

## Committee Charter

# AUDIT COMMITTEE

The Board of Air New Zealand Limited has established the Audit Committee (“the Committee”) which is governed by this Charter.

## Purpose

The purpose of the Committee is to advise and assist the Board in discharging its responsibilities with respect to financial reporting, compliance and risk management practices of Air New Zealand Limited.

## Role

- To review and where necessary make recommendations to the Board in respect of financial reporting systems, controls, documents, policies and related matters.
- To review and where necessary make recommendations to the Board in respect of the internal and external auditors and audit functions, to manage the relationship with the external auditor (including ensuring independence is maintained), and to approve the appointment and monitor performance of the Internal Auditor
- To review and where necessary make recommendations to the Board in respect of risk management and compliance matters.

## Responsibilities

### Financial Reporting

- Ensure that appropriate financial reporting and internal control processes are in place and monitor those processes so that the Board is properly and regularly informed and updated on corporate financial matters.
- Review the draft half year and annual financial statements and associated Stock Exchange releases, for compliance with appropriate laws and regulations, and recommend approval to the Board. This must include:
  - Review of material accounting policy changes proposed by management;
  - Review of major judgement areas and complex or unusual transactions and disclosure items;
  - Review of any legal matters that could significantly impact the financial statements;
- Review other public documents and disclosures relating to financial information (excluding the monthly operational statistics);
- Review group tax exposures and meet with the Group Taxation Manager every six months;
- Assess the performance of financial management.

### External and Internal Audit

- Subject to the requirements of the Public Audit Act 2001, to recommend to the Board the external auditor appointment, tenure and remuneration;
- Approve the Audit Independence Policy;
- Review and assess the performance and independence of the internal and external auditors in respect of audit and non-audit services;

- Review (but not plan or conduct) the external auditor's annual audit plan and reports, assess performance against plans;
- Appoint and establish the tenure of the Head of Internal Audit;
- Assess the performance and objectivity of the internal audit function and its activities;
- Regularly meet with the internal and external auditors and facilitate the open identification and discussion of relevant issues;
- Review the audit findings and ensure that recommendations highlighted in audit reports are actioned by management.

## Risk Management

- Review the risk management framework and any update to the Group Risk profile (excluding risks dealt with by the Health, Safety and Security Committee);
- Review management policies and processes to ensure their suitability for achieving appropriate levels of compliance with company risk management policy, Code of Conduct and statutory and regulatory requirements;

## General

- Review the process for confidential receipt, retention and treatment of Code of Conduct complaints;
- Review of Delegated Financial Authorities at least every two (2) years;
- Supervise special investigations when requested by the Board; and
- Address any other matters referred by the Board.

The Committee shall not have any responsibility to monitor and report to the Board on the management of health, safety, security, environmental and other critical safety issues. These matters are the responsibility of the Health, Safety and Security Committee of the Board.

An annual plan of the matters to be considered at Committee meetings is to be presented to the Board for approval

## Composition and Appointment

### Membership/Appointment/Qualifications

The Committee shall be appointed by the Board and shall consist of at least **three (3)**, and not more than **seven (7)**, members, including the Chairman of the Board.

All members of the Committee must be non-executive directors and a majority must be independent directors.

A majority of the members should be financially literate and at least one (1) member must have an accounting or financial background.

### Chair

The Chairperson shall be appointed by the Board and will be an independent director and may not be the Chairman of the Board.

## Authority

Unless specifically mandated, the Committee has recommendatory powers only.

The Committee is authorised by the Board to undertake any activity pursuant to its functions and responsibilities defined in this Charter or otherwise assigned to it by the Board. It is authorised to seek any information it requires from any employee and all employees shall be directed to cooperate with any request made by the Committee.

The Committee shall have the authority of the Board to obtain legal or other independent professional advice, and to secure the attendance at meetings of third parties with the relevant experience and expertise if it considers this necessary.

The Committee shall not have nor exercise any power that the Board is prohibited from delegating under s130 of the Companies Act 1993.

The Committee has authority to sub-delegate. The Committee must ensure any activities outside the scope of the Committee are referred to the appropriate responsible body.

## **Administration**

### **Secretary**

The Head of Internal Audit shall act as Secretary of the Committee.

### **Meetings**

The Committee will hold at least three (3) meetings per year, which shall be scheduled to ensure timely review of the interim and year-end financial statements.

Any Board member may request, through the Chairman of the Board, that the Committee convene to address any matter within the purview of the Committee that is of serious concern.

The Chairperson shall also call a meeting of the Committee if so requested by any Committee member, or the Head of Internal Audit or the External Auditor. The Chairperson shall be the primary point of contact for the External Auditor or the Head of Internal Audit to bring any matter to the Committee's attention.

The Secretary, in conjunction with the Chair, shall draw up the Agenda.

The Agenda and Committee papers shall be distributed to members at least one (1) week prior to each meeting.

If the Chairperson is absent from a meeting, the members of the Committee participating in that meeting shall elect a chairperson for the meeting from their number.

The contemporaneous linking together by telephone or other means of instantaneous audio or audio-visual communication of sufficient members of the Committee to constitute a quorum and by which all the members participating can simultaneously hear each other throughout the meeting, whether or not one or more of such members of the Committee shall then be out of New Zealand, shall be deemed to constitute a meeting of the Committee.

### **Quorum**

A quorum shall be the greater of more than half of the members or three (3) members of the Committee.

### **Conflicts of Interest**

A member of the Committee who has an interest in any matter being determined by the Committee shall excuse themselves from the relevant discussions and shall not vote on that matter.

### **Attendees**

Meetings shall be attended by the External Auditors, Chief Financial Officer, Chief Executive Officer, Head of Internal Audit, General Manager Governance, Risk and Compliance, and others as appropriate, at the discretion and invitation of the Committee. Adequate notice shall be given to those to be invited.

Invitees may be requested to withdraw from the meeting at any time by the meeting Chairperson.

The Committee shall maintain direct lines of communication, independent of senior management, with the Head of Internal Audit and the External Auditors. On a regular basis, no less than annually, the Committee shall meet with the External Auditors and the Head of Internal Audit without management present to discuss any matters that either party believe should be discussed confidentially.

### Written Resolutions

A resolution in writing, signed or assented to by the greater of more than half of the members or at least three (3) members of the Committee, is as valid and effective as if it had been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents (including transmissions by facsimile or e-mail or other similar means of written communication) in like form, each signed or assented to by one (1) or more members of the Committee.

### Records

The Secretary shall ensure minutes, resolutions, papers and other records of the Committee are retained in accordance with any applicable policies or guidelines issued by the General Counsel and Company Secretary.

## Review

The Committee shall undertake a formal review of its objectives and activities regularly, and recommend any consequential changes to this Charter to the Board.

The Committee's objectives and activities shall also be subject to Board review, and review by such other parties (including senior management) as the Board may determine.

## Reporting

### Reporting to the Board

The Chair of the Committee shall make a report to the Board after each Committee meeting on the findings and recommendations of the Committee.

### Annual Report

The Committee is to prepare an annual report to the Board. The Report is to address all matters relevant to the Committee's role and responsibilities including:

- Assessment of whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholders' needs;
- Assessment of the management processes supporting external reporting;
- Procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- Recommendations for the appointment or removal of an external or internal auditor;
- Assessment of the performance and independence of the external auditors and whether the Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
- Assessment of the performance and objectivity of the internal audit function; and
- The results of its review of risk management and internal compliance and control systems.

### Minutes

The Committee must ensure that minutes are kept of all proceedings at its meetings.

Minutes shall be confirmed at the subsequent Committee meeting and/or signed as correct by the chairperson of the meeting.

Approved minutes shall be made available to all directors and attendees of the meeting, and to other parties as the Committee Chairperson or the Board directs.

*This Charter was last confirmed by the Board of Air New Zealand Limited on 23 May 2018.*