

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 Financial Market Authority's Corporate Governance Handbook, 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 Best Practice Code.

Air New Zealand recognises and supports the recently released NZX Corporate Governance Code ("the new Code"), which will replace the current Best Practice Code from October 2017. Whereas the company is not formally adopting the new Code for the 2017 reporting year, this Corporate Governance Statement follows the structure of the new Code and addresses its Recommendations. The Board considers its governance practices to be consistent with the new Code's Principles.

This Corporate Governance Statement was approved by the Board on 22 August 2017 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 Best Practice Code and the new 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 2017 reporting period. The policy was refreshed in May 2017.

The ethical approach adopted within the Group is complemented by a Supplier Code of Conduct introduced in 2015, 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.



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.

Director Independence

The Board's standards for determining the independence of a director including the requirements of the NZX Listing Rules are set out in full in the Board's Charter. All directors, including the Chairman, are independent directors under those criteria. 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.

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.

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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Non-Executive Directors' qualifications, skills and experience are summarised in the table below:

	Tony Carter	Jan Dawson	Paul Bingham	Rob Jager	Linda Jenkinson	Jonathan Mason	Therese Walsh
Qualifications	BE (Hons), ME, MPhil	BCom, FCA	BCom	BE (Hons), MBA	MBA, BBS	MBA, MA, BA	BCA, FCA
Executive Leadership	●	●		●	●	●	●
Financial	●	●		●	●	●	●
Tourism			●		●		●
Engineering/Safety	●		●	●			
Digital/Technology			●		●		
Governance	●	●	●	●	●	●	●
International Business	●	●	●	●	●	●	●
Regional Profile			●	●	●		●
Customer Experience	●		●		●		●

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

Diversity and Inclusion

The Board recognises and values diversity in personal and professional attributes in its own composition, as well as throughout the Group. At its simplest, diversity helps challenge limited ways of thinking and introduces fresh perspectives. It is also important in helping the business unlock and access potential in the workforce and, as an international airline, to better understand its customers and consequently achieve better outcomes for them and the business.

Air New Zealand continues to make strong progress in delivering its diversity and inclusion objectives. Our focus continues to be on gender representation and growing the cultural capability and fluency of leaders. We are also increasing focus on our cultural diversity to ensure our employee population is reflective of our diverse customer base.

Our four strategic focus areas to progress on our diversity and inclusion agenda will continue to be:

- Creating an inclusive and collaborative culture;
- Growing inclusive leadership capability;
- Building a diverse workforce; and
- Growing diverse talent pools.

Creating an Inclusive and Collaborative Culture

At Air New Zealand we have a wide range of ethnicities and generations in our workforce and our employee networks play a pivotal role in creating an inclusive culture. We support five employee networks: Women's Network, Young Professionals, Māori and Pacific Islands (Manu) and Pride (LGBTQI) networks, with the Asian employee network launching in September.

Network activity in the 2017 financial year included celebrating Diwali, Chinese New Year, the Pasifika festival, Auckland Pride Parade, International Women's Day, Matariki and Māori Language week as well as sending delegates to the One Young World summit and providing a mentor matching service for young females.

The overarching purpose of our employee networks is:

- To promote a sense of community and belonging across different employee groups;
- Increase visibility and awareness of our diverse workforce;
- Advance knowledge and capability; and
- Connect with other corporate networks and the communities we serve, to share knowledge and learn from each other, contributing to the development of wider New Zealand.

Growing Inclusive Leadership Capability

In the 2017 financial year we focused on making inclusivity and cultural fluency a key part of all our leadership touchpoints through the following initiatives:

- Designing our new middle manager development programme to include a Māori/Polynesian leadership philosophy as the base approach for the programme;
- Offering personalised coaching on Te Reo and cultural protocols for senior leaders;

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)

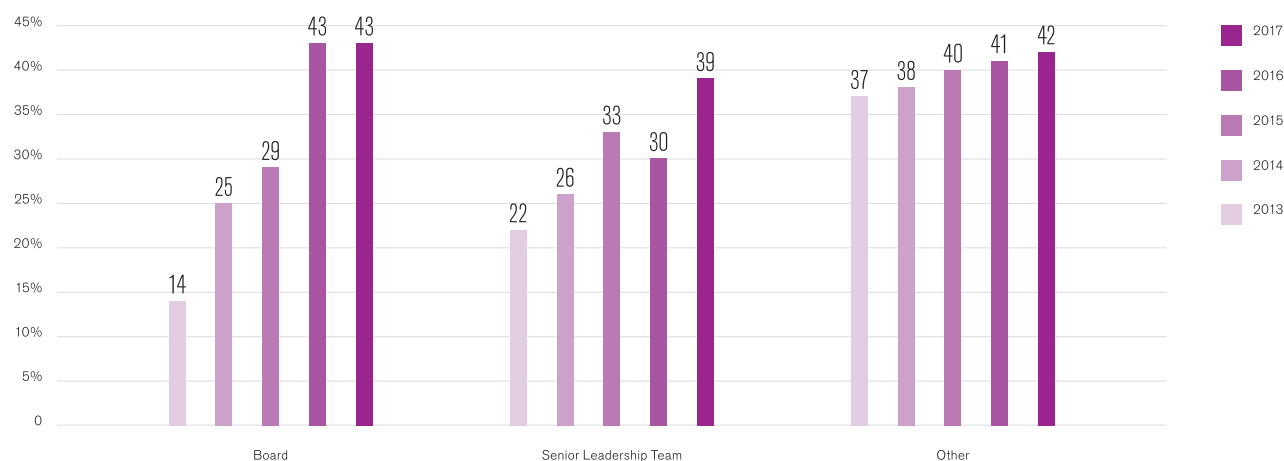
- Running a deep immersion residential Māori fluency wananga for key leaders in partnership with Department of Conservation/Air New Zealand at Te Papa Atawhai;
- Setting the expectation that cultural fluency in our brand and the Koru is a core capability for all Air New Zealanders through our induction programme; and
- Launching the Te Kete Tikanga Māori mobile app which is accessible to all Air New Zealanders.

In addition to a gender and ethnicity focus, we have also sought to role model inclusivity in our day to day practices and specifically in our flexible working approaches through the communication, management support, and infrastructure support of flexible working.

Building a Diverse Workforce

Building a diverse workforce is an area where we have made significant gains in the 2017 financial year having maintained a strong focus on gender diversity across all our business units. As illustrated in the graph below, we have seen an increase in female representation year on year from 2013 across many levels of the organisation. Our key area of focus continues to be women in senior leadership roles, with a target to achieve 40% women on the Senior Leadership Team (SLT) by 2020 and milestone targets were set to achieve 30% by 2016. As of 30 June 2017, the SLT female representation is 39%, well above the target.

Workforce Gender Representation (% female)



AS AT 30 JUNE	2013	2014	2015	2016	2017
No. of Board (female:male)	1:6	2:6	2:5	3:4	3:4
No. of Executive Team (female:male)	1:7	1:7	1:7	1:8	1:9
No. of Senior Leadership Team (female:male)	15:52	18:51	26:54	24:57	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

A major driver in the success of the percentage of women on the SLT is the launch of our Women in Leadership (WIL) programme in the 2015 financial year and our existing talent and development programmes. WIL is a professional development programme for our talent population, aimed at building a solid pipeline of women ready to move into senior leadership roles. Since 1 January 2016, ten females have been promoted into SLT roles, and a further six have moved into a new bigger role within the SLT.

We also continue to work with AMP's Women in Leadership Pathway programme, the prestigious International Women's Forum Fellows programme and the Global Women Breakthrough Leaders programme.

Growing Diverse Talent Pools

Although we continue to apply a gender focus to our internal talent identification process, as we progress into the 2018 financial year we will also have a longer term ethnicity focus on SLT representation, including Māori participation on SLT. To ensure we have a diverse pipeline of senior leaders and achieve our representation targets we need to have a well-developed pipeline of talent to draw from. Key initiatives to achieve this include:

- Identification of SLT roles where having Māori representation would be of significant benefit;
- Principal sponsorship of Champions for Change: "Tupu Toa – Māori and Pasifika Corporate Pathways Programme" (an internship programme to promote and encourage young Māori and Pasifika into corporate careers);
- Identification and development of emerging talent from minority populations;
- Partnership with external organisations to provide targeted and specific development programmes for emerging leaders from minority populations; and
- Greater focus on building Asian talent pipelines, this includes identifying talent, offering appropriate and specific development opportunities and tracking the progress of these initiatives.

The Diversity Policy was refreshed in June 2017. The revised policy more clearly defines roles and responsibilities, and explicitly confirms the requirement for the People Remuneration and Diversity Committee to set, monitor and review measurable objectives to achieve diversity.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 2017 financial year.

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.



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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	<p>3-7 non-executive directors, the majority of which are independent. A majority of the members will be financially literate and at least one member shall have an accounting or financial background. The Chair may not be the Chairman of the Board.</p> <p>Advises and assists the Board in discharging its responsibilities with respect to financial reporting, compliance and risk management practices of Air New Zealand</p>	<p>Jan Dawson (Chair)</p> <p>Tony Carter</p> <p>Jonathan Mason</p> <p>Dame Therese Walsh</p>
People Remuneration and Diversity ("PRDC")	<p>2-7 directors. The Chairman is an independent non-executive director.</p> <p>Monitors issues related to management structure, diversity and remuneration of the Chief Executive Officer and other senior executives. The Committee also makes recommendations to the Board on remuneration of non-executive directors.</p>	<p>Jonathan Mason (Chair)</p> <p>Tony Carter</p> <p>Jan Dawson</p>
Health, Safety and Security ("HSSC")	<p>At least 3 non-executive directors. The Chairman is an independent non-executive director.</p> <p>Ensures that at all times the Company has effective systems and processes in operation to ensure and assure the best practicable operational and occupational health, safety and security of its staff, contractors and customers associated with and potentially affected by its business undertakings.</p>	<p>Rob Jager (Chair)</p> <p>Tony Carter</p> <p>Paul Bingham</p> <p>Linda Jenkinson</p>
Funding	<p>3-4 directors.</p> <p>Reviews and advises the Board in relation to an annual debt plan and deals on an ad hoc basis with delegated administrative approvals of transactions within the scope of the debt plan.</p>	<p>Tony Carter</p> <p>Jonathan Mason</p> <p>Rob Jager</p>

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 2017 reporting period.

Board/Committee Meetings 1 July 2016 – 30 June 2017

	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	12	12	4	4	6	6	4	4
Jan Dawson	12	12	4	4	6	6		
Paul Bingham	12	12					4	4
Rob Jager	12	12					4	4
Linda Jenkinson ²	12	12					1	1
Jonathan Mason	12	12	4	4	6	6		
Dame Therese Walsh	12	11	4	4				

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

2. Linda Jenkinson was appointed to the Health Safety and Security Committee on 1 April 2017.

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 2017	From 1 July 2017
Board of Directors	Chairman ¹	\$270,000	\$270,000
	Deputy Chairman	\$108,500	\$111,000
	Member	\$95,000	\$97,500
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 and directors of \$2,500 per annum, with effect from 1 July 2017. 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	Other Remuneration	Total Fees	Value of Travel Entitlement ¹
Tony Carter (Chairman)	\$270,000	- (2)	- (2)	- (2)	-	\$270,000	\$8,420
Jan Dawson (Deputy Chairman)	\$108,500	\$40,000 (Chair)	-	\$10,000	\$7,500 (3)	\$166,000	\$37,570
Paul Bingham	\$95,000	-	\$20,000	-	-	\$115,000	\$96,868
Rob Jager	\$95,000	-	\$40,000 (Chair)	-	-	\$135,000	\$40,259
Linda Jenkinson	\$95,000	-	\$5,000	-	\$5,833 (4)	\$105,833	\$100,296
Jonathan Mason	\$95,000	\$20,000	-	\$20,000 (Chair)	-	\$135,000	\$50,829
Dame Therese Walsh	\$95,000	\$20,000	-	-	-	\$115,000	\$42,705
Total	\$853,500	\$80,000	\$65,000	\$30,000	\$13,333	\$1,041,833	\$376,947

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. Fees for service as a Trustee of the Air New Zealand Superannuation Scheme for part of the year.
4. An overseas director travel allowance was payable for part of the year.

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.”

The Board is aware that risk is a normal part of business and, while not risk averse, it recognises the need to manage risk proactively. The Board ensures it as a whole, and each director individually, receives appropriate information on critical risks and the manner in which these are managed or mitigated. This process includes site visits to observe treatment of operational and safety risks, as well as presentations on risk management practices and identification of liability issues to ensure relevant risks receive the right focus.

The Audit Committee is responsible for oversight of risk management and formally reviews the key risks facing the entity and the risk management framework every six months. The Committee reports to the Board at each meeting, and matters of particular risk can be escalated in that manner.

The Board has the Group Risk Profile as a standing agenda item at each meeting.

The Health, Safety and Security Committee has a particular responsibility to monitor health and safety risks, and as necessary report these up to the full Board. During 2017 a wider set of safety metrics are being introduced which will be reported in the Sustainability Report.

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 General Manager Governance, Risk and Compliance. 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.

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). 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.



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- **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 2016, Air New Zealand had more than 100 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. Beginning in 2017, Air New Zealand also webcasted the Investor Day presentations held on 1 June 2017 to provide all shareholders and prospective investors the opportunity to view the event.

- **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.

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

Under the NZX Listing Rules, Air New Zealand is required to disclose in this Annual Report the extent to which its corporate governance practices materially differ from the principles set out in the NZX Corporate Governance Best Practice Code. A summary of Air New Zealand's corporate governance practices has been provided in the Corporate Governance Statement above. As described, a nominations committee has not been established. The whole Board is (and should be) involved in the selection and appointment process for new Board members; a position contemplated in the new Code. In this respect Air New Zealand's practice diverges from paragraphs 2.2 and 3.11-3.12 of the NZX Corporate Governance Best Practice 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 new 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.