



AIR NEW ZEALAND

Air New Zealand Limited

Audit Committee Charter

**15 February 2001
(as amended 19 November 2009)**

Purpose

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

Composition

The Audit Committee shall be appointed annually by the Board and shall consist of at least three and not more than seven members. A quorum shall be three members. All members of the Committee will be non-executive directors and a majority will be independent directors. The Chairperson of the Board will be an ex officio member of the Audit Committee.

A majority of the members will be financially literate and at least one member shall have an accounting or financial background. The Chairperson shall be appointed by the Board and will not be the Chairperson of the Board.

Responsibilities

The duties of the Committee are as follows:

- Ensure that appropriate financial reporting and internal control processes are in place and monitor those processes so that the Board is properly and regularly informed and updated on corporate financial matters.
- Subject to the requirements of the Public Audit Act 2001, to recommend to the Board the external auditor appointment, tenure and remuneration;
- Appoint and establish the tenure of the Chief Internal Auditor;
- Liaise with the internal and external auditors;
- Review and assess the performance and independence of the internal and external auditors in respect of audit and non-audit services;
- Review (but not plan or conduct) the external auditors annual audit plan and reports, assess performance against plans;
- Review the draft half year and annual financial statements and releases to the New Zealand and Australian Stock Exchanges, for compliance with appropriate laws and regulations and recommend approval to the Board;
- Review public documents and disclosures relating to financial information;
- Review material accounting policy changes proposed by management or the external auditors;
- Review group tax exposures and meet with the Group Taxation Manager every six months;
- Assess the performance of financial management;
- Assess the performance and objectivity of the internal audit function and its activities;
- Review the audit findings and ensure that recommendations highlighted in audit reports are actioned by management;
- Review the risk management plan (excluding risks dealt with by the Safety Committee).
- Review compliance with company risk management policy, Code of Conduct and statutory and regulatory requirements;
- Supervise special investigations when requested by the Board; and

- In addition, the Committee shall examine any other matters referred to it by the Board.

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

Authority

The Committee is authorised by the Board to investigate any activity covered by its functions and responsibilities. It is authorised to seek any information it requires from any employee and all employees shall be directed to cooperate with any request made by the Committee.

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

The Committee shall have no executive powers with regard to findings and recommendations.

Secretarial and Meetings

The Chief Internal Auditor shall act as Secretary of the Audit Committee.

The Committee will hold at least three meetings per year, which shall be scheduled to ensure timely review of the interim and year-end financial statements. An annual plan of the matters to be considered at these meetings is to be presented to the Board for approval.

Meetings shall be attended by the External Auditors, Chief Financial Officer, Chief Executive Officer, Chief Internal Auditor and others as appropriate, at the discretion and invitation of the Committee. The Chairperson of the Safety Committee or their nominee shall be invited to attend where matters relating to risk management are to be discussed. Adequate notice shall be given to those to be invited.

On a regular basis (no less than annually) the Committee shall meet with the External Auditors and Chief Internal Auditor to discuss any matters that either party believe should be discussed confidentially.

Any Board member may request, through the Board Chair, that the Committee convene to address any company financial matter that is of serious concern.

The Chair of the Committee shall also call a meeting of the Audit Committee if so requested by any Audit Committee member, the Chief Internal Auditor or the External Auditors.

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

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

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

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

Review of the Audit Committee

The Committee shall undertake a formal review of its objectives and activities once every two years.

The objectives and activities of the Committee shall also be reviewed by the Board as and when the Board deems appropriate.

Reporting Procedures

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

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

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

The Minutes of all Committee meetings, signed by the Chair, shall be circulated to all directors, the Chief Executive Officer, the Chief Financial Officer, the Chief Internal Auditor, External Auditors and to other parties as the Board directs.

The Committee shall maintain direct lines of communication, independent of senior management, with the Chief Internal Auditor and the External Auditors.

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