

# Group Policy



## Audit Independence

### 1.0 Intent

- 1.1 Air New Zealand (the “Company”) is required to comply with the requirements of the NZX Main Board Listing Rules and the ASX Listing Rules. The Company is committed to maintaining external financial auditor independence consistent with the requirements of the Listing Rules of both stock exchanges as well as best practice, and the independence requirements of the Office of the Auditor General (“OAG”).
- 1.2 Under its Charter, Air New Zealand’s Audit Committee has oversight responsibility for the Company’s external audit arrangements. This Policy complements the Audit Committee Charter by outlining requirements in relation to the provision of services by any External Auditor engaged by Air New Zealand.
- 1.3 The purpose of the Policy is to ensure that the Company’s External Auditor carries out its function independently and without impairment, safeguarding the reliability and credibility of Air New Zealand’s external financial reporting.

### 2.0 Scope

- 2.1 This Policy applies to:
  - a) All offices and affiliates of the firm of the External Auditor providing external audit services to Air New Zealand;
  - b) Air New Zealand Group, including all its subsidiaries;
  - c) Any joint venture where Air New Zealand exercises management control; and
  - d) Services performed by the External Auditor for a Material Associated Entity.

### 3.0 Policy Requirements

#### 3.1 Engagement of the External Auditor

- 3.1.1 To ensure audit quality and allow for an effective audit service by suitably qualified professionals, Air New Zealand will facilitate a high-quality audit for which payment of fair commercial rates will be made.

#### 3.2 Provision of Services by the External Auditor

- 3.2.1 The External Auditor’s firm will not be used for any purpose which could reasonably be regarded as compromising the independence of the External Auditor.

- 3.2.2 Services may be classified into the following three (3) categories:
- i. Services that may ordinarily be performed without prior approval from the Audit Committee;
  - ii. Services that may be performed, but only with prior approval from the Audit Committee and the Office of the Auditor General (OAG); and
  - iii. Services that are not permitted.
- 3.2.3 All engagements exceeding NZD50,000, irrespective of categorisation above, require prior approval from the Audit Committee.
- 3.2.4 Provision of External Audit Services and Non-Audit Services to Air New Zealand by the External Auditor shall be in accordance with the Schedule under **Appendix 1** of this Policy, and shall adhere to the OAG's view that only services of an assurance nature are permitted.
- 3.2.5 Where not specifically addressed by the Schedule, where unclear or where a variation to this Policy is sought, the Chair of the Audit Committee must be consulted.

### **3.3 Responsibilities of the External Auditor**

- 3.3.1 The External Auditors shall annually confirm their compliance with professional standards and ethical guidelines of the External Reporting Board (XRB) to the Audit Committee.
- 3.3.2 The External Auditors will not place their staff on any reporting engagement for Air New Zealand within two (2) years of them working in a temporary or contract position with Air New Zealand.
- 3.3.3 The External Auditor will rotate the senior audit partner for Air New Zealand at least every five (5) years with suitable succession planning to ensure consistency.
- 3.3.4 The Audit Committee of Air New Zealand will require the External Auditor to confirm annually that it has complied with all professional regulations relating to auditor competency and independence.

Specifically, the External Auditor will be required to confirm its commitment to strict procedures to ensure that:

- a) The External Auditor, its partners and/or their immediate family members and staff who participate on any engagement with Air New Zealand and/or their immediate family members do not have any direct financial interest or material indirect financial interest in Air New Zealand;
  - b) There are no business relationships between Air New Zealand and the External Auditor, beyond the provision of External Audit Services or approved services provided pursuant to this Policy, and the provision of air travel on normal commercial terms by Air New Zealand; and
  - c) No fee paid by Air New Zealand to the External Auditor is paid on a contingency basis.
- 3.3.5 The Audit Committee of Air New Zealand will require the External Auditor to provide the following assurances annually:
- a) The total fees received by the External Auditor from Air New Zealand do not have a material impact on its operations or financial condition;
  - b) Air New Zealand has not withheld fees from the External Auditor; and
  - c) There is no litigation between Air New Zealand and the External Auditor.

- 3.3.6 The Audit Committee of Air New Zealand will require the external auditor to provide the following information and assurances annually:
- a) The value of fees earned from each Material Associated Entity, and
  - b) That the services provided were permitted under XRB and OAG rules; and
  - c) That the external auditor has not undertaken any services for any Material Associated Entity that may conflict with the interests of Air New Zealand.

3.3.7 In the event of an unforeseen conflict of interest arising from services provided to a Material Associated Entity that the external auditor will immediately withdrawal from said service

#### 3.4 Non-assurance services

3.4.1 Services that are of a non-assurance nature are not permitted without the explicit agreement of the OAG.

3.4.2 Where any non-assurance services have been undertaken, reports will be provided to the Audit Committee of Air New Zealand on a quarterly basis detailing:

- a) The level of fees paid to the external auditor differentiating between assurance and non-assurance services; and
- b) Confirmation of compliance restrictions imposed by the Office of the Auditor General (OAG).

## 4.0 Definitions

**Assurance Services** – engagements that include or involve: the formal expression of an opinion; agreed-upon procedures; real-time independent quality assurance; probity; and activities involving the examination, investigation or inquiry into matters of concern.

**External Auditor** - in this Policy refers to an auditor appointed to audit the financial statements of the Air New Zealand or its subsidiary companies.

**External Audit Services** - in this Policy refers to the audit of Air New Zealand's financial statements to confirm that they are a true a fair view of the financial position of the Company and that the financial statements comply with all relevant financial legal obligations and standards.

**External Reporting Board (XRB)** - is an independent Crown Entity responsible for the development and issuance of accounting and auditing and assurance standards in New Zealand.

**Office of the Auditor General (OAG)** - Parliament seeks independent assurance that public sector organisations are operating, and accounting for their performance, in accordance with Parliament's intentions. As an Officer of Parliament, the Auditor-General provides this independent assurance to both Parliament and the public. The Auditor-General's mandate and responsibilities are set out in the Public Audit Act 2001.

**Material Associated Entity** - are those entities in which the Air New Zealand Group, either directly or indirectly, holds a significant but not a controlling interest and where the value of the investment exceeds NZ\$100m.

## 5.0 Roles and Responsibilities

5.1 The Chair of the Audit Committee and the Chief Financial Officer have overall responsibility for meeting the requirements of this Policy

5.2 The Chief Financial Officer will be responsible for:

- a) Facilitating the regular review of this Policy; and
- b) Reporting to the Audit Committee on any work conducted by the External Auditor.

5.3 The Audit Committee is responsible for approving this Policy, including any material amendments, on the recommendation of the Policy Management Committee.

## 6.0 Compliance

6.1 Breach of this Policy by an employee, contractor or other representative of Air New Zealand may lead to disciplinary action, up to and including dismissal (or termination of existing contractual arrangements for contractors or other agents). In some circumstances, a breach of Policy may result in civil or criminal liability.

6.2 **SPEAK UP** - Employees should report any known violations of this Policy by notifying their Manager, HR Business Partner or confidentially through the [Speak Up](#) Reporting Line.

## 7.0 Related Documents

- [Code of Conduct](#)
- [Audit Committee Charter](#)

## 8.0 Governance and Maintenance

### 8.1 Review Timetable

At a minimum, this Policy will be formally reviewed annually by the Audit Committee. The Audit Committee Charter will be referred to when reviewing this Policy.

## APPENDIX 1: Schedule of Services

Service / Example(s)	Ordinarily Performed & Permitted	Permitted subject to prior approval of the Chair of the Audit Committee	<sup>1</sup> Not Permitted
<b>Financial audits</b>			
Financial audits, both of financial statements and existing company systems and processes.	✓		
<b>Extended scope audit</b>			
Variation to scope of the annual audit to include a full statutory opinion with respect to any specific operation where management indicate concerns about the reliability of the financial reporting from a specific subsidiary.	✓		
<b>Bookkeeping or other services related to the accounting records or financial statements</b>			
Taking responsibility for the preparation of financial statements.			✗
Maintenance or preparation of Air NZ's accounting records.			✗
Preparation of originating source data underlying Air New Zealand's financial statements.			✗
<b>Other attest services</b>			
Audits of regulatory requirements.	✓		
Reporting engagements to third parties provided prior OAG approval is obtained e.g. prospectus opinions	✓		
<b>Accounting Opinions, Advice or Training</b>			
Advice on appropriate accounting standards and the interpretation and application thereof.			✗
Providing accounting and technical training.			✗
<b>Financial information systems design and implementation</b>			
Design and implementation of key financial information systems and processes.			✗
Direct or indirect operation or the supervision of the operation of Air New Zealand's information systems.			✗
<b>Secondments</b>			
Secondments of junior staff.			✗
Secondments to management positions.			✗
Assisting in recruiting senior management.			✗
<b>Internal Audit co-sourcing or outsourcing</b>			
Assurance services under the overall direction of the Head of Internal Audit.		✓	
Taking responsibility for internal audit.			✗
Provision of any internal audit service that has been outsourced by Air New Zealand, which relates to the Company's internal accounting controls, financial systems or financial statements.			✗

<sup>1</sup> Prohibitions listed will apply to all offices of the firm of Air New Zealand's External Auditor, including overseas offices and affiliates.

Service / Example(s)	Ordinarily Performed & Permitted	Permitted subject to prior approval of the Chair of the Audit Committee	<sup>1</sup> Not Permitted
<b>Expert witness</b>			
Engagement by Air NZ of an expert witness to support litigation.			x
<b>Due diligence</b>			
Due diligence activities.		✓	
<b>Actuarial services</b>			
Provision of actuarial advisory services involving the determination of amounts recorded in the financial statements and related accounts for Air New Zealand other than assisting Air New Zealand to understand the methods, models, assumptions and inputs used in computing an amount.			x
<b>Taxation Services</b>			
Preparation of tax computations.			x
Advice on the interpretation and application of taxation policies.			x
Tax planning and strategy development.			x
Taxation services of an assurance nature e.g. review of tax computations and returns prior to filing.	✓		
Advice in the tax effective structuring of transactions.			x
Advice with respect to the preparation and review of the returns of income and other taxes in NZ and overseas jurisdictions.			x
Advice with respect to the preparation and review of the tax returns of Air NZ employees resident or employed outside of NZ.			x
<b>Legal Services</b>			
Provision of any service that can only be provided by those licensed, admitted, or otherwise qualified to practice law in the jurisdiction in which the service is provided.			x
<b>Valuations</b>			
Valuation of assets and liabilities other than as required to complete regulatory audit requirements.			x
Provision of independent advice as to the value of a business for acquisition or divestment.			x
Provision of appraisal/valuation services/valuations where the valuation is included in audited financial information.			x
<b>Other Services</b>			
Assistance and advice in liquidations and receiverships			x
Advice that has a significant impact on the value of a material asset or liability.			x
Advice on the structuring or pricing of any deal, asset or company acquisition.			x
Strategic business planning			x
Provision of broking, dealing, investment acquisition or divestment advice (excluding due diligence), or investment banking work.			x
Listing advice			x