

CORPORATE GOVERNANCE STATEMENT

The Board of Air New Zealand considers strong corporate governance to be a critical component of the overall performance of the Company, and a contributor to superior performance and achieving best outcomes for its shareholders, customers, employees and the wider community. Accordingly, policies and processes are in place to establish, shape and maintain appropriate governance standards and behaviours throughout the Company, consistent with this philosophy.

The Board has had regard to a number of corporate governance statements, including the Institute of Directors' Code of Practice and the New Zealand Corporate Governance Forum's Guidelines. While Air New Zealand no longer has a requirement to report against the ASX's Corporate Governance Principles and Recommendations, these continue to inform the Board's approach to governance. The NZX Listing Rules require the Company to report against the NZX Corporate Governance Code.

This Corporate Governance Statement follows the structure of the NZX Corporate Governance Code and addresses its Recommendations. The Board considers its governance practices to be consistent with the Code's Principles.

This Corporate Governance Statement was approved by the Board on 22 August 2018 and is current as at that date.

Code of Ethical Behaviour

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

Air New Zealand is committed to the highest standards of social and environmental responsibility and ethical conduct. This is good for our customers, our shareholders, our wider community and our Company. The Board acknowledges it as a whole, and each director individually, has a role to play in guiding and modelling the high ethical standards that we want to pervade the whole organisation. It is recognised that codification of ethical principles, whether in a Code of Conduct, policies or elsewhere, is only a baseline, and tools like the brand values and leadership behaviours help to create an ingrained ethical culture.

Code of Conduct

Air New Zealand has published a Code of Conduct, as a statement of our guiding principles of ethical and legal conduct. The Code of Conduct applies to everyone working at or for Air New Zealand – directors, executives, employees, contractors and agents.

The Code of Conduct forms part of the induction process for all new employees, and is available online. Employees must provide acknowledgement that they have read and understood the content. On an annual basis, employees are required to re-confirm their understanding of the Code of Conduct through an online course.

The Code of Conduct is high-level in nature, and provides clear guidance, supported by practical examples, across a range of ethical and legal matters, including:

- Health, safety and well-being
- People, diversity and inclusion
- Airline security and business disruption management
- Gifts and entertainment
- External communications
- Use of business resources
- Personal information and privacy
- Sustainability and sponsorship
- Conflicts of interest
- Inducements and bribes
- Continuous disclosure
- Insider trading

Mechanisms are provided for the safe reporting of breaches of the Code or other policies or laws, and the consequences of non-compliance are made explicit.

Related Documents

The Code of Conduct is supplemented by a number of other documents, including the Board Charter and specific policies on key matters. As a whole these documents address all the matters specified in the NZX Corporate Governance Code.

In addition to the high-level guidance in the Code of Conduct, specific policies provide a further layer of management, particularly in more technical areas. For example, Air New Zealand has a Securities Trading Policy, which identifies behaviours that are illegal, unacceptable or risky in relation to dealings in Air New Zealand's securities by directors, employees or their associated persons. Without taking away ultimate responsibility of the individuals for their trading activities, the policy provides a framework that reduces the potential for insider trading. Training is provided to staff on the policy, and no policy breaches have been identified during the 2018 reporting period.

The ethical approach adopted within the Group is complemented by a Supplier Code of Conduct, outlining the minimum standards and expectations applicable to all suppliers of goods and services to Air New Zealand. The Supplier Code addresses labour and human rights, health and safety, environmental sustainability, ethical business, security, information security, risk management and commercial sustainability.

Initiatives and metrics on a range of sustainability matters relating to social, environmental and economic factors are reported in Air New Zealand's Sustainability Report.



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Air New Zealand makes these documents, and other significant governance documents tabulated below, available on its website.

| Constitution/Charters | Policies |
|---|--|
| <ul style="list-style-type: none"> • Constitution • Board Charter • Audit Committee Charter • Funding Committee Charter • Health, Safety and Security Committee Charter • People Remuneration and Diversity Committee Charter | <ul style="list-style-type: none"> • Anti-bribery and corruption policy • Audit independence policy • Continuous disclosure policy • Distribution policy • Equality, diversity and inclusion policy • Group compliance policy • Risk management policy • Securities trading policy |
| Codes of Conduct | Other Documents |
| <ul style="list-style-type: none"> • Employee Code of Conduct • Supplier Code of Conduct | <ul style="list-style-type: none"> • Sustainability Report • Palm oil position statement • Slavery and human trafficking statement |

Board Composition and Performance

“To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.”

Responsibilities of the Board

The Board has responsibility for taking appropriate steps to protect and enhance the value of the assets of Air New Zealand in the best interests of the Company and its shareholders.

The Board has adopted a formal Board Charter detailing its authority, responsibilities, membership and operation which is published on Air New Zealand's website.

Management Delegation

The business and affairs of Air New Zealand are managed under the direction of the Board. The Board is responsible for guiding the corporate strategy and direction of Air New Zealand and has overall responsibility for decision making. The Board delegates to the Chief Executive Officer responsibility for implementing the Board's strategy and for managing the operations of Air New Zealand. The Chief Executive Officer has Board approved levels of authority and the Chief Executive Officer in turn sub-delegates authority to the Chief Financial Officer, the Executive management team and senior management. These delegated authorisation levels are subject to Board approval, internal and external audit.

Chairman

Tony Carter has been Chairman of Air New Zealand since 27 September 2013. Jan Dawson was appointed Deputy Chairman on 27 September 2013. The Chairman's role includes ensuring the Board is well informed and effective, acting as the link between the Board and the Chief Executive Officer and ensuring effective communication with shareholders.

The Board Charter makes explicit that the Chairman and the Chief Executive Officer roles are separate.

Tony Carter will be resigning as Chairman after the 2019 Annual Shareholder Meeting. Dame Therese Walsh has been elected by the Board to succeed him.

Company Secretary

Under the Board Charter, the General Counsel and Company Secretary is secretary to the Board and accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Director Independence

The Board has identified criteria in its Charter, against which it evaluates the independence of directors. These are designed to ensure directors are not unduly influenced in their decisions and activities by any personal, family or business interests.

All directors have been determined to be Independent Directors under these criteria, and for the purposes of the NZX Listing Rules. Directors are required to inform the Board of all relevant information which may affect their independence and the Board reconfirms the independence status of its members annually.

Board Cadence

| | |
|----|-----------------------------|
| 7 | physical Board meetings |
| 4 | teleconference meetings |
| 15 | committee meetings |
| 1 | offshore market visit |
| 1 | regional visit |
| 4 | strategy/deep dive sessions |
| 1 | evaluation exercise |

Recent Focus Areas

- Sustainability/Carbon Pricing
- Airport Pricing/Regulation
- Megatrends
- Strategic Alliances and Routes
- Future fleet
- Long-haul products/cabin experience
- Digital vision
- Fuel price/continuity of supply
- Boeing 787 Engine
- Risk Management Framework

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Structure, Skills and Composition

The role of the Board in the governance of Air New Zealand requires its members to bring a range of skills and experience to the table, to be able to challenge, support, monitor, mentor, guide and inspire management, and to ensure Air New Zealand is and continues to be a business that its owners, customers, employees and the wider public, can be proud of.

The skills and experience represented on the Board are summarised in the diagram below:

| | | | | | |
|-------------------------------|---|-------------------------------------|--|----------------------------|---|
| Executive Leadership |  | Financial |  | Tourism |  |
| Engineering/Safety |  | Digital/Technology |  | Governance |  |
| International Business |  | Government & Stakeholder |  | Customer Experience |  |

Details of each director's experience, independence, and interests are published on the Air New Zealand website.

Strategic Competencies

The Board has reviewed and restated the competencies and attributes it considers appropriate to support the Company's strategic direction, and assessed the extent to which these exist across the current membership. The Board evaluation process, undertaken with an external consultant, assisted in this exercise. The competencies form an important part of the criteria used in the review and development of existing directors, and in the recruitment of new directors. As the Company itself develops, the specific strategic competencies will change and be addressed as the Board refreshes itself, and some gap between the identified strategic competencies and a snapshot of current capability is usually to be expected.

The Board works to ensure these competencies are adequately addressed in its membership, and notes it is generally not necessary or practical for every director to individually demonstrate these: competency depth may be as relevant as breadth.

The specific qualifications, skills and experience of current directors are separately discussed in the biographies of each director.

Diversity and Inclusion

The Board is committed to a culture that values diversity and inclusion throughout the Group. It recognises the importance of fostering a diverse workforce which leads to better innovation, stronger customer connections and better business outcomes.

Air New Zealand is making strides in delivering the diversity and inclusion objectives defined in the Diversity & Inclusion Strategy to 2020.

The four strategic Diversity & Inclusion objectives are:

- Attract and recruit diverse talent
- Develop our diverse workforce
- Create a culture where everybody thrives
- Future-proof (retention and transition)

Attract and recruit diverse talent

In the 2018 financial year the talent attraction and selection processes were refined to attract diverse talent and ensure they were more inclusive by:

- No longer asking candidates for current salary to minimise bias and risk of inheriting the gender pay gap from other organisations, as well as no longer sharing historical salary data with hiring managers
- Ensuring at least one female on every Senior Leadership Team role shortlist
- Encouraging gender balanced interview panels
- A guide for recruiters and managers to create a fair, consistent and inclusive recruitment process

Air New Zealand continued to be a principal sponsor of Champions for Change: "TupuToa Māori and Pasifika Corporate Pathways Programme" (an internship programme to promote and encourage young Māori and Pasifika into corporate careers). The intake of interns from the previous financial year was tripled, welcoming 10 interns into corporate roles within Air New Zealand.

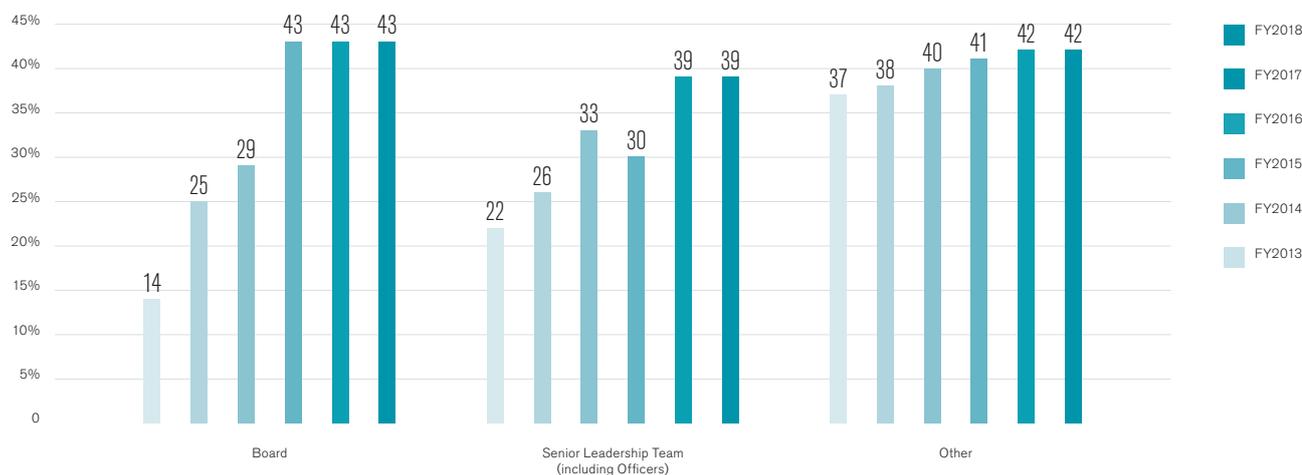


CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Develop our diverse workforce

The focus continues to be on gender equality and gaining greater female representation on the Senior Leadership Team level, and within groups such as Pilots, Engineering and Maintenance and Digital. The previous 40% target has been increased to 50% representation of women in the Senior Leadership Team by 2020. As illustrated in the graph below, as of 30 June 2018, the SLT female representation is 39%, which demonstrates a sustained result throughout the year.

Workforce Gender Representation (% female)



Developing women is an area that has had significant gains in the 2018 financial year, and in August 2017 Air New Zealand won the Diversity Works NZ Empowerment Award recognising our work in developing and empowering women. Since the start of the Women in Leadership programme in 2014, 34 women have completed this development initiative. In the 2018 financial year, 7 of the 15 SLT appointments were women, with 67% of all internal promotions being female.

Additionally, we have sustained 43% female representation on the Board for three consecutive years.

| AS AT 30 JUNE | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| No. of Board (female:male) | 1:6 | 2:6 | 2:5 | 3:4 | 3:4 | 3:4 |
| No. of Executive Team (female:male) | 1:7 | 1:7 | 1:7 | 1:8 | 1:9 | 1:9* |
| No. of Senior Leadership Team (female:male) | 15:52 | 18:51 | 26:54 | 24:57 | 34:53 | 34:53 |
| No. of Other (female:male) | 4,075:6,912 | 4,299:6,979 | 4,433:6,742 | 4,656:6,635 | 4,879:6,810 | 4,913:6,838 |

* Announced changes to the Executive Team since 30 June 2018 will result in a female:male ratio of 2:8 by the end of September 2018.

There has also been significant progress with the cultural fluency initiatives and advancing the Māori employee strategy. This has included Māori and Pasifika appointments to SLT, and embedding inclusivity and cultural fluency as a key part of all leadership touchpoints through the following initiatives:

- Weaving Māori cultural competency through leadership programmes
- Providing coaching on cultural protocols and Te Reo for senior leaders
- Running a deep immersion residential Māori fluency wananga for key leaders in partnership with Department of Conservation at Te Papa Atawhai
- Setting the expectation that cultural fluency in our brand and the Koru is a core capability for all Air New Zealanders through our induction programme

We will continue to focus on cultural initiatives and collect ethnicity data to create a baseline and identify where we have underrepresented groups such as Māori, Pasifika and Asian.

Definitions:

Executive Team: The Chief Executive Officer and direct reports. The members of the Executive Team are defined as Officers of the Company.

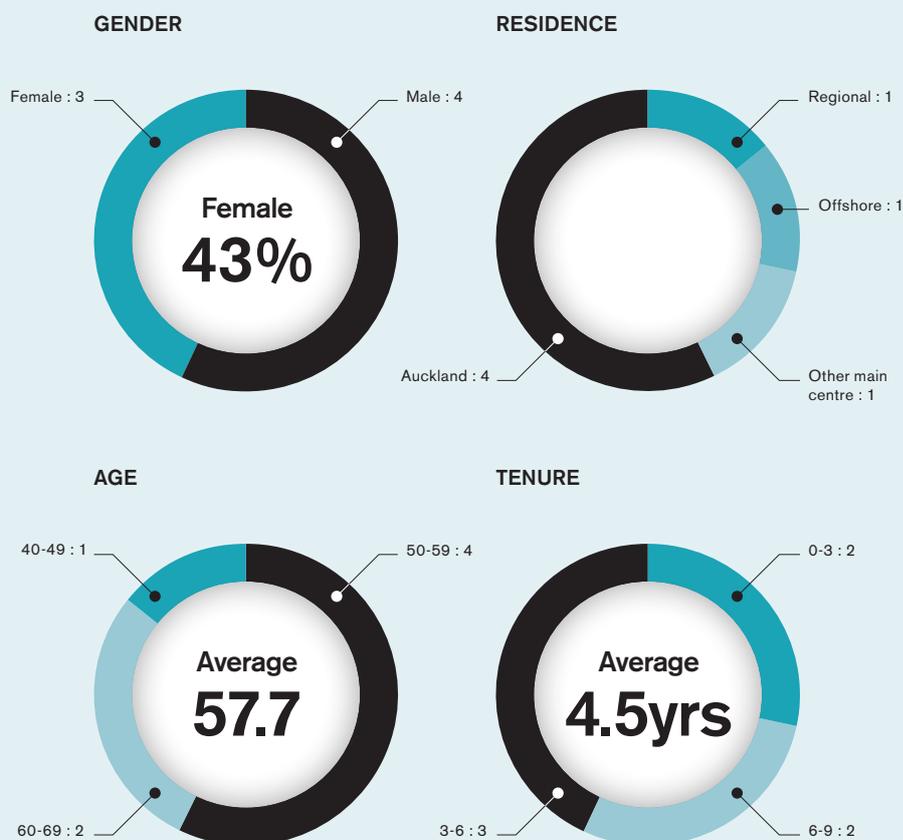
Senior Leadership Team (SLT): Executive Team, direct reports to the Executive Team and other selected senior managers.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Diversity on the Board

The Board's ability to contribute is enhanced by the diversity of its members. This diversity may be demonstrated through a number of criteria, such as those discussed or depicted below. The range of experience of directors, recorded in the biographies on pages 61-62, is another important source of diversity.

Achieving gender balance has been a strong diversity focus, but the Board is also interested in other dimensions of its diversity including structural factors of tenure and age. The size of the Board is a constraining factor in formulating meaningful numeric targets for Board diversity, but the Board is diligent in recognising and encouraging an expansive approach to diversity in its own membership as well as in the wider Company, and in the ongoing consideration of measures or targets.

**Create a culture where everybody thrives**

Air New Zealand has a wide range of employees from diverse backgrounds. The employee networks play a pivotal role in creating an inclusive culture. The Company supports five employee networks: Women's Network, Young Professionals (Yopro), Māori and Pasifika (Manu), Pride (LGBTQI) and the Kiwi Asia (KASIA) employee network launched in March 2018. Alongside these networks, to address the under representation of women in male dominated teams, we have supported groups such as Women Inspiring the Next Generation of Female Pilots (WINGS), Women in Engineering and Maintenance and Women in Digital.

In the 2018 financial year, the networks hosted 39 employee network events attended by over 2,000 people.

Air New Zealand is committed to ensuring that our leaders and key decision makers have the tools to mitigate the effects of unconscious knowledge and bias and we are putting programmes in place for 2019.

The impact of diversity and inclusion activity is measured through an engagement survey. There has been an increase against all three Diversity & Inclusion questions in the 2018 financial year.

- Overall perceptions increased by 14 percentage points. 80% say Air New Zealand is open to and accepts differences – up 22%.
- 77% of people say their direct manager has an inclusive leadership style and values diverse cultures, backgrounds and ideas of employees – up 9%.
- 76% of people say that Air New Zealand values and makes the most of their unique differences – up 11%.

Future-proof (retention and transition)

Air New Zealand is looking ahead at the future of work, and we are committed to creating an empowering and engaging environment for a multi-generational workforce.

We are investing in a comprehensive needs analysis and investigation process to gain a deeper understanding of the needs of the ageing workforce. We will develop a detailed strategy in the 2019 financial year.

Board Evaluation

The Board Charter provides for regular performance reviews of the Board as a whole and its Committees. Individual director views and the views of some members of the Executive Team are sought on Board process, efficiency, and effectiveness, and are discussed by the Board as a whole. In conjunction with this process, those directors retiring annually by rotation who are standing for re-election have their performance evaluated by their fellow directors in a process co-ordinated by the Chairman, (or by the Deputy Chairman to review the Chairman) with individual feedback to each director as their evaluation is completed. This performance evaluation process has been applied in respect of the 2018 financial year.



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Director Appointments and Induction

The Board as a whole considers the requirement for additional or replacement directors, subject to the Constitutional limitation of the number of directors. In so doing, it has regard to the skills, experience and diversity on the Board, and the skills that are necessary or desirable for the Board to fulfil its governance role and contribute to the long-term strategic direction of the Company. The Board may engage consultants to assist in the identification, recruitment and appointment of suitable candidates.

When appointing new directors, the Board ensures that the Constitutional requirements in respect of directors will continue to be satisfied. There must be between five and eight directors, at least three of whom are resident in New Zealand. The majority of directors must be New Zealand citizens and, for a Board of seven members as is currently the case, at least two must be independent.

The Constitution provides that all Non-Executive Directors are elected by Shareholders. Directors may be appointed by the Board to fill vacancies, but they are then subject to re-election at the next annual Shareholder meeting. In addition to directors retiring by rotation, and eligible for re-election, nominations may be made by Shareholders.

Each Non-Executive Director receives a letter formalising their appointment. That letter outlines the key terms and conditions of their appointment and is required to be countersigned confirming agreement.

The Board introduces new directors to Senior Executives and the business through specifically tailored induction programmes. The programme includes one-on-one meetings with members of the Executive Team together with visits to key operational business areas.

Director Development

All directors are regularly updated on current industry and company issues by presentations and briefings from Senior Executives. The Board expects all directors to undertake continuous education so that they can effectively perform their duties and progress on this forms part of the Board evaluation process.

Training highlights in the past year include a study tour to China, and participation in the New Zealand Institute of Directors' Leadership Conference.

Board Committees

"The Board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility."

The Board has established committees where these can assist in the efficient performance of the Board's functions, and the achievement of appropriate governance outcomes. All committees operate under written Charters, which define the role, authority and operations of the committee. Committee Charters are available on the Air New Zealand website.

Current standing committees are outlined below.

| Committee | Composition and Roles | Members |
|--|--|---|
| Audit | 3-7 non-executive directors. A majority, including the Chairman, must be independent. A majority of the members should be financially literate and at least 1 member must have an accounting or financial background. The Chair may not be the Chairman of the Board. Advises and assists the Board in discharging its responsibilities with respect to financial reporting, compliance and risk management practices of Air New Zealand. | Jan Dawson (Chair) Tony Carter Jonathan Mason Dame Therese Walsh |
| People Remuneration and Diversity ("PRDC") | 2-7 non-executive directors. A majority, including the Chairman, must be independent. Advises and assists the Board in discharging its responsibilities with respect to oversight of the People Strategy of Air New Zealand. | Jonathan Mason (Chair) Tony Carter Jan Dawson Sir John Key |
| Health, Safety and Security ("HSSC") | At least 3 non-executive directors. A majority, including the Chairman, must be independent. Advises and assists the Board in discharging its responsibilities with respect to health, safety and security matters arising out of activities within and by Air New Zealand. | Rob Jager (Chair) Tony Carter Linda Jenkinson |
| Funding | 3-4 directors. The Chairman of the Board will be the Chairman. Advises and assists the Board in discharging its responsibilities with respect to funding transactions and associated matters. | Tony Carter (Chair) Jan Dawson Rob Jager |

Attendance at meetings of employees or other persons is at the invitation and discretion of the respective Committee, through its Chair.

As noted above, the Board as a whole considers the requirement for additional or replacement directors, and has not established a nomination committee or similar for this purpose.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The table below reports attendance of members at Board and Board Committee meetings during the 2018 reporting period.

Board/Committee Meetings 1 July 2017 – 30 June 2018

| | Board | | Audit Committee | | People Remuneration and Diversity Committee | | Health, Safety and Security Committee | |
|---------------------------|-----------------------|----------|-----------------------|----------|---|----------|---------------------------------------|----------|
| | Meetings ¹ | Attended | Meetings ¹ | Attended | Meetings ¹ | Attended | Meetings ¹ | Attended |
| Tony Carter | 11 | 11 | 4 | 4 | 7 | 7 | 4 | 4 |
| Jan Dawson | 11 | 11 | 4 | 4 | 7 | 7 | | |
| Paul Bingham ² | 3 | 3 | | | | | 1 | 1 |
| Rob Jager | 11 | 11 | | | | | 4 | 4 |
| Linda Jenkinson | 11 | 11 | | | | | 4 | 4 |
| Sir John Key ³ | 9 | 9 | | | | | | |
| Jonathan Mason | 11 | 11 | 4 | 4 | 7 | 7 | | |
| Dame Therese Walsh | 11 | 11 | 4 | 3 | | | | |

1. The number of meetings for which the director was a member.

2. Paul Bingham resigned from the Board on 28 September 2017.

3. The Rt Hon Sir John Key was appointed to the Board on 1 September 2017, and to the People Remuneration and Diversity Committee on 28 June 2018.

The Funding Committee generally satisfies its responsibilities through electronic communication and written resolution, to ensure efficient processing of funding and related transactions. No physical meetings of this Committee were held in the year, and no additional fees are paid in respect of this Committee.

Reporting and Disclosure

“The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.”

The Board is committed to timely, accurate and meaningful reporting of financial and non-financial information.

As a listed company there is an imperative to ensure the market is informed, and the listed securities are being fairly valued by the market. In addition to statutory disclosures, the Company provides ongoing updates of its operations, as well as presentations to the investment community. This material is made publicly available through releases to the NZX and ASX, in accordance with the Listing Rules.

Initiatives are pursued to inform all stakeholders of the Company's performance against broader objectives, including responsibilities to our communities, people, environment and economy. The Company's Sustainability Report reports on activities and achievements in these areas.

Air New Zealand has a Continuous Disclosure Policy, available on the Air New Zealand website. The purpose of this policy is to:

- Ensure that Air New Zealand complies with its continuous disclosure obligations;
- Ensure timely, accurate and complete information is provided to all shareholders and market participants; and
- Outline mandatory requirements and responsibilities in relation to the identification, reporting, review and disclosure of Material Information relevant to Air New Zealand.

This policy establishes a Disclosure Committee to facilitate the provision of timely and appropriate market disclosure.

The Board receives assurances from the Chief Executive Officer and Chief Financial Officer that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and NZ IFRS, based on a sound system of risk management and internal control that is operating effectively in all material respects in relation to financial reporting risks.

In addition to the published financial statements, Air New Zealand's Sustainability Report provides information and insight into the Company's approach and performance on a number of non-financial matters, including social, environmental and economic measures.

Remuneration

“The remuneration of directors and executives should be transparent, fair and reasonable.”

In accordance with the Constitution, shareholder approval is sought for any increase in the pool available to pay directors' fees. Approval was last sought in 2015, when the pool limit was set at \$1,100,000 per annum.



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Where the pool permits, the Board may amend the actual fees paid to reflect market conditions or other relevant factors.

The Board has determined the following allocation of the pool.

| | Position | Fees (Per Annum) | |
|---|-----------------------|------------------|------------------|
| | | To 30 June 2018 | From 1 July 2018 |
| Board of Directors | Chairman ¹ | \$270,000 | \$270,000 |
| | Deputy Chairman | \$111,000 | \$114,000 |
| | Member | \$97,500 | \$100,000 |
| Audit Committee | Chair | \$40,000 | \$40,000 |
| | Member | \$20,000 | \$20,000 |
| Health Safety and Security Committee | Chair | \$40,000 | \$40,000 |
| | Member | \$20,000 | \$20,000 |
| People Remuneration and Diversity Committee | Chair | \$20,000 | \$20,000 |
| | Member | \$10,000 | \$10,000 |

1. The Chairman receives no additional committee fees.

The Board approved an increase in base director fees for the Deputy Chairman of \$3,000 per annum and directors of \$2,500 per annum, with effect from 1 July 2018. This is accommodated within the shareholder-approved pool for director remuneration.

Air New Zealand's Independent Non-Executive Directors do not participate in any executive remuneration scheme or employee share schemes; nor do they receive options, bonus payments or any incentive-based remuneration. Directors are entitled to be reimbursed by Air New Zealand for reasonable travelling, accommodation and other expenses they may incur whilst travelling to and from meetings of the directors or committees.

Remuneration of directors in the reporting period is tabulated below.

| | Board Fees | Audit Committee | HSSC | PRDC | Total Fees | Value of Travel Entitlement ¹ |
|-------------------------------------|------------------|------------------|------------------|------------------|--------------------|--|
| Tony Carter (Chairman) ² | \$270,000 | - | - | - | \$270,000 | \$56,082 |
| Jan Dawson (Deputy Chairman) | \$111,000 | \$40,000 (Chair) | - | \$10,000 | \$161,000 | \$28,414 |
| Paul Bingham ³ | \$24,375 | - | \$5,000 | - | \$29,375 | \$22,620 |
| Rob Jager | \$97,500 | - | \$40,000 (Chair) | - | \$137,500 | \$40,500 |
| Linda Jenkinson | \$97,500 | - | \$20,000 | - | \$117,500 | \$50,746 |
| Sir John Key ⁴ | \$81,250 | - | - | - | \$81,250 | \$64,545 |
| Jonathan Mason | \$97,500 | \$20,000 | - | \$20,000 (Chair) | \$137,500 | \$67,732 |
| Dame Therese Walsh | \$97,500 | \$20,000 | - | - | \$117,500 | \$49,190 |
| Total | \$876,625 | \$80,000 | \$65,000 | \$30,000 | \$1,051,625 | \$379,829 |

Amounts stated as GST exclusive where applicable.

1. Includes value of travel benefits for related parties and benefits accrued in prior years utilised in current year.

2. No committee fees are paid to the Chairman.

3. Paul Bingham resigned from the Board on 28 September 2017.

4. The Rt Hon Sir John Key was appointed to the Board on 1 September 2017, and to the People Remuneration and Diversity Committee on 28 June 2018.

In addition to the director remuneration provisions above, Air New Zealand's employee remuneration policy, including the components of remuneration, is reflected in the philosophies and principles discussed in the remuneration report.

The remuneration of the Chief Executive Officer is disclosed in the remuneration report.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Risk Management

“Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.”

Risk to Air New Zealand is any threat, lost opportunity or circumstance that could compromise safety and security of our customers and staff, or affect the financial stability of the Group or the strength of our Brand. The Board recognises that risk is inherent in our business environment. Risks need to be systematically identified and managed to meet legal, regulatory and governance obligations, while still allowing the Company to operate sustainably as a commercial airline.

Risk management is an important part of our corporate governance. The Board, supported by the Audit Committee has overall responsibility for oversight of risk and for maintaining a robust risk management and internal controls system. Under its Charter, the Board is responsible for ensuring that effective risk management and compliance systems are in place to protect the Company's assets and that the Company does not operate beyond its risk appetite.

The Board ensures that it as a whole, and each director individually, receives appropriate information on key risks and the management of these. To achieve this, the Board receives a Group Risk Profile representing the most significant organisational risks as identified by management on a six-monthly basis in accordance with the Group Risk Management Policy. The reports enable the Board to gain assurance that it has undertaken a robust assessment of key risks facing the Company and to form an overall assessment of the effectiveness of Air New Zealand's system of internal controls for managing risk.

The Board's Health, Safety and Security Committee provides oversight of Air New Zealand's health, safety and security risk management framework including processes, policies and performance, and monitoring the effectiveness of internal control assurance. This process includes site visits to observe treatment of operational and safety risks, as well as presentations on risk management practices and targeted deep dives to obtain assurance that risks receive the right focus from management.

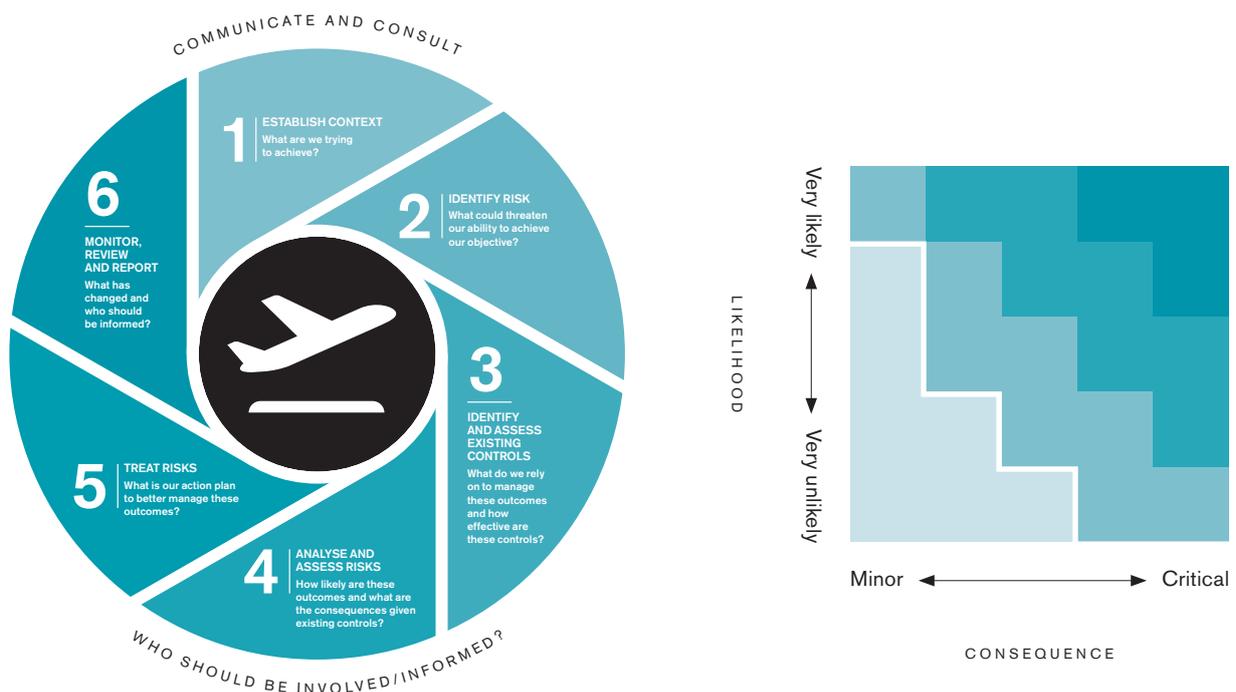
The Executive Team, under the leadership of the Chief Executive Officer, implements the strategy, culture, people, processes and structures that encompass the Enterprise Risk Management Framework.

Enterprise Risk Management Framework

In the 2018 financial year, the Board, led by the Audit Committee, has worked with management to develop and implement a comprehensive Enterprise Risk Management Framework (ERMF) designed to provide a consistent approach to risk identification, management and reporting.

The scope of the ERMF includes a consideration of Strategic, Operational, Financial and Legal/Regulatory risks, both short-term and long-term, across all critical business functions across the Air New Zealand Group. It is built on a set of interdependent elements including principles, organisational design, governance, and process, methodology and tools.

As the Framework becomes more embedded, it will provide better information on risks and enhance the management of these.





CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Enterprise Risk Management Process

This includes a simple, seven-step risk management process, aligned to the ISO 31000 standard, that is progressively being embedded in the business.

Individual risks are assessed and prioritised against a risk matrix of likelihood and consequence. Particular attention is paid to any Medium, High or Very High risks, with mitigation measures generally required to reduce these risks to an acceptable level.

A taxonomy of risk types is maintained to assist in the identification of risks, and facilitate a comprehensive consistent approach.

Risks identified at a business unit level are rolled up to divisional and group levels, with ownership clearly assigned to senior managers.

Accountability – Three Lines of Defence

Air New Zealand's risk management structure aims to align with the Three Lines of Defence model, involving the Executive, Audit Committee and Board oversight of risk management and assurance. Each Line has a set of core accountabilities:

Third Line: Independent Assurance

Internal Audit is a key component of our assurance framework, underpinning the risk management programme by providing an independent appraisal of the adequacy and effectiveness of internal controls.

- Independent challenge, verification and review of business management of risk; and
- Identify opportunities for improved business performance.

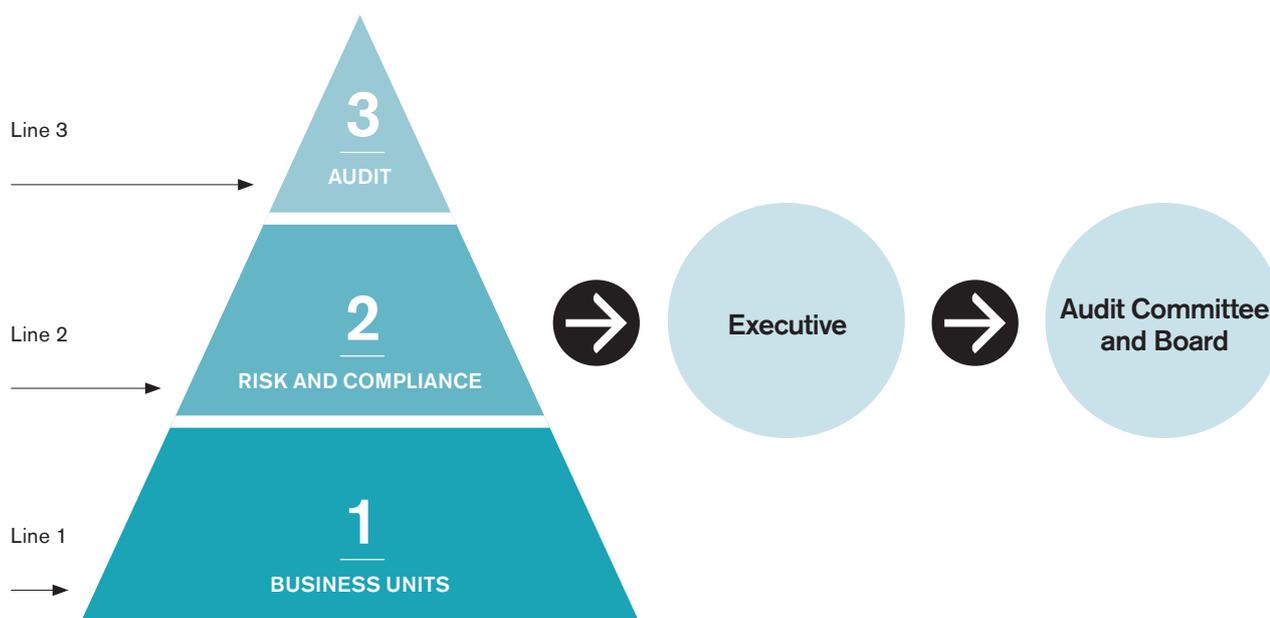
Second Line: Risk Management Governance

- Develop, maintain and oversee implementation of the ERMF, including Risk Management Policy and supporting tools;
- Provide regular aggregated risk information to the Audit Committee; and
- Provide support, training and advice to the business to promote risk awareness and culture and facilitate risk management activities.

First Line: Risk Ownership

Risk management is primarily a line management responsibility since risk is inextricably linked with operational activity and the achievement of business objectives.

- Identify, own, monitor and manage risks within their areas of operation; and
- Comply with risk management policies.



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Risk Themes

The initial benefit for the Board from the refreshed ERMF has been the capture of individual risks into Risk Themes. Risk Themes recognise common or systemic threads between risks identified to drive more collaborative analysis and action by business areas that are most impacted. Examples of these Risk Themes are given below.

| Risk Theme | Representative Risks | Insights |
|--|--|---|
| <p>Operational Safety & Integrity: Operational Safety of flight implications associated with aircraft operation.</p> | <ul style="list-style-type: none"> • Malicious intent • Safety culture • Fragile infrastructure • Supply chain failures • Geopolitical uncertainty • Operational safety incident | Ongoing attention is needed in key areas of emerging safety risk, such as drones in controlled airspace and carriage of lithium batteries. This may require appropriate engagement with regulators to ensure that such threats to safety are addressed. |
| <p>People Safety & Wellbeing: Risks that have implications on the safety and wellbeing of staff, contractors and customers.</p> | <ul style="list-style-type: none"> • Ageing workforce • Safety culture • Fragile infrastructure • Stress and fatigue | Our people are essential to our success and the strength of our brand. The impact of significant and ongoing events, such as the Boeing 787 engine issues, the regional schedule changes and the growing frequency and severity of weather-related disrupts, overlaid against the significant pace of business change, place significant pressure on our workforce requiring focus to be maintained on people safety and wellbeing. |
| <p>Constrained Growth: Growth pressures that may impact achievement of the strategic objective related to profitable growth and returns to shareholders, which may include factors within the macro-environment in which the airline operates.</p> | <ul style="list-style-type: none"> • Changing demographics • Economic volatility • Regulatory change • Skilled labour shortage • Competitive pressures | Growth without strategic investment in resource and infrastructure, requires careful management to ensure that the customer experience, brand health, and staff engagement are not adversely impacted. Focus is required on advancing all three aspects of the commercial/customer/culture model that is key to our success in advancing from "good to great". |
| <p>Business Resilience: Threats to our ability to quickly adapt to disruptions while continuing to maintain business operations and safeguarding people, assets and overall brand equity.</p> | <ul style="list-style-type: none"> • Climate change • Supply chain failures • Fragile infrastructure • Natural disasters | Effectively anticipating the unexpected is key to ensuring that our business is prepared for adverse events, and to improving the quality of business continuity planning with greater focus on end-to-end processes and cross-functional scenarios. |
| <p>Digital Challenges/Disruption: Disruption to our business in an environment of rapid automation and increasing digital activity as our pace of technological innovation and adoption increases. It includes challenges relating to ageing technology infrastructure.</p> | <ul style="list-style-type: none"> • Digital constraints • Fragile infrastructure • Regulatory change | Reliance on an ageing digital infrastructure has the potential to have an impact on realising growth aspirations and delivering on customer experience goals. A balance is required between allocating scarce resources to the maintenance of ageing systems, many of which remain operationally critical, and investing in innovative new technology. |
| <p>Degradation of Customer Experience: Threats to our ability to embed and deliver an unparalleled value proposition and superior customer experience.</p> | <ul style="list-style-type: none"> • Operational delivery capability • Workforce constraints • Digital transformation • Supply chain failure | Management of the delivery of an outstanding customer experience on a consistent basis, and across the entire end-to-end customer interaction, is critical to brand strength and reputation. There is ongoing potential, including through effective collaboration, to enhance the long-term health of the brand and improve the consistency of the customer experience. |



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The other Risk Themes are:

Information Governance: Risks to our ability to balance the use and security of corporate and personal information while achieving compliance, operational transparency and cost control.

Delivering Sustainability: Risks that can jeopardise our commitment to help supercharge New Zealand's success socially, environmentally and economically in accordance with our Sustainability Framework and aspirations.

Fleet Risk: Long-term complexities and uncertainties pertaining to our fleet choices which relate to optimising financial and operational outcomes.

Organisational Culture: Factors that impede our ability to embed a high performance, high engagement corporate culture, in particular those relating to organisational model, lack of cross-functional alignment/collaboration and non-conformance to standard operating procedures.

People Risk: Human resource constraints such as labour shortage, training limitations, ageing workforce and industrial relations that hinder our ability to compete, innovate or grow.

Regulatory Landscape: Risks to our ability to meet the demands of a complex and dynamic regulatory landscape both domestically and globally.

Business Partner Dependency: Risk of interruptions in the availability of products and services, which could adversely affect our operational performance.

Ethical Misconduct: Cultural factors that threaten our ability to safeguard our brand equity.

Climate Change

To some extent, climate related risks are considered and captured within one or more of the risk themes. However it is explicitly recognised that the Company has specific exposures in this area as an emerging risk; as a contributor due to the nature of its operations, and as both a user of goods and services, and reliant on customers, that may be impacted by the effects of climate change.

Examples of the types of impact on our business include the effect of rising sea levels on airport infrastructure and access; the effect of rising temperature on efficiency and operations, including congestion and scheduling impacts; changes to the jet stream characteristics affecting flight times, range and comfort; increased costs of fuel, and regulatory measures; and extreme weather events creating more frequent disruptions to travel.

Air New Zealand notes the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for disclosing clear, comparable and consistent information about the risks and opportunities presented by climate change. Work is underway to identify, measure and model the significant climate-related effects on the Company at a more detailed level, as well as at a more general sector level where additional guidance on relevant reporting metrics is anticipated. The Board will continue to monitor these developments and incorporate appropriate additional reporting metrics into its future public reports.

Auditors

"The Board should ensure the quality and independence of the external audit process."

External Audit

As a Public Entity, Air New Zealand is subject to the Public Audit Act 2001. The Auditor-General is the auditor, but may appoint an independent auditor to conduct the audit process. Deloitte has been appointed in this respect.

The Audit Committee liaises with the Auditor-General on the appointment and re-appointment of the external auditors, to ensure the independence of the external auditor is maintained, and to approve the performance of any non-audit services in accordance with the Audit Independence Policy.

Air New Zealand requires the external auditor to rotate its lead audit partner at least every five years, with suitable succession planning to ensure consistency.

On a regular basis the Audit Committee meets with the external auditor to discuss any matters that either party believes should be discussed confidentially. The Chair of the Audit Committee will call a meeting of that Committee if so requested by the external auditor.

The appointed external auditor, Deloitte, has historically attended the Annual Shareholders' Meeting, and the lead audit partner is available to answer relevant questions from shareholders at that meeting.

Internal Audit

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Air New Zealand. The Company's Head of Internal Audit reports functionally to the Audit Committee and administratively to the Chief Financial Officer. The internal auditors' responsibilities are defined by the Audit Committee as part of their oversight role, and the Head of Internal Audit has unfettered access to the Audit Committee or its Chair.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Shareholder Rights and Relations

“The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.”

The Board recognises the rights of shareholders and is committed to engaging with them positively on significant matters.

Air New Zealand's shareholder relations programme is designed to ensure effective, two-way communication between shareholders and Air New Zealand. Relevant information is provided to the investment community as quickly and efficiently as possible as part of Air New Zealand's compliance with continuous disclosure.

In addition to providing disclosures to the market, Air New Zealand engages with shareholders in a number of ways, including:

- **Investor Centre Website**

Air New Zealand maintains a dedicated investor website airnewzealand.co.nz/investor-centre. This website contains financial information, current and historical annual reports and investor presentations, dividend history, notices of shareholder meetings, frequently asked questions and other relevant information pertaining to Air New Zealand. The website is freely accessible to the public.

- **Electronic Communications**

Air New Zealand provides an Investor Relations email address whereby shareholders are welcome to communicate electronically with Air New Zealand on any matters relating to their investment or other dealings with the Company. All shareholder-related enquiries are provided with a response within a reasonable timeframe.

- **Hybrid Annual Shareholder Meetings**

Beginning in 2016, Air New Zealand has offered shareholders the ability to attend the Annual Shareholders' Meeting in either a physical or digital capacity. For shareholders who are unable to travel, the online option of participating in the Annual Shareholders' Meeting allows all shareholders the ability to engage with the Board of Directors and Executive. In 2017, Air New Zealand had more than 140 online participants who asked 15 questions using the virtual tool. Resolutions at shareholder meetings are usually by way of a poll, where each shareholder has one vote per share. Air New Zealand encourages shareholders to ask questions in advance of the meeting, to encourage further engagement with the Company and provide management with a view of the concerns of the Company's shareholders.

- **Investor Day Briefings**

On a periodic basis, Air New Zealand holds investor briefings to provide an update on the Company's strategy and financial framework, as well as provide shareholders with an in-depth discussion on a particular topic. To ensure all shareholders and prospective investors have the opportunity to view the content of Investor Day briefing, Air New Zealand also provides webcast access and transcripts of the event on the Air New Zealand website.

- **Webcasting Interim and Annual Results Presentations**

Air New Zealand webcasts its earnings announcements on a semi-annual basis over its website to provide investors with timely information pertaining to the business, strategy and financial performance. A replay of the webcast and transcript of the event are made available on the Air New Zealand website.

In accordance with the Companies Act, Constitution and Listing Rules, Air New Zealand refers any significant matters to shareholders for approval at a shareholder meeting.

Air New Zealand posts any Notices of Shareholder Meetings on its website as soon as these are available. The general practice is to make these available not less than four weeks prior to the shareholder meeting.

Differences in Practice to NZX Code

The Board has not established protocols setting out procedures to be followed in the event of a takeover offer. This is because the Board considers receipt of a takeover offer to be an extremely unlikely event in light of the Crown's majority shareholding in the Company and the other shareholding restrictions that apply to Air New Zealand. In addition, Air New Zealand would have adequate time to implement such protocols and procedures, and communicate those to shareholders, should circumstances change. Accordingly, and having regard to the supporting commentary in the NZX Corporate Governance Code, the Board considers that it is reasonable and appropriate for Air New Zealand not to follow Recommendation 3.6 of the Code at this time. Notwithstanding this, the Board agrees with the principles behind this recommendation, being good communication with shareholders and independent directors leading matters that require appropriate independence.



DIRECTORS' PROFILES

The following directors held office as at 30 June 2018:

Antony (Tony) Carter BE (Hons), ME, MPhil

Chairman

Independent Non-Executive Director – Appointed 1 December 2010

Mr Carter is Chairman of Fisher & Paykel Healthcare Limited, a director of Fletcher Building Limited and ANZ Bank New Zealand Limited and Independent Chairman of Blues LLP.

He attended the University of Canterbury where he studied chemical engineering, graduating with a Bachelor in Engineering with honours and a Masters in Engineering in 1980. He then went on to study at Loughborough University of Technology in the United Kingdom and graduated in 1982 with a Master of Philosophy degree.

Mr Carter worked for his family company, Carter Group Limited, in Christchurch until 1986 when he purchased a Mitre 10 hardware store, also eventually serving as a director of Mitre 10 New Zealand Limited and becoming Chairman of Mitre 10 New Zealand Limited in 1993.

In 1994 Mr Carter was appointed General Manager and Chief Executive designate of Foodstuffs (South Island) Limited. In 1995 he was appointed Chief Executive of Foodstuffs (South Island) Limited and in 2001 was appointed Managing Director of Foodstuffs (Auckland) Limited and Managing Director of Foodstuffs (New Zealand) Limited, until he retired in December 2010. The Foodstuffs Group is New Zealand's largest retail organisation.

Janice (Jan) Dawson CNZM, BCom, FCA

Deputy Chairman

Independent Non-Executive Director – Appointed 1 April 2011

Ms Dawson is Chairman of Westpac New Zealand Limited and a director of AIG Insurance New Zealand Limited, Beca Group Limited, Fulbright New Zealand, Meridian Energy Limited and World Sailing. Ms Dawson is Pro-Chancellor and a member of the University of Auckland Council and the Capital Investment Committee of the National Health Board.

Ms Dawson was a partner of KPMG for 30 years, specialising in audit and risk advisory, and the Chair and Chief Executive of KPMG New Zealand from 2006 until 2011.

Ms Dawson holds a Bachelor of Commerce from the University of Auckland. She is a Fellow of the New Zealand Institute of Chartered Accountants, a Fellow of the Institute of Directors in New Zealand, a Paul Harris Fellow and a North Shore Business Hall of Fame Laureate (2010). Ms Dawson was named Chartered Accountant of the Year in 2011 by the New Zealand Institute of Chartered Accountants.

Robert (Rob) Jager ONZM, BE (Hons), MBA

Independent Non-Executive Director – Appointed 1 April 2013

Mr Jager is Chairman of the Shell Companies in New Zealand and VPNZ and General Manager of Shell Taranaki Limited.

Mr Jager's career in Shell spans more than 40 years, both in New Zealand and overseas, and in roles ranging from engineering, governance to project and general management. He joined Shell in New Zealand in 1978 as an engineering cadet, completing his Bachelor of Engineering degree with 1st Class Honours and later gaining an MBA with Distinction. He has held his current roles in New Zealand since October 2005.

Mr Jager is well known for his health and safety leadership in New Zealand and chairs the New Zealand Business Leaders' Health and Safety Forum. He was recognised for his commitment to safety nationally when he chaired an independent Government taskforce on workplace health and safety in 2012.

Mr Jager is a director and past chair of the Petroleum Exploration and Production Association of New Zealand (PEPANZ), and an advisor to a major conservation project working towards the ecological restoration of New Zealand's iconic Mount Taranaki. In addition, he is on the board of Sustainable Seas which is responsible for approving large scale research and business planning as part of the National Science Challenge.

In 2013, Mr Jager received the Energy Executive of the Year Award at the New Zealand Deloitte Energy Excellence Awards for his "standout performance in the New Zealand energy sector". He was elected a fellow of the Institute of Professional Engineers in 2015 for his contribution to the advancement of engineering practice and leadership in the profession, and recognised with a Safeguard Life-time Achievement Award in 2017. Mr Jager was appointed an Officer of New Zealand Order of Merit (ONZM) in 2018 for his services to Business and Health and Safety.

DIRECTORS' PROFILES (CONTINUED)

Linda Jenkinson MBA, BBS

Independent Non-Executive Director – Appointed 1 June 2014

Ms Jenkinson is a proven global entrepreneur who has started three multi-national companies, one of which listed on the NASDAQ. Most recently she was the co-founder of John Paul, a global concierge services and digital solutions company that services some of the world's leading customer facing businesses.

Ms Jenkinson is currently a director of Guild Group Holdings and the Eclipz Group (ECX) in Australia, a director of Harbour Asset Management and the director and secretary of the Massey Foundation in New Zealand and the United States.

Previously Ms Jenkinson was a partner at A.T. Kearney in their Global Financial Services Practice and was a leader in A.T. Kearney Global Sourcing Practice. Ms Jenkinson holds a Master of Business Administration from The Wharton School, University of Pennsylvania and a Bachelor of Business Studies from Massey University.

In 2016, Ms Jenkinson was named a World Class New Zealander by Kea and was named as one of the most influential women in the Bay Area for 2014 by the San Francisco Business Times. In 2014 Ms Jenkinson was a recipient of Massey University's Sir Geoffrey Peren Award, which recognises a graduate who has reached the highest level of achievement or who has been of significant service to the university, community or nation.

Rt Hon Sir John Key GNZM, AC

Independent Non-Executive Director – Appointed 1 September 2017

Sir John was Prime Minister of New Zealand from 2008 to 2016. He successfully led the country through the aftermath of the global financial crisis and a series of devastating earthquakes in New Zealand's second-biggest city, Christchurch. Among his portfolios, Sir John was Minister for Tourism. In this role he promoted New Zealand offshore and oversaw substantial growth in New Zealand's tourism industry. He retains a strong interest in the best that our country has to offer both local and international tourists.

Sir John is well respected in international affairs. He chaired the International Democrat Union between November 2014 and February 2018 and chaired the United Nations Security Council in 2016. Sir John, who was knighted in the 2017 Queen's Birthday Honours, has also been appointed an Honorary Companion of the Order of Australia.

Sir John's current business activities include a role advising a \$200 billion United States corporation on its investments in China as well as an advisory role with a New York fund manager.

Sir John worked in investment banking for 20 years primarily for Bankers Trust in New Zealand and Merrill Lynch in Singapore, London and Sydney. His positions included heading Merrill Lynch's global foreign exchange business along with responsibility for European derivative trading and E. Commerce. He was a member of the Foreign Exchange Committee of the Federal Reserve Bank of New York (1999-2001).

Jonathan Mason BA, MA, MBA

Independent Non-Executive Director – Appointed 1 March 2014

Mr Mason has more than 30 years' experience in the financial sector, with an emphasis on emerging markets.

Prior to joining Air New Zealand's Board in March 2014, he was Fonterra Co-operative Group's Chief Financial Officer.

He joined Fonterra in 2009 from US-based chemicals company Cabot Corporation where he was Executive Vice-President and Chief Financial Officer. Prior to this he was employed as the Chief Financial Officer at forest products company Carter Holt Harvey Limited and also served in senior financial management positions at US based International Paper Company.

Mr Mason has had governance experience for organisations in both New Zealand and the US. His current directorships include Vector Limited, Westpac New Zealand Limited and Zespri Group Limited. Mr. Mason also serves as an Adjunct Professor of Management at the University of Auckland, specialising in international finance.

Dame Therese Walsh DNZM, BCA, FCA

Independent Non-Executive Director – Appointed 1 May 2016

Chairman-elect

Dame Therese is currently Chairman of TVNZ Limited, a director of ASB Bank Limited and Contact Energy Limited, a Trustee of Wellington Regional Stadium and Pro Chancellor at Victoria University.

Previously she was the Head of New Zealand for ICC Cricket World Cup 2015 Limited, and the Chief Operating Officer for Rugby New Zealand 2011 Limited. She has also been a director of NZX Limited, NZ Cricket and Save the Children NZ, Chief Financial Officer at the New Zealand Rugby Union and part of the team that worked on the winning bid to host RWC 2011. Prior to this she was an auditor with KPMG.

Dame Therese is a Fellow of the New Zealand Institute of Chartered Accountants and a commerce graduate from Victoria University. In 2013, she was named the inaugural supreme winner of the Women of Influence Awards and was awarded a Sir Peter Blake Trust Leadership Award in 2014. She became a Dame Companion of the New Zealand Order of Merit in June 2015.

Dame Therese will succeed Mr Carter as Chairman of Air New Zealand following the 2019 Annual Shareholder Meeting.

Changes to Board Membership

The Rt Hon Sir John Key was appointed to the Board on 1 September 2017, as an Independent, Non-Executive Director. Mr Paul Bingham retired from the Board at the conclusion of the 2017 Annual Shareholders' Meeting on 28 September 2017.



INTERESTS REGISTER

No disclosures were made of interests in transactions under s140(1) of the Companies Act 1993.

Directors have made general disclosures of interests in accordance with s140(2) of the Companies Act. Current interests, and those which ceased during the year, are tabulated below. New disclosures advised since 1 July 2017 are italicised.

| | | |
|-----------------|---|--|
| Tony Carter | ANZ Bank New Zealand Limited Blues LLP Capital Training Limited Fisher & Paykel Healthcare Corporation Limited Fletcher Building Limited <i>Fonterra Independent Director Selection Panel</i> Foodstuffs Auckland Protection Trust Maurice Carter Charitable Trust | Director Chairman Advisory Board Member Chairman Director <i>Member</i> Trustee Trustee |
| Jan Dawson | AIG Insurance New Zealand Limited Beca Group Limited Fulbright New Zealand Jan Dawson Limited Meridian Energy Limited National Health Board Capital Investment Committee New Zealand Maritime Museum – resignation advised 24 April 2018 University of Auckland Council Westpac New Zealand Limited World Sailing | Director Director Director Director Director Member Trustee Pro Chancellor Chairman Director |
| Rob Jager | Maui Development Limited Petroleum Exploration & Production Associate New Zealand (PEPANZ) Shell Energy Asia Limited Shell Exploration NZ Limited Shell Investments NZ Limited Shell New Zealand (2011) Limited Sustainable Seas National Science Challenge | Director Director Chairman Chairman Chairman Chairman Director |
| Linda Jenkinson | <i>Eclix Group Limited</i> Guild Group Holdings Limited Guild Insurance Limited Guild Superannuation Services Limited Guild Trustee Services Limited <i>Harbour Asset Management Limited</i> John Paul Inc – resignation advised 23 May 2018 Les Concierges (Australia) – resignation advised 23 May 2018 Les Concierges (Canada) Les Concierges (US) Massey University Foundation Massey University US Foundation Te Auaha Limited | <i>Director</i> Director Director Director Director <i>Director</i> Officer Director Director Director Trustee Director and Secretary Director |
| Sir John Key | <i>ANZ Banking New Zealand Limited</i> <i>Australia & New Zealand Banking Group Limited (Australia)</i> <i>BP International Advisory Board</i> <i>Caxton (Hedge Fund)</i> <i>Comcast Corporation</i> <i>Handa Foundation</i> <i>Thirty Eight JK Limited</i> | <i>Chairman</i> <i>Director</i> <i>Member</i> <i>Consultant/Advisory Board Member</i> <i>Consultant</i> <i>Consultant</i> <i>Director</i> |
| Jonathan Mason | Beloit College (USA) Board of Trustees New Zealand Assets Management Limited University of Auckland Endowment Fund Vector Limited Westpac New Zealand Limited Zespri Group Limited | Trustee Director Trustee Director Director Director |

INTERESTS REGISTER (CONTINUED)

| | | |
|--------------------|---|--|
| Dame Therese Walsh | <i>Antarctica NZ</i> ASB Bank Limited DPMC Strategic Risk and Resilience Panel – resignation advised 23 November 2017 <i>Freeview Television Limited – ceased 29 March 2018</i> MBIE Major Events Investment Panel <i>NZOOM Limited – ceased 29 March 2018</i> NZX Limited – ceased 13 April 2018 <i>On Being Bold Limited</i> Television New Zealand Limited <i>Therese Walsh Consulting Limited</i> <i>TVNZ International Limited – ceased 29 March 2018</i> <i>TVNZ Investments Limited – ceased 29 March 2018</i> Victoria University Wellington Homeless Women's Trust Wellington Regional Stadium Trust | <i>Director</i> Director Member <i>Director</i> Member <i>Director</i> Director <i>Director</i> Chairman <i>Director</i> <i>Director</i> <i>Director</i> Pro-Chancellor Ambassador Trustee |
|--------------------|---|--|

There have been no interest register entries in respect of use of company information by directors.

DIRECTORS' INTERESTS IN AIR NEW ZEALAND SECURITIES

Directors had relevant interests in shares as at 30 June 2018 as below:

| | Interest | Shares |
|--------------------|-------------------------|----------------------|
| Tony Carter | Beneficial ¹ | 207,189 ² |
| Jan Dawson | Beneficial | 20,000 |
| Rob Jager | Beneficial | 24,500 |
| Linda Jenkinson | Beneficial | 22,000 |
| Sir John Key | Beneficial | 20,000 |
| Jonathan Mason | Beneficial | 29,000 |
| Dame Therese Walsh | Beneficial | 45,000 |

1. Held by Loughborough Investments Limited, an associated person of Tony Carter.

2. Tony Carter also has a beneficial interest (through Loughborough Investments Limited) in 30,000 Bonds.

There was no trading activity in shares of the Company by directors during the year. Sir John Key disclosed an interest in 20,000 shares held at the date of his appointment as a director.

INDEMNITIES AND INSURANCE

Pursuant to section 162 of the Companies Act 1993 and the Constitution, Air New Zealand has entered into deeds of access, insurance and indemnity with the directors of the Group to indemnify them to the maximum extent permitted by law, against all liabilities which they may incur in the performance of their duties as directors of any company within the Group. Insurance cover extends to directors and officers for the expenses of defending legal proceedings and the cost of damages incurred. Specifically excluded are proven criminal liability and fines and penalties other than those pecuniary penalties which are legally insurable. In accordance with commercial practice, the insurance contract prohibits further disclosure of the terms of the policy. All directors who voted in favour of authorising the insurance certified that in their opinion, the cost of the insurance is fair to the Company.



EMPLOYEE REMUNERATION

| | Remuneration paid in FY18 including base for FY18, and incentive payments including performance rights issued under the LTI scheme that relate to FY17 performance and paid in FY18 | |
|-----------------------|---|---|
| | New Zealand management | Aircrew, engineering, overseas and others |
| 100,000 - 110,000 | 160 | 497 |
| 110,000 - 120,000 | 161 | 357 |
| 120,000 - 130,000 | 157 | 297 |
| 130,000 - 140,000 | 140 | 225 |
| 140,000 - 150,000 | 88 | 202 |
| 150,000 - 160,000 | 59 | 206 |
| 160,000 - 170,000 | 41 | 176 |
| 170,000 - 180,000 | 62 | 153 |
| 180,000 - 190,000 | 55 | 113 |
| 190,000 - 200,000 | 38 | 65 |
| 200,000 - 210,000 | 26 | 69 |
| 210,000 - 220,000 | 34 | 58 |
| 220,000 - 230,000 | 32 | 52 |
| 230,000 - 240,000 | 19 | 31 |
| 240,000 - 250,000 | 13 | 22 |
| 250,000 - 260,000 | 10 | 44 |
| 260,000 - 270,000 | 5 | 72 |
| 270,000 - 280,000 | 9 | 45 |
| 280,000 - 290,000 | 9 | 31 |
| 290,000 - 300,000 | 4 | 37 |
| 300,000 - 310,000 | 4 | 29 |
| 310,000 - 320,000 | 4 | 16 |
| 320,000 - 330,000 | 1 | 9 |
| 330,000 - 340,000 | 3 | 24 |
| 340,000 - 350,000 | 2 | 23 |
| 350,000 - 360,000 | 2 | 20 |
| 360,000 - 370,000 | 2 | 16 |
| 370,000 - 380,000 | 2 | 7 |
| 380,000 - 390,000 | 2 | 8 |
| 390,000 - 400,000 | 2 | 9 |
| 400,000 - 410,000 | 3 | 13 |
| 410,000 - 420,000 | 1 | 15 |
| 420,000 - 430,000 | 3 | 17 |
| 430,000 - 440,000 | 2 | 32 |
| 440,000 - 450,000 | 2 | 13 |
| 450,000 - 460,000 | 4 | 6 |
| 460,000 - 470,000 | 1 | 4 |
| 470,000 - 480,000 | 3 | 6 |
| 480,000 - 490,000 | 1 | 8 |
| 490,000 - 500,000 | 1 | 7 |
| 500,000 - 510,000 | - | 5 |
| 510,000 - 520,000 | 1 | 3 |
| 520,000 - 530,000 | - | 2 |
| 530,000 - 540,000 | 1 | 2 |
| 540,000 - 550,000 | - | 1 |
| 550,000 - 560,000 | 2 | 1 |
| 600,000 - 610,000 | 2 | - |
| 620,000 - 630,000 | 1 | - |
| 630,000 - 640,000 | 1 | - |
| 640,000 - 650,000 | 2 | - |
| 730,000 - 740,000 | 1 | - |
| 740,000 - 750,000 | 1 | - |
| 780,000 - 790,000 | - | 1 |
| 790,000 - 800,000 | 1 | 1 |
| 810,000 - 820,000 | 1 | - |
| 840,000 - 850,000 | 1 | - |
| 850,000 - 860,000 | 1 | - |
| 890,000 - 900,000 | - | 1 |
| 970,000 - 980,000 | 1 | - |
| 1,220,000 - 1,230,000 | 1 | - |
| 1,230,000 - 1,240,000 | 1 | - |
| 1,290,000 - 1,300,000 | 1 | - |
| 1,420,000 - 1,430,000 | 1 | - |
| 1,620,000 - 1,630,000 | 1 | - |
| 1,800,000 - 1,810,000 | 1 | - |
| 1,980,000 - 1,990,000 | 1 | - |
| 2,800,000 - 2,810,000 | 1 | - |
| 4,780,000 - 4,790,000 | 1 | - |
| Total | 1,193 | 3,051 |

EMPLOYEE REMUNERATION (CONTINUED)

Remuneration philosophy

In order to attract and retain talented individuals, Air New Zealand's performance and reward strategy is aligned with both the recruitment philosophy – to source talented people, and the Company's capability development agenda – to develop future leaders and provide succession pipelines into key roles. The key objectives of the strategy are attracting high performing individuals, providing rich developmental opportunities and recognising achievement through targeted performance and reward initiatives.

Air New Zealand's remuneration strategy is underpinned by a pay for performance philosophy and uses annual performance incentives to create opportunities for everyone to achieve market competitive remuneration levels and in the case of superior performance, total remuneration in excess of market.

Executive remuneration

The CEO and Executive remuneration packages are made up of three components:

- Fixed Remuneration;
- Annual performance incentive; and
- Long term incentive.

Air New Zealand's People Remuneration and Diversity Committee is kept apprised of relevant market information and best practice, obtaining advice from external advisors when necessary. Remuneration levels are reviewed annually for market competitiveness and alignment with strategic and performance priorities.

The People Remuneration and Diversity Committee commissioned EY to provide remuneration benchmark data for the CEO and other Executive roles during the 2017 financial year. EY benchmarked a selection of the Executive positions against New Zealand/Australian comparator groups with the primary comparator group comprising companies within 50% and 200% of Air New Zealand's revenue for functional roles and an industry comparator group comprising companies within the Industrial or Materials GICS Sector for operational positions. The analysis showed Air New Zealand Executive remuneration broadly remains aligned with market pay levels.

Fixed remuneration

Air New Zealand's philosophy is to set fixed remuneration at 90 percent of the market median for Executives who are fully competent in their role.

Short-term performance incentives

The annual performance incentive component is delivered through the Air New Zealand Short Term Incentive Scheme (STI). The measures used in determining the quantum of the STI are set annually. Targets relate to both Company financial performance and individual targets. For the CEO the STI is set at 55% of annual fixed salary at target (Achieving) performance and the weighting is based 60% on Company financial performance and 40% on individual performance against specific targets. For all other employees the weighting is 50% Company financial performance and 50% individual performance. Participation in the plan is by annual invitation at the discretion of the company.

Company Component

At the start of the 2018 financial year the Board confirmed a financial target for the Company for incentive payments which was set 10% above the average Earnings before Taxation achieved by the Company over the previous five year period.

The Company must achieve greater than 50% of the financial target before any company component is paid out. The maximum company component is 200%, achieved when the Company reaches and exceeds 150% of the financial target.

The Board has discretion to eliminate significant positive or negative one-off adjustments to profit.

Individual Component

The main factors for the assessment of individual performance for the 2018 financial year were:

| Performance Description | Performance Measures |
|-----------------------------------|---|
| Business performance | <ul style="list-style-type: none"> • Delivery of business plan • Brand profile and trust |
| Strategy development and delivery | <ul style="list-style-type: none"> • Progress against key strategic initiatives and plan as set by the Board • Key external relationships |
| Leadership | <ul style="list-style-type: none"> • Customer experience • Health and safety performance |
| People and culture | <ul style="list-style-type: none"> • Employee engagement • Compliance with regulatory environment |

Payments for the individual component are made according to an overall performance rating taking into account the employee's performance across the range of individual measures and demonstration of Air New Zealand's leadership behaviours.

| Performance Rating | Individual STI Percentage |
|--------------------|---------------------------|
| Unsatisfactory | 0% |
| Developing | 60% |
| Achieving | 100% |
| High | 130% |
| Outstanding | 200% |



EMPLOYEE REMUNERATION (CONTINUED)

Long-term performance incentives

Air New Zealand's long-term incentive plan arrangements are designed to align the interests of the CEO and Executives with those of our shareholders and to incentivise participants in the plan to enhance long term shareholder value. In the 2018 financial year the plan available to Executives was the Air New Zealand Long-Term Incentive Performance Rights Plan (LTIP). Participation in any year is by annual invitation at the discretion of the Board.

In addition, the CEO has access to the Air New Zealand CEO Restricted Share Rights Plan (CRSRP). The CRSRP was established as a further incentive in recognition of the commercial importance of retaining the services of the CEO for an extended period.

Long-Term Incentive Plan (LTIP)

There are two main elements to the LTIP:

Performance Rights

LTIP participants are eligible to receive a grant of performance rights. Any grant of performance rights is at the discretion of the People Remuneration and Diversity Committee of the Board of Directors but, in the normal course of events, is expected to equate to a value of 55% of fixed remuneration for the CEO, and between 20% and 40% of fixed remuneration for Executives depending on their seniority. The number of performance rights to be allocated will be determined by an independent valuation of the performance rights carried out each year at the time of issue.

In three years' time, if the Air New Zealand share price has outperformed the performance hurdle, a proportion of the performance rights will convert to shares. The performance hurdle comprises of an index made up of the NZSX All Gross Index and the Bloomberg World Airline Total Return Index in equal proportions.

The proportion of performance rights that convert to shares will depend on to what extent the Air New Zealand share price has outperformed the index. In particular:

| Performance against index | Percent of Rights Vesting |
|---------------------------|--|
| <100% | nil |
| 100% | 50% |
| 101% – 119% | Addition 2.5% vesting per 1% increment |
| 120% | 100% (maximum) |

If vesting is not achieved on the third anniversary of the issue date, 50 percent of performance rights will lapse. For the remaining 50 percent there will be a further 6 month opportunity for the performance rights to vest.

Unless Air New Zealand's share price outperforms the index as outlined above, no value will accrue to the participating Executive.

Mandatory Shareholding

Participants are required to commit to investing a specified amount to purchase shares in the Company. The amount is set at a value of 55% of fixed remuneration for the CEO, and between 20% and 40% of fixed remuneration for Executives depending on their seniority.

Until participants have attained this target, any shares issued to them from vested performance rights must be retained as part of the mandatory shareholding. This holding must be maintained while continuing to participate in the LTIP.

CEO Restricted Share Rights Plan (CRSRP)

The CRSRP scheme commenced in the 2016 financial year and the issue of rights will cease in the 2021 financial year. Each year, at the absolute discretion of the Board, and on condition of the CEO achieving the performance hurdles set for the previous financial year, restricted share rights can be issued to the CEO based on 50% of the CEO's fixed remuneration.

Share rights issued under this scheme are not earned nor do they vest unless the CEO remains employed by Air New Zealand at vesting milestones across the period from 2017 to 2021. If this condition is met a proportion of the rights will immediately vest to the CEO on this date.

Chief Executive Officer Remuneration

CEO Target Remuneration Summary

| Financial Year | Salary \$ | Benefits ¹ \$ | STI ² \$ | LTIP ³ \$ | CRSRP ⁴ \$ | Summary \$ |
|----------------|-----------|--------------------------|---------------------|----------------------|-----------------------|------------|
| 18 | 1,550,000 | 166,171 | 852,500 | 852,500 | 755,000 | 4,176,171 |
| 17 | 1,510,000 | 147,930 | 830,500 | 830,500 | 735,000 | 4,053,930 |

Based on remuneration components outlined earlier, CEO target remuneration is as follows:

1. Benefits include superannuation (KoruSaver scheme) and travel. The CEO is a member of Air New Zealand's group superannuation scheme, KoruSaver. As a member of the scheme the CEO is eligible to contribute and receive a matching Company contribution up to 4% of gross taxable earnings (including STI). The CEO and eligible beneficiaries are entitled to a number of trips for personal purposes at no cost to the individual.
2. STI target entitlement is 55% of Salary.
3. The Long-Term Incentive Plan remains at risk. In three years' time, if the Air New Zealand share price has outperformed the performance hurdle, a proportion of the performance rights will convert to shares. The performance hurdle comprises of an index made up of the NZSX All Gross Index and the Bloomberg World Airline Total Return Index in equal proportions. Should Air New Zealand's share price not perform better than a comparison index the granted share rights will lapse.

EMPLOYEE REMUNERATION (CONTINUED)

4. The CEO will receive restricted share rights conditional upon reaching service milestones. Share rights are issued annually with each issue being split into two tranches with different vesting dates. For FY18, 40% of rights granted will vest during December 2018 and the balance of 60% in December 2019. Share rights will only vest if the CEO remains employed by the company on the relevant vesting date.

CEO Realised Remuneration 2018 Financial Year

| Salary ¹ \$ | Benefits ² \$ | STI ³ \$ | Rights Vested | |
|---------------------------|-----------------------------|------------------------|------------------------|-------------------------|
| | | | LTIP ⁴ # | CRSRP ⁵ # |
| 1,550,000 | 166,171 | 1,274,726 | 749,027 | 365,861 |

Comments to the table:

- Salary includes all cash paid to, or received by, the CEO in respect of the financial period.
- Benefits include superannuation (KoruSaver scheme) and travel. The CEO is a member of Air New Zealand's group superannuation scheme, KoruSaver. As a member of the scheme the CEO is eligible to contribute and receive a matching Company contribution up to 4% of gross taxable earnings (including STI). The CEO and eligible beneficiaries are entitled to a number of trips for personal purposes at no cost to the individual.
- STI in the reporting period reflects the cash value of amounts received where entitlement is determined by the achievement of performance measures, both Company and Individual, that relate to the current period and is not the result of an award made in a previous period.
- LTIP includes the number of shares issued to the CEO on conversion of the Performance Share Rights, where the Air New Zealand share price has outperformed the performance hurdle. The performance hurdle comprises of an index made up of the NZSX All Gross Index and the Bloomberg World Airline Total Return Index in equal proportions.
- CRSRP includes the number of restricted shares rights that have been converted to shares as a result of the achievement of service milestones.

CEO Share Rights Granted 2018 Financial Year

| Share Rights Granted | |
|------------------------|-------------------------|
| LTIP ¹ # | CRSRP ² # |
| 494,203 | 216,954 |

Comments to the table:

- LTIP includes the number of Performance Share Rights granted in September 2017 (FY18) based on an above target achievement of over 120%. The Long-Term Incentive Plan remains at risk. In three years' time, if the Air New Zealand share price has outperformed the performance hurdle, a proportion of the performance rights will convert to shares. The performance hurdle comprises of an index made up of the NZSX All Gross Index and the Bloomberg World Airline Total Return Index in equal proportions. Should Air New Zealand's share price not perform better than a comparison index the granted share rights will lapse.
- CRSRP includes the number of restricted shares rights granted in September 2017 that will vest in December 2018 and December 2019 respectively, based on the achievement of service milestones. The share rights are issued annually with each issue being split into two tranches with different vesting dates. For FY18, 40% of rights granted will vest during December 2018 and the balance of 60% in December 2019. Share rights will only vest if the CEO remains employed by the company on the relevant vesting date.

CEO Pay for Performance Calculation

| Scheme | Description | Performance measures | Percentage/ Rating achieved |
|--------|---|---|--------------------------------|
| STI | STI is set at 55% of fixed remuneration and is based on a combination of Company performance and Individual performance measures. | 60% on Company financial performance (earnings before taxation). The Company must achieve at least 50% above the financial target before any STI for company performance is payable, and the maximum contribution of 200% is achieved when the Company achieves 150% or more of the financial target. | 116% |
| | | 40% on individual performance. | 200% |
| LTIP | Award of share rights under the Long-Term Incentive Performance Rights Plan is set at 55% of fixed remuneration. | Performance rights vest based on an index made of the NZSX All Gross Index and the Bloomberg World Airline Total Return Index in equal proportions. | 100% |
| CRSRP | Award of shares under the CEO Restricted Share Rights Plan is set at 50% of the preceding year's fixed remuneration, dependent on the CEO achieving a performance rating of 'Achieving' or above with respect to all the individual objectives set for that financial year. | Restricted rights vest upon the CEO achieving service milestones. | 100% |



SUBSIDIARY AND JOINT VENTURE COMPANIES

The following people were directors of Air New Zealand's subsidiary and joint venture companies in the financial year to 30 June 2018. Those who resigned during the year are signified by (R). These companies are New Zealand incorporated companies except where otherwise indicated. No director of any subsidiary received beneficially any director's fees or other benefits except as an employee.

| | | | |
|---|---|---|---|
| 11Ants Analytics Group Limited | Glen Bond Mark Street Marc Allsop (R) Joshua Chandler (R) Jeffrey McDowall (R) Richard Peake (R) Hamish Rumbold (R) Paul Smitton (R) | Ansett Australia & Air New Zealand Engineering Services Limited | Karen Clayton Jeffrey McDowall Rob McDonald (R) |
| ADP (New Zealand) Limited | Karen Clayton Sarah Williamson Brian Wilson | Eagle Airways Limited | Glen Bond Karen Clayton Michael Williams Jeffrey McDowall (R) |
| Air Nelson Limited | Glen Bond Kelvin Duff John Whittaker Michael Williams Carrie Hurihanganui (R) Jeffrey McDowall (R) Bruce Parton (R) | Mount Cook Airline Limited | Glen Bond Kelvin Duff John Whittaker Michael Williams Carrie Hurihanganui (R) Jeffrey McDowall (R) Bruce Parton (R) |
| Air New Zealand Aircraft Holdings Limited | Karen Clayton Stephan Deschamps Jeffrey McDowall Rob McDonald (R) | TEAL Insurance Limited | Michelle Redington Hannah Ringland Rob McDonald (R) |
| Air New Zealand Associated Companies Limited | Karen Clayton Stephan Deschamps Jeffrey McDowall Rob McDonald (R) | Air New Zealand (Australia) Pty Limited (incorporated in Australia) | Karen Clayton Kathryn Robertson |
| Air New Zealand Associated Companies (Australia) Limited | Karen Clayton Jeffrey McDowall Rob McDonald (R) | ANZGT Field Services LLC (Joint Venture, incorporated in Del., USA) | Greg Bobrow Trevor Hughes Adam McMillan Todd Witwer |
| Air New Zealand Express Limited | Karen Clayton Jeffrey McDowall Rob McDonald (R) | | |
| Air New Zealand Regional Maintenance Limited | Adam McMillan Bruce Parton Shehan Sinnaduray Craig Tolley (R) | | |
| Air New Zealand Travel Business Limited | Karen Clayton Jeffrey McDowall Rob McDonald (R) | | |
| ANNZES Engines Christchurch Limited | Karen Clayton Jeffrey McDowall Rob McDonald (R) | | |

OTHER DISCLOSURES

Donations

The Air New Zealand Group has made donations totalling \$114,405 in the financial year to 30 June 2018. No donations were made to any political party. It is Air New Zealand's policy not to make donations, in cash or in kind, or to provide free of charge travel to political parties.

Substantial product holders

The following information is provided in compliance with Section 293 of the Financial Markets Conduct Act 2013 and is stated as at 30 June 2018. The total number of listed Ordinary shares of Air New Zealand Limited at that date was 1,122,844,227.

| Substantial Product Holder | Quoted voting products in the Company in which a relevant interest is held |
|---|--|
| Her Majesty the Queen in Right of New Zealand | 588,887,282* ordinary shares |

In 1989, the Crown issued a Notice that arises through its holding of special rights Convertible Share, the "Kiwi Share" and the power of the Kiwi Shareholder under the Constitution. Full details of the rights pertaining to these shares are set out in the Company's Constitution. The Kiwi Share does not confer any right on its holder to vote at a shareholders' meeting unless the Kiwi Share has been converted into an Ordinary Share by its holder. The Kiwi Share is not listed on any stock exchange.

*Relevant interests held as follows:

As reported in its most recent Substantial Security Holder notice dated 6 July 2015, held by Her Majesty the Queen in Right of New Zealand acting by and through her Minister of Finance (582,854,593 Ordinary shares) and New Zealand Superannuation Fund (6,032,689 Ordinary shares) being property of Her Majesty the Queen in Right of New Zealand and managed by the Guardians of New Zealand Superannuation.



SECURITIES STATISTICS

Top Twenty Shareholders – as at 1 August 2018

| Investor Name | Number of Ordinary Shares | % of Ordinary Shares |
|---|---------------------------|----------------------|
| Her Majesty The Queen In Right Of New Zealand acting by and through her Minister of Finance | 582,854,593 | 51.91 |
| HSBC Nominees (New Zealand) Limited | 109,597,018 | 9.76 |
| JPMORGAN Chase Bank | 90,030,384 | 8.02 |
| HSBC Nominees (New Zealand) Limited | 80,294,200 | 7.15 |
| Citibank Nominees (NZ) Ltd | 51,642,288 | 4.60 |
| Accident Compensation Corporation | 20,790,938 | 1.85 |
| Citicorp Nominees Pty Limited | 10,493,832 | 0.93 |
| National Nominees New Zealand Limited | 7,331,603 | 0.65 |
| New Zealand Superannuation Fund Nominees Limited | 6,915,167 | 0.62 |
| HSBC Custody Nominees (Australia) Limited | 5,656,470 | 0.50 |
| TEA Custodians Limited | 5,571,703 | 0.50 |
| New Zealand Depository Nominee Limited | 5,191,863 | 0.46 |
| Cogent Nominees Limited | 5,031,322 | 0.45 |
| BNP Paribas Nominees NZ Limited | 4,896,343 | 0.44 |
| Premier Nominees Limited | 4,328,858 | 0.39 |
| Christopher Luxon | 3,896,966 | 0.35 |
| BNP Paribas Nominees NZ Limited | 3,570,622 | 0.32 |
| J P Morgan Nominees Australia Limited | 3,206,005 | 0.29 |
| Garth Barfoot | 2,250,000 | 0.20 |
| FNZ Custodians Limited | 2,131,936 | 0.19 |
| Total | 1,005,682,111 | 89.58 |

Shareholder Statistics – as at 1 August 2018

| Size of Holding | Investors | % Investors | Shares | % Issued |
|------------------|---------------|---------------|----------------------|---------------|
| 1-1,000 | 14,668 | 57.11 | 5,960,066 | 0.53 |
| 1,001-5,000 | 7,360 | 28.65 | 18,207,377 | 1.62 |
| 5,001-10,000 | 1,943 | 7.57 | 14,818,112 | 1.32 |
| 10,001-100,000 | 1,596 | 6.21 | 40,142,934 | 3.58 |
| 100,001 and Over | 118 | 0.46 | 1,043,715,738 | 92.95 |
| Total | 25,685 | 100.00 | 1,122,844,227 | 100.00 |

Bondholder Statistics – as at 1 August 2018

| Size of Holding | Holders | % Holders | Bonds | % Issued |
|------------------|------------|---------------|-------------------|---------------|
| 1-1,000 | - | - | - | - |
| 1,001-5,000 | 43 | 6.96 | 215,000 | 0.43 |
| 5,001-10,000 | 148 | 23.95 | 1,453,000 | 2.91 |
| 10,001-100,000 | 398 | 64.40 | 13,293,000 | 26.58 |
| 100,001 and Over | 29 | 4.69 | 35,039,000 | 70.08 |
| Total | 618 | 100.00 | 50,000,000 | 100.00 |

Current on-market share buybacks

There is no current share buyback in the market.

OPERATING FLEET STATISTICS

As at 30 June 2018*

Boeing 777-300ER

Number: 7
 Average Age: 6.2 years
 Maximum Passengers: 342
 Cruising Speed: 910 km/hr
 Average Daily Utilisation: 14:52



Boeing 777-200ER

Number: 8
 Average Age: 12.2 years
 Maximum Passengers: 312
 Cruising Speed: 910 km/hr
 Average Daily Utilisation: 13:11



Boeing 787-9 Dreamliner

Number: 11
 Average Age: 2.4 years
 Maximum Passengers: 302 or 275
 Cruising Speed: 910 km/hr
 Average Daily Utilisation: 13:30



Airbus A320-200

Number: 30
 Average Age: 13.9 years short-haul, or
 4.4 years domestic
 Maximum Passengers: 168 short-haul, or
 171 domestic
 Cruising Speed: 850 km/hr
 Average Daily Utilisation: 9:28 short-haul, or
 8:12 domestic



ATR 72-500 / ATR 72-600

Number: 27
 Average Age: 17.2 years ATR 72-500, or
 2.7 years ATR 72-600
 Maximum Passengers: 68
 Cruising Speed: 518 km/hr
 Average Daily Utilisation: 5:49 ATR 72-500, or
 6:52 ATR 72-600



Bombardier Q300

Number: 23
 Average Age: 11.4 years
 Maximum Passengers: 50
 Cruising Speed: 520 km/hr
 Average Daily Utilisation: 6:26



*The fleet statistics do not include short-term leased capacity to cover Boeing 787-9 engine issues.



GENERAL INFORMATION

Stock exchange listings

Air New Zealand's Ordinary Shares have been listed on the NZX Main Board (ticker code AIR) since 24 October 1989. It also has bonds listed on the NZX Debt Market (ticker code AIRO20).

Air New Zealand's Ordinary Shares are listed on ASX (ticker code AIZ) as a Foreign Exempt Listing. The Foreign Exempt Listing means that Air New Zealand is expected to comply primarily with the Listing Rules of the NZX Main Board (being the rules of its home exchange) and is exempt from complying with most of ASX's Listing Rules.

Neither NZX nor ASX has taken any disciplinary action against the Company during the financial year ended 30 June 2018. In particular there was no exercise of powers by NZX under NZX Listing Rule 5.4.2, (relating to powers to cancel, suspend or censure an issuer) with respect to Air New Zealand during the reporting period.

On 20 July 2017, Air New Zealand launched a sponsored Level 1 American Depositary Receipt (ADR) programme. Air New Zealand's American Depositary Shares, each representing five Ordinary Air New Zealand shares and evidenced by ADRs, are traded over-the-counter in the United States (ticker code ANZLY).

Place of incorporation

New Zealand

In New Zealand, the Company's Ordinary Shares are listed with a "non-standard" (NS) designation. This is due to particular provisions of the Company's Constitution, including the rights attaching to the Kiwi Share¹ held by the Crown and requirements regulating ownership and transfer of Ordinary Shares.

New Zealand Exchange

Waivers:

An ongoing waiver granted to all companies dual listed on the NZX and the ASX from Listing Rules 11.1.1 and 11.1.4 to enable dual listed issuers to comply with the ASX Listing Rules relating to the restrictions on transfer of restricted (vendor) securities during an escrow period.

The following waivers from the NZX Main Board Listing Rules were granted to the Company or relied upon by the Company during the financial year ended 30 June 2018:

1. A waiver from NZX Listing Rule 8.1.7(b) to enable the issue of Long-Term Incentive Scheme Options to be adjusted following a capital restructure such as a rights issue, in accordance with an approach suggested by PricewaterhouseCoopers.
The decision by NZXR of 3 December 2007 noted that an independent expert's opinion had confirmed that the approach suggested by PricewaterhouseCoopers would create economic neutrality for the option holders and all other Air New Zealand shareholders.
2. A waiver from NZX Listing Rule 8.1.7 to allow Air New Zealand to amend the terms of the Long-Term Incentive Plan and Chief Executive Officer Option Incentive Plan to provide that instead of purchasing/issuing a share for each option exercised, Air New Zealand would only purchase/issue a number of shares with a value (based on current market prices) equal to the delta between the aggregate of the market share price and the exercise price of the options exercised.
The decision by NZXMS of 31 August 2012 noted that the amendment will not affect the economic position of either the participant or Air New Zealand and will reduce the dilutionary effect on shareholders of the exercise of options.
3. Air New Zealand and the Crown (acting through the Ministry of Business, Innovation and Employment) have agreed terms under which Air New Zealand will provide government agencies with discounted fares. This agreement is likely to be a "Material Transaction" under the rule 9.2.2(e) of the NZX Listing Rules. Given the Crown is a 51.91% shareholder of Air New Zealand, Air New Zealand sought (and was provided with) a waiver to enter into the transaction without the requirement to obtain shareholder approval. This waiver was granted subject to two independent directors of the board certifying that: (i) the agreement has been negotiated on arm's length commercial terms; (ii) entry into the agreement is in the best interests of all shareholders (other than the Crown); and (iii) the Crown, as the majority shareholder in Air New Zealand, has not influenced the board of directors of Air New Zealand, to enter into the agreement. Two independent directors must confirm those same matters listed above, in any extension or renewal of the agreement.

Compliance with Listing Rules:

For the purposes of ASX Listing Rule 1.15.3, Air New Zealand Limited confirms the Company continues to comply with the NZX Listing Rules.

1. In 1989, the Crown issued a Notice that arises through its holding of special rights Convertible Share, the "Kiwi Share" and the power of the Kiwi Shareholder under the Constitution. Full details of the rights pertaining to these shares are set out in the Company's Constitution. The Kiwi Share does not confer any right on its holder to vote at a shareholder's meeting unless the Kiwi Share has been converted into an Ordinary Share by its holder. The Kiwi Share is not listed on any stock exchange.

GENERAL INFORMATION (CONTINUED)

Australian Stock Exchange

When Air New Zealand fully listed on the ASX in July 2002, it undertook to include the following information in its Annual Report.

Limitations on the Acquisition of Securities

Constitution

The limitations on the acquisition of securities imposed by the Company's Constitution are summarised below (capitalised terms are defined either in the Constitution or the Takeovers Code²):

1. Under clause 3.3 of the Constitution any person that owns or operates an airline business and any of its Associated Persons may not hold or have an Interest in any Equity Security unless the prior written consent of the Kiwi Shareholder has been obtained.
2. Under clause 3.4 of the Constitution any non-New Zealand National must obtain the prior written consent of the Kiwi Shareholder to hold or have an interest in 10 percent or more of the total Voting Rights in the Company.
3. The Board must decline to register a transfer of Equity Securities if it is aware that the Equity Securities have been transferred in contravention of the provisions referred to in (1) or (2) above.
4. The Board has other powers to decline to register a transfer of Shares, including in cases where the Board is of the opinion that the Shares would become, or be capable of being treated as, Affected Equity Securities.
5. Section 10 of the Company's Constitution confers powers on the Board (and the Kiwi Shareholder) to treat Equity Securities as Affected Equity Securities in certain circumstances. In general terms those powers arise if the Board considers that it is necessary to treat any Equity Securities as Affected Equity Securities to protect the Company's international airline operating rights. Where Equity Securities are treated as Affected Equity Securities the Voting Rights attaching to them may be suspended and the registered holder may be required to dispose of them.

The Takeovers Code

The powers of the Board outlined above in relation to limiting acquisitions of its securities are in addition to the requirements of the New Zealand Takeovers Code. The Takeovers Code contains the following rules regulating acquisitions of substantial holdings.

The Takeovers Code creates a general rule under which the acquisition of more than 20 percent of the voting rights in the Company or the increase of an existing holding of 20 percent or more of the voting rights in the Company can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90% or more of the voting rights in the Company.

Corporations Act 2001 (Australia)

The Company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares (such as substantial holdings and takeovers).

2. The Takeovers Code approved by the Takeovers Code Approval Order 2000 (SR2000/210).



SHAREHOLDER DIRECTORY

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Fax: (64 9) 336 2664
Email: investor@airnz.co.nz
Website: airnzinvestor.com

Annual Meeting

Date: 26 September 2018
Time: 2:00 pm
Venue: The Piano
156 Armagh Street
Christchurch

Current Credit Rating

Moody's rate Air New Zealand Baa2

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Board of Directors

Tony Carter – Chairman
Jan Dawson – Deputy Chairman
Rob Jager
Linda Jenkinson
Sir John Key
Jonathan Mason
Dame Therese Walsh

Chief Executive Officer

Christopher Luxon

Chief Financial Officer

Jeff McDowall

General Counsel and Company Secretary

Karen Clayton