



**Air New Zealand Limited**

**Board Charter**

**23 June 2004**

**(last amended 24 April 2013)**

## **BOARD CHARTER**

**23 June 2004 (as amended 24 April 2013)**

This Board Charter sets out the authority, responsibilities, membership and operation of the Board of Directors of Air New Zealand Limited (“the Company”). It is to be read in conjunction with the Constitution of the Company.

### **1. OPERATION OF THE BOARD**

#### **1.1 Governance**

Each of the directors and all of the Company’s management are fully committed to high standards of corporate governance, which includes embracing the following principles:

1. To lay solid governance foundations through clarity of Board and management roles;
2. To structure the Board to add value through its composition, size and commitment;
3. To promote ethical and responsible decision making;
4. To safeguard integrity in financial reporting;
5. To make timely and balanced disclosure;
6. To act in the best interests of all shareholders;
7. To recognise and manage risk;
8. To ensure that Air New Zealand acts as a good corporate citizen ; and
9. To monitor the development and performance of key talent in the Company and remunerate and promote fairly and responsibly

#### **1.2 Director Responsibilities**

The primary responsibility of the directors is to exercise their individual and collective business judgement to act in what they believe to be the best interests of the Company and its shareholders. In discharging that obligation, directors shall be entitled to rely on the honesty and integrity of the Company’s senior executives and its outside advisors and auditors.

It is the Board’s responsibility to take appropriate steps to protect and enhance the value of the assets of the Company in the best interests of its shareholders. The Board will ensure that at the heart of the organisation there is a culture of honesty, integrity and excellent performance. In furtherance of its responsibilities, the Board will:

1. Ensure that appropriate systems and processes are in place so that the business of the Company is conducted in an honest, ethical, responsible and safe manner;
2. Oversee the overall conduct of the business and ensure that it is being properly managed;
3. Ensure that effective audit, risk management and compliance systems are in place to protect the Company’s assets and to minimise the possibility of the Company operating beyond legal requirements or beyond acceptable risk parameters;
4. Be actively engaged in directing and approving the strategic planning of the Company and monitoring management’s implementation of the strategies having regard to the continued ability of the Company to respond to change;
5. Analyse and review material acquisitions, divestments and capital expenditure;
6. Set delegated financial authority levels for the Chief Executive Officer;
7. Review and approve the corporate plan, financial and dividend policies and the operating budget, and monitor financial performance and integrity of reporting;
8. Appoint, and if necessary, remove the Chief Executive Officer and oversee succession plans for the senior executive team;
9. Act in such a way that Board meetings and discussion promote focused debate within a supportive team atmosphere;
10. Ensure effective and timely reporting to shareholders; and
11. Safeguard and enhance the image and reputation of the Company.

### **1.3 Board and Committee Meetings**

The Board will meet at least nine times a year and otherwise as necessary to deal with any urgent matters. The Constitution governs the regulation of meetings and proceedings of the Board. A schedule of locations of the regular meetings will be provided to the directors at the beginning of each year. Directors should spend the time necessary and meet as frequently as necessary to properly discharge their responsibilities.

To enable appropriate review of Board materials, directors will be sent materials in advance of the Board meetings in either paper form or electronically. The content, presentation and delivery of papers to directors for each meeting will be in accordance with guidelines agreed by the Board.

The Chairman, Chief Executive Officer or committee chairpersons may from time to time invite employees and advisors to attend Board or Committee meetings whenever deemed appropriate.

Proceedings of all meetings are minuted. Minutes are circulated to directors and when approved by the Board, signed by the Chairman at that meeting.

Meeting procedures for committees will be governed by the respective Board approved charters.

### **1.4 Agenda Items**

The General Counsel and Company Secretary in conjunction with the Chief Executive Officer and Chairman will establish the agenda for each Board meeting. Standing items will include the Chief Executive Officer's report, financial reports, health & safety report, disclosure compliance and notification of changes in directors' relevant interests. Each director is free to raise at any Board meeting subjects that are not on the agenda for that meeting.

### **1.5 Company Secretary**

The General Counsel and Company Secretary will be secretary to the Board.

All directors shall have access to the General Counsel and Company Secretary.

### **1.6 Director Compensation and Reimbursement**

The directors' remuneration is paid in the form of directors' fees. Additional fees are paid to the Chairman and Deputy Chairman to reflect the additional responsibilities of these positions. The total fees available to be paid to directors is subject to shareholder approval. The Chief Executive Officer receives no additional compensation for serving as a director if so appointed.

The Company will meet the cost of:

- Directors' travel directly associated with attendance at Board and committee meetings, Board trips and Board business;
- Any costs associated with a director's attendance at functions where the director is representing the Company;
- Any travel costs directly associated with a director's spouse or partner's attendance at functions where their attendance is considered appropriate; and
- Any costs directly associated with the director's performance of his or her role.

### **1.7 Director Orientation and Education**

The Board will ensure that all new directors are appropriately introduced to senior managers and the business of the Company. All such directors will receive full disclosure and compliance packs including relevant Company policies, its Constitution and this Charter.

It is expected that all directors will continuously educate themselves to ensure that they may appropriately and effectively perform their duties. In addition, visits to specific Company operations, when appropriate, and briefings from key executives and industry experts will be arranged.

### **1.8 Chief Executive Officer Evaluation**

The Board will conduct an annual review of the Chief Executive Officer's performance to ensure that he or she is providing the best leadership for the Company in the long and short-term.

### **1.9 Management Delegations**

The Board delegates to the Chief Executive Officer responsibility for implementing the Board agreed strategy and for managing the day-to-day operations of the Company. The Chief Executive Officer is, in turn, expected to delegate some of those powers to management. The Board is responsible for monitoring those delegations.

Communication between the directors and management should be through the office of the Chief Executive Officer. When directors seek clarification regarding information provided to directors, or are seeking information about the Company generally, this can be sought directly from the appropriate senior executive, but the Chief Executive Officer should also be advised.

### **1.10 Director Access to Employees**

Any meetings or contacts that a director wishes to initiate may be arranged through the Chief Executive Officer or directly by the director. The director will copy the Chief Executive Officer and Company Secretary on any written communications between a director and employee of the Company.

### **1.11 Independent Advice**

A committee or individual director may, with the prior approval of the Chairman, engage professional advisers at the Company's expense to advise or assist them in carrying out their responsibilities.

### **1.12 Conflicts of Interest**

The Board expects its members, both individually and collectively, to act ethically and in a manner consistent with the values of the business. Each director will minimise the possibility of any conflict of interest with the Company by restricting involvement in other businesses that would be likely to lead to a conflict of interest. Where conflicts of interest do arise, directors will excuse themselves from the relevant discussions and, in accordance with the listing rules of the stock exchanges on which the Company is listed, will not exercise their right to vote in respect of such matters.

## **2 BOARD STRUCTURE**

### **2.1 Size of the Board**

The full Board determines the size of the Board, subject to limits imposed by the Company's Constitution. The Constitution prescribes that the Board (excluding any Managing Director), shall comprise not more than eight and not less than five directors. At least three directors must be ordinarily resident in New Zealand and more than one half of the total number of directors (including the Managing Director) if so appointed must be New Zealand citizens.

### **2.2 Selection of Directors**

The Board is responsible for nominating members to the Board and for filling vacancies on the Board that may occur between annual meetings of shareholders. In considering potential directors to commend to shareholders, the Board seeks to identify candidates with appropriate skills, knowledge and experience who can exercise an independent and informed judgement on matters which come to the Board and who are free of any business or other relationship that may interfere with the exercise of that individual judgement.

The Chairman and Deputy Chairman are selected by the full Board.

### **2.3 Independence of Directors**

A majority of the directors shall be independent as assessed by the Board. The Board's standards for determining the independence of a director will include the requirements of the New Zealand and Australian stock exchanges and are set out in Attachment A to this Charter. The Chairman of the Board must be an independent director.

Directors are required to bring forward to the Board all relevant information which may affect their independence. Loss or gain of independence of a director shall be disclosed to the market immediately.

### **2.4 Role of the Chairman**

The roles of Chairman and Chief Executive Officer are separate.

The Chairman's role is to:

- Manage the Board effectively and provide effective leadership in formulating strategic direction;
- Foster a constructive governance culture and apply appropriate governance principles among directors and with management;
- Make sure the Board is well informed and effective and that the members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper operation of the Board and the Company;
- Ensure there are processes and procedures in place to evaluate the performance of the Board, its committees and individual directors;
- Ensure effective communication with shareholders;
- Act as a mentor or counsel for the Chief Executive Officer; and
- Act as the link between the Board and the Chief Executive Officer on a day-to-day basis.

### **2.5 Retirement, Rotation and Resignation from the Board**

The requirements and procedures governing the retirement, rotation and resignation of directors are prescribed in the Company's Constitution.

## **3 COMMITTEES**

### **3.1 Board Committees**

The Board has established various committees to handle particular analysis and work delegated by the Board. These committees are comprised of directors appointed by the Board and the chairpersons of such committees are appointed by the Board.

The three standing committees are the Audit Committee, the Safety Committee and the People Remuneration and Diversity Committee. From time to time, the Board may also establish ad hoc or special purpose committees to examine, or have the delegated authority to deal with, specific issues on behalf of the Board.

#### **Nomination Committee**

The Board may form a nomination and appointment committee but appointment of directors will normally be directed by the full Board.

### **3.2 Standing Committees**

Each committee shall have a Board approved charter defining its purpose, role and responsibilities as well as the committee's membership, operations and reporting requirements. Where appropriate, the committees will make recommendations to the full Board. Committees are not to take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so.

### **3.3 Review of Committees**

The Committees shall undertake an annual review of their objectives and activities.

The objectives and activities of the Committees shall also be reviewed by the Board, relevant senior managers and by any other parties the Board deems appropriate.

## **4 OTHER BOARD MATTERS**

### **4.1 Director Performance Evaluation**

Directors standing for re-election on a three-year cycle will have their performance evaluated by their fellow directors and senior management in a process co-ordinated by the Chairman. Individual feedback will be given to each director as their evaluation is completed.

### **4.2 Trading in Air New Zealand Shares**

Directors are encouraged to own Air New Zealand shares in their own name (or through associated interests). Directors are subject to limitations on their ability to buy and sell Air New Zealand shares by the Company's Securities Trading Policy, stock exchange listing rules and the Securities Markets Act 1988. Permission is required from the Chairman or Deputy Chairman plus one other director. All changes in directors' shareholdings must be reported to the Board and to the General Counsel and Company Secretary for disclosure to the stock exchanges.

### **4.3 Board interaction with Institutional Investors, Analysts, Media, Customers and Members of the Public**

Unless otherwise directed by the Chief Executive Officer or the Chairman, communications on behalf of the Company with the media, analysts, brokers and investors must be made only by specifically designated representatives of the Company in accordance with the Company's Media Policy. The Media Policy authorises the Chairman to speak on behalf of the Company on governance issues and strategic direction. The Chief Executive Officer is authorised to speak on all aspects of the Company other than governance. If any other director receives any inquiry relating to the Company, he or she should decline to comment and ask them to call the Chairman or the Chief Executive Officer.

### **4.4 Board Independence from Management**

The Board will meet regularly without management present, for open discussion on any Company issue.

### **4.5 Performance Evaluation of the Board**

The Board will conduct an annual performance review of the Board as a whole to be completed after financial year-end. Individual director views and the collated views of members of the senior management team will be sought on Board process, efficiency and effectiveness, and discussed by the Board as a whole.

### **4.6 Review of Charter**

The Board will review this Charter periodically as required to ensure it remains consistent with the Board's objectives and responsibilities.

## **ATTACHMENT A:**

### **INDEPENDENCE OF DIRECTORS**

An independent director is one whom the Board affirmatively determines has no material relationship with the Company (either directly or as a partner, substantial security holder or officer of an organisation that has a relationship with the Company) that could reasonably influence their judgement and decision-making as a director.

In determining independence, the Board endorses the following view of the New Zealand Securities Commission:

It is recognised that Board effectiveness is not always enhanced by directors' formal independence if this is given too much weight in contrast to the independence of mind, and the skills, knowledge, experience, and time that a director can contribute to the entity. Independent representation is an important contributor to Board effectiveness, but only when considered along with the other attributes sought in a non-executive director.

### **ASSESSMENT OF INDEPENDENCE**

The Board of directors has adopted the following prescriptions to assist in the determination of each director's independence. Where any of the prescriptions cannot be affirmed, it will be up to the Board to determine whether a director is independent in spite of the existence of a particular relationship. The reasons for such a determination and any Board agreed materiality thresholds must be disclosed in the Company's Annual Report. For the purposes of determining "independence", any reference below to "Company" includes a director's relationship with any subsidiary company of the Company.

#### **A director will be presumed to be independent if the director:**

1. Is not a substantial shareholder of the Company or an officer, or otherwise associated directly with, a substantial shareholder of the Company (other than solely as a consequence of being a director of the Company); and
2. Does not have a relationship with the Company (other than solely as a consequence of being a director of the Company) from which that director or an immediate family member of the director is likely to derive at least 10% of his or her revenue during the current financial year of the Company; or

No associated person of the director has a relationship with the Company from which an associated person is likely to derive at least 10% of his or her revenue during the current financial year of the Company; and

3. Has not been an executive of the Company for at least three years, and
4. Has not, during the last three years, been a principal of a present or former auditor of the Company or any other material professional adviser or consultant to the Company, or an employee materially associated with the service provided; and
5. Has not been a director, executive officer or an employee, and has no immediate family member who have been a director or executive officer, of a company that made payments to, or received payments from, the Company for property or services in any of the last three years in an amount which, in any single fiscal year, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues; and
6. Has not been, and has no immediate family member who has been, an executive officer of a foundation, University or non-profit trust or other charitably organisation, for which the Company and its respective trusts or foundations, account or accounted for more than 2% or \$1 million, whichever is greater, of such charitable organisation's consolidated gross revenues, in any of the last three years; and

7. Does not serve, and has no immediate family member who has served, as a director, executive officer or general partner of an entity that has received an investment from the Company or any of its subsidiaries, unless such investment is less than \$1 million or 2% of such entity's total invested capital, whichever is greater, in any of the last three years; and
8. Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

#### **Materiality**

It is important for the Board to consider materiality thresholds from the perspective of both the Company and its directors. Materiality thresholds from the perspective of directors and third parties are included in the requirements above. The threshold for materiality for the purpose of assessing the materiality of relationships between a non-executive director and the Company (other than as a director) will be judged according to the significance of the relationship to the director in the context of their activities as a whole.

From the Company's perspective, a relationship is presumed immaterial when it generates less than 5%, and presumed material when it generates more than 10% of revenue over a twelve month period in the absence of evidence or convincing argument to the contrary.

#### **Associated Person (immediate family member)**

An associated person includes any spouse, de facto partner, child, sibling or parent (or nominee or trustee for any of them) of the director.

#### **Timing of Determination**

The Board is required to identify which directors it has determined to be independent at the following times:

1. No later than 10 business days following appointment by the Board of any director appointed by the Board;
2. Prior to publication of the Company's Annual Report.

Immediately after making such determination, an announcement will be sent to the stock exchanges identifying which directors are independent.

23 June 2004  
(as amended 24 April 2013)