,313 tonne CO2e (50% reduction) are both science-based, aligning with what society needs to achieve globally to keep global warming to within 2°C.

Our 2021 emissions now include Big Chill, the emissions generated from our Trans-Tasman airfreight initiative and also our Australian fleets and networks.

Well over 95% of our emissions come from the combustion of transport fuel. This is the fuel we use across our vehicles and aircraft. We are committed to reducing our emissions to levels that support New Zealand’s commitment to the Paris Accord.

Much of our footprint sits in our supply chain, namely the contractors we partner with. We are actively engaging with them and other suppliers on ways we can work together to bring down emissions across the supply chain.

Our primary reduction strategies focus on:

- Driving greater efficiencies through the network;
- Maintaining modern fleets – both vans and trucks;
- Moving away from fossil fuel consumption through the electrification of our road fleet over time; and
- A more fuel-efficient air fleet in the future.

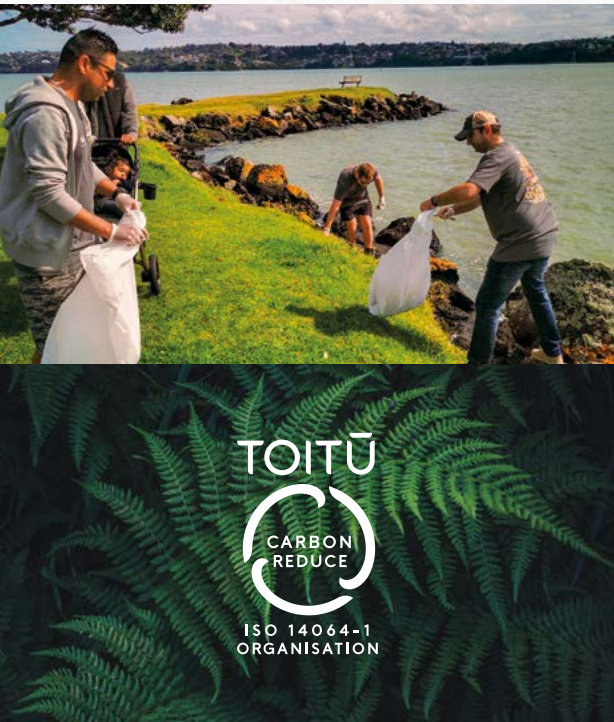
As a significant participant in the transport sector we know it’s important that we lead by example in being transparent and accountable around our climate actions. As certified participants in TOITŪ’s carbon reduce programme our carbon footprint is disclosed annually on the TOITŪ website. We also disclose our footprint and targets in our Annual and Sustainability Reports. In 2020, TOITŪ Envirocare named us as one of the top 10 carbon reducers.

We are also members of The Climate Leaders Coalition which aims to help New Zealand transition to a low emissions economy and, in doing so, create a positive future for New Zealanders, business, and the economy. Organisations from all sectors of the economy are represented in the Coalition and together the signatories make up 60% of New Zealand’s gross emissions.

Plastic is the other big area of focus for us. Freight satchels are essential for protecting our customers’ products in our Express Logistics businesses. Historically, these satchels have been made from fossil-based virgin plastics. In recent years, we’ve reduced the amount of plastic required by 30% and offered customers sustainable packaging alternatives. Now we are in the process of switching to reusable freight bags that we can use hundreds of times, and single use satchels that will contain 80% recycled plastic. By 2022 we aim to have cut our annual fossil-based virgin plastic usage for single use functions by more than 70%, or over 100 tonnes.

Other actions

- We move thousands of items per day in resource-and-emissions-efficient ways. We have systems in place to enable optimisation, such as freight consolidation and last mile efficiency and driver training. Collaboration between our separate courier businesses enables further efficiencies.
- Our investments in technology to drive continuous improvement of fuel efficiency align with our objective of reducing our GHG emissions.
- Our plan for EV uptake starts in 2024 and ramps up as availability of alternatives allow.
- We are reducing the use of virgin fossil-fuel based materials. For example, we are implementing plastic courier satchels, that contain 80% recycled content.
- We are investing in our circular economy recycling business to reduce waste to landfill.
- We’re installing LED lighting and solar based energy in warehouses.
- As part of the Climate Leaders Coalition, signatories employed more the 200,000 people and generated 38% of NZ’s GDP in 2021.



Results

- We were named a top 10 carbon reducer by TOITŪ Envirocare in 2020.
- We are on target to reduce fossil-based virgin plastic use by more than 70% in 2022.
- Total gross GHG emissions (tCO2e) per million dollars of revenue decreased from 136.64 tCO2e in our base year of 2013/14 to 92.73 in FY21.

2020	2021
4% decreased GHG emissions per million dollars of revenue	10.3% decreased GHG emissions per million dollars of revenue

- Our areas of focus:
- GHG emissions
 - Customer experience
 - Reducing plastic usage and waste

SDG13 & our business:

The efficiencies that our transport business bring to our customers supply chain substantially reduce emissions through the economy. In addition, services such as supermarket to home deliveries, are now vastly reducing emissions and keeping private vehicles off the road using our modern fleet (which is now starting to introduce electric trucks – EV’s). We are in what is now a high-emissions industry – but long-term planning and collaboration mean we are able to directly introduce supply chain improvements that will help safeguard the planet for future generations.

Named **TOP 10** carbon reducer by TOITŪ Envirocare in 2020

On target to reduce fossil-based virgin plastic use by 2022



SDG #16



Peace, justice and strong institutions

Key Programmes & Initiatives

Increasingly, companies are under pressure to reveal not only what they are achieving but also how they are working internally. Consumers have increasing expectations of transparency, and ethical considerations are important to them. They want to feel they are buying products and services from companies that behave well and they are therefore comfortable to support. That same expectation is present in business-to-business interactions. Increasingly organisations partner with other companies that reflect or complement their sustainability stances and values.

At Freightways, we’ve always prided ourselves on being straight up, leading by example and doing the right thing. We are committed to being a good corporate citizen. We pay taxes in the countries we operate in and abide by all laws and regulations. We pay our suppliers on time, every time. We ensure we only enter into responsible partnerships.

Our history is one of standing up for the things we believe in and making calls where we believe they need making. Our public reports continue to evolve to offer a higher level of disclosure as part of sharing our stories and intentions with regulators, investors, customers, communities and other

stakeholders. We’ve also offered investors and analysts unfettered access to our senior executives. This year, we’ve included TCFD filings one year earlier than required. In Australia, we have recently filed a Modern Slavery Statement for our businesses.

We continue to report transparently and with increasing detail about things like our ESG initiatives so that everyone can see how our actions align with our intentions. Last year, we introduced our first Sustainability Report. Quantifying our progress in areas such as waste reduction, plastics and of course carbon, aligns with where we think disclosure is heading generally. It’s also part of our commitment to ensuring we remain open and honest about the success of all our initiatives – including those that are challenging and for which there are no easy or immediate answers.

- Our range of policies and processes includes:
- Charters for our Board and each of our sub-committees
 - Code of Ethics
 - Disclosure & Communication Policy
 - Diversity & Inclusion Policy
 - Insider Trading Policy
 - Protected Disclosure (Whistleblower) Policy
 - Remuneration Policy
 - Risk Management Policy

- Our website includes detailed information about:
- Our Board of Directors
 - Our Leadership team
 - Our brands
 - Our results
 - Our dividends – including our dividend history, reinvestment plan and policy

- We report on our actions through:
- Disclosures to the NZX and ASX
 - Climate Leaders Coalition Annual Questionnaire

Results

- We had zero legal actions brought against us in FY21.
- We had zero environmental or safety prosecutions in FY21.



Our areas of focus:

- **Integrity and ethics**
- **Transparency**

SDG16 & our business:

As a publicly listed business that partners with numerous other institutions and contractors in both Australia and New Zealand, our geographic spread of brands, employees and worksites, our desire to contribute to business and community leaves no flexibility in the context of ethics and legal obligations. Whether it be gender equality, diversity of thought and origin, or justice – we will be fair and accountable.



Zero
legal actions brought
against us FY21



Zero
environmental or safety
prosecutions in FY21



Our approach and strategies:

Environmental Statement

We recognise that our core business is reliant on transportation to service our customers. As an emissions intense organisation, our commitment to the Toitū certification process (which includes external audit and year-on-year carbon reduction) encourages our people and our partners to make environmentally positive decisions every day.

Guiding Principles

- We recognise that protecting the environment today is essential to creating a sustainable business future.
- We actively seek to minimise the environmental impact of all our activities.
- We work in partnership with all stakeholders to promote good environmental practice.
- We comply with relevant environmental legislation.
- We are a Toitū certified organisation. Our greenhouse gas emissions are measured in accordance with ISO 14064-1:2006 and we are committed to managing and reducing our relative emissions.
- We recognise that by gaining efficiencies for our core business model we enable our services to be delivered with as low environmental impact as possible.
- We regularly review our operational activities, systems and training to ensure our business practices are aligned with these guiding principles.

Toitu Certification

Toitū certification allows us to take a very positive step toward reducing our carbon emissions and further minimising our relative impact on the environment. We are currently committed to a five-year reduction plan, with longer-term targets being developed on an ongoing basis.

01/ Our Responsible Growth Strategy

Goal: To balance the commercial needs of our business with our responsibility to protect the environment in which we operate.

Supporting policies:

- When implementing our positioning, people, performance and profit strategies, we will incorporate tactics that support our environmental approach.
- We will ensure development, growth and capital projects align with our commitment to Toitū certification, so that as we grow, we reduce our carbon emissions and minimise our environmental impact

02/ Our Cleaner Air Strategy

Goal: To promote cleaner air by minimising carbon emissions.

Supporting policies:

- Our vehicle fleet will not be leased for a period longer than four years to ensure that it's within current emission technology.
- As part of this transition we are continuing to trial hybrid and electric vehicles.
- Our contractors are strongly encouraged to use later model, lower emission vehicles.
- Our hub & spoke network is segmented and reviewed on a continuous basis to ensure minimisation of kilometres
- Our aviation business actively measures and manages its performance to ensure minimisation of fuel usage and emissions.
- We maintain Toitū certification by measuring our carbon emissions on a business-by-business basis and committing to managing and reducing them.

04/ Our Education & Awareness Strategy

Goal: To promote education and awareness of better environmental practice among stakeholders.

Supporting policies:

- We promote our environmental approach among staff and ensure individuals understand their role with our environmental objectives.
- Our suppliers are actively encouraged to demonstrate their environmental practices to ensure they align with our objectives.
- We actively promote the benefits of good environmental practice among our customer base.
- We endeavour to actively educate and communicate with our staff, contractors, customers and suppliers, our commitment to Toitū certification, ensuring they understand our objectives and the role they can play in achieving these.

03/ Our Conservation & Waste Management Strategy

Goal: To implement actions that, wherever practical, see us recycle, reuse and minimise waste of the products and resources we consume.

Supporting policies:

- Our range of recyclable courier satchels is currently transitioning to contain no less than 80% New Zealand sourced plastic waste.
- Wherever possible, our destruction business utilise 'best in class' recycling technologies to avoid resource waste and landfill solutions.
- We position and promote our document destruction business in the marketplace as 'secure recycling'.
- We encourage our customers to receive electronic invoices to minimise paper wastage.
- We commit to identifying, measuring and documenting our carbon emissions as part of our Toitū certification. We will continue to develop and refine systems to reduce emissions overtime.

05/ Our Responsible Partnership strategy

Goal: To seek to partner and work with others who can demonstrate a commitment to the environment.

Supporting policies:

- To make our business partners aware of our environmental policy, our Toitū certification commitment, and the expectations arising from these.
- Where all other things are equal, to choose the partners and contractors who can demonstrate sound environmental policies.



50%

reduction in CO2e targeted by 2035

Our health and safety

Better safe than sorry



The appointment of Michael Claydon as GM Safety across the Group was part of a shift to move the business from just focusing on compliance to taking a more strategic and visionary view around keeping our people safe.

Michael’s appointment also meant our Board had direct access to a senior manager responsible for putting Health and Safety at the heart of the business, rather than having to go through the CEO. We also recognised that when regulators became more focused on this critical area of operations, we would be ahead of the game.

As a member of Zero Harm, we’ve pledged to look to develop a culture of safety. Zero Harm offers opportunities to network with other businesses and talk through what they are doing, how are they reporting to their Board, to share best practise and



learn off each other.

This year we’ve been implementing an online reporting system called SafetyFactors that will enable our people to report via mobiles and tablets instead of needing to scan pieces of paper. Historically, there was a concern that incidents might not have been reported because doing so was too fiddly. SafetyFactors by contrast is accessible to everyone and easy to report with.

Over the 18 months we have also developed a health and safety leadership programme called Delivering Safety Culture, attended by senior leaders and, soon, supervisors and team leads. The programme encourages everyone to see past not wanting to report on other people, because they don’t want to get them in trouble, to sharing

learnings, in order to keep the whole team safer.

Forklift drivers are a critical risk group. To encourage them to change their behaviours we’ve introduced a virtual reality programme which enables us to simulate accidents so that people can see for themselves what could happen. At the same time, we’ve been working to change the habits of a lifetime by getting them to wear a seat belt, for example, despite the fact that they are jumping on and off their machines all the time.

So far, results of our investment in this area are encouraging, with the cost of injuries down by 39% and fewer injuries overall.



Pricing For Effort

Well worth the effort

Our market-changing Pricing for Effort (PFE) initiative has made a significant difference for our hard-working courier network.

PFE is part of a larger strategy focused on increasing courier pay that kicked off about three years ago. It saw our courier fleet achieve their pay minimums easily, and offered them incentives to perform by removing caps. Within our Post Haste brand alone, courier remuneration increased by 40% over the last 12 months. It's meant our couriers perform well, their businesses are flourishing, and our customers and receivers are happy.

The initiative comes at a time of significant change in consumer behaviour. Previously, many of our couriers operated in the B2B space. COVID-19, however, saw lots of people pivot to working from home and, as a result, residential deliveries accelerated. At the same time, a major shift to online activity has seen us focus on how to improve customer and receiver experiences in eCommerce markets. That's meant investing not just in account management but also customer experience and operational roles as well as our administration teams.

We continue to focus on increasing our couriers' residential payments, to ensure the ongoing challenges of home deliveries are fairly compensated.

For our couriers, PFE has made residential deliveries more viable. They make money for the effort they invest, so they welcome having greater volumes on their runs because they are directly rewarded. As residential volumes increase, they stand to gain even more and that all leads to higher satisfaction levels. Customers benefit too, because our couriers see real financial reward for being responsive and easy to deal with.

The decision to shift to PFE was a courageous move to act to benefit our people. Even now, the initiative is unique to the Freightways Express Logistics family, and another example of how we are willing to lead the industry when it's the right thing to do and the business case makes sense. Nor are we content to just make these changes in the residential market. Over the next two years, we'll continue to roll PFE out in other areas where effort is still not being appropriately compensated.

Our community

Moving with our community

Key community initiatives:

- Keep New Zealand Beautiful
- The Hearing House (Loud Shirt Day)
- Beanies for Babies
- Cancer Society
- Auckland Kidney Society
- McGrath Foundation
- Clontarf Foundation
- Child Cancer Foundation
- KidsCan
- Duffy Books in Homes
- New Zealand Breast Cancer Foundation
- Rotary St Johns

KidsCan

KidsCan is New Zealand’s leading charity dedicated to helping Kiwi kids affected by poverty. They partner with low-decile schools and early childhood centres across the country to provide kids in hardship with essentials such as food, jackets, shoes and health products.

As an associate partner, we provide them with direct financial support. We also provide supplier support through NOW Couriers and New Zealand Couriers by providing discounted services and bulk warehousing.

Child Cancer Foundation

Our New Zealand Couriers team has enjoyed a wonderful relationship with Child Cancer Foundation for more than 20 years. We provide free mail collection, reduced rates and free courier services throughout the year, regular donations and support with Christmas gifting for families.

This year, we were an Event Partner for their inaugural Go for Gold Gala Dinner and Quiz Fundraiser, a fun evening of camaraderie and friendly competition, a live auction and more. The event raised funds which will go directly towards providing essential support for Kiwi children with cancer and their whānau.

Beanies for Babies

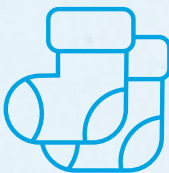
This great charity bands together more than 1600 knitters and people who sew to make beanies, hats, shoes and toys for newborns – all for free. We then distribute them to hospitals, Plunket and other charities.



This year, Beanies for Babies have knitted the following for newborns to date:



3923 Beanies



1902 Pairs of Booties



585 Blankets



Directory

Freightways Limited and its subsidiaries

For inquiries in relation to Freightways’ services and products contact the offices listed below or refer to Freightways’ website at www.freightways.co.nz.

Messenger Services Limited

32 Botha Road
Penrose
DX EX10911
Auckland
Telephone: 09 526 3680
www.sub60.co.nz
www.kiwiexpress.co.nz
www.stuck.co.nz
www.securityexpress.co.nz

New Zealand Couriers Limited

32 Botha Road
Penrose
DX CX10119
Auckland
Telephone: 09 571 9600
www.nzcouriers.co.nz

Post Haste Limited

32 Botha Road
Penrose
DX EX10978
Auckland
Telephone: 09 579 5650
www.posthaste.co.nz
www.passtheparcel.co.nz

Castle Parcels Limited

163 Station Road
Penrose
DX CX10245
Auckland
Telephone: 09 525 5999
www.castleparcels.co.nz

NOW Couriers Limited

161 Station Road
Penrose
Auckland
Telephone: 09 526 9170
www.nowcouriers.co.nz

New Zealand Document Exchange Limited

20 Fairfax Avenue
Penrose
DX CR59901
Auckland
Telephone: 09 526 3150
www.dxmail.co.nz
www.dataprint.co.nz

The Information Management Group (NZ) Limited

33 Botha Road
Penrose
DX EX10975
Auckland
Telephone: 09 580 4360
www.timg.co.nz

Fieldair Holdings Limited

Palmerston North International Airport
Palmerston North
DX PX10029
Palmerston North
Telephone: 06 357 1149
www.fieldair.co.nz

Big Chill Distribution Limited

28 Pukekiwiriki Place
Highbrook
Auckland
Telephone: 09 272 7440
www.bigchill.co.nz
www.producepronto.co.nz

The Information Management Group Pty Limited

PO Box 21
Enfield
New South Wales 2136
Australia
Telephone: +61 29 882 0600
www.timg.com
www.filesaver.com.au
www.litsupport.com.au

Shred-X Pty Limited

PO Box 1184
Oxenford
Queensland 4210
AUSTRALIA
Telephone: +61 1 300 747 339
www.shred-x.com.au
www.med-xsolutions.com.au

Company Particulars

Board of Directors

Mark Verbiest (Chairman)
Mark Cairns
Kim Ellis
Abby Foote
Peter Kean
Fiona Oliver
Mark Rushworth

Registered Office

32 Botha Road
Penrose
DX CX10120
Telephone: (09) 571 9670
Facsimile: (09) 571 9671
www.freightways.co.nz

Auditors

PricewaterhouseCoopers
15 Customs Street West
Auckland CBD
Auckland 1010

Share Registrar

Computershare Investor Services Limited
159 Hurstmere Road
Takapuna
North Shore City 0622
DX CX10247

Stock Exchange

The fully paid ordinary shares of Freightways Limited are listed on NZX Limited (the New Zealand Stock Exchange).

