

Air New Zealand Policy on Audit Independence

Last updated 22 November 2007

1. Policy Statement

Air New Zealand will maintain Auditor Independence consistent with regulatory and stock exchange requirements and current best practice.

2. Statement of Purpose

This policy defines the services that may or may not normally be performed by Air New Zealand's external auditors.

This policy complements the Audit Committee Charter which specifies the Audit Committee responsibilities as including:

- Recommend to the Board the appointment, removal and remuneration of the external auditors;
- Liaise with the external auditors; and
- Review the external auditors annual audit plan, and reports and the assessment of performance against plans.

3. Responsibilities of the External Auditor

The External Auditors shall annually confirm their compliance with professional standards and ethical guidelines of the Institute of Chartered Accountants of New Zealand, to evidence their competence.

The external auditors are also required to ensure their staff do not work on any reporting engagement for Air New Zealand during, and in the two years after, working in a temporary or contract position with Air New Zealand.

Air New Zealand will require the statutory auditor to rotate the senior audit partner for Air New Zealand at least every five years with suitable succession planning to ensure consistency.

4. Responsibilities of Air New Zealand

To ensure audit quality at Air New Zealand and to allow for an effective audit service by suitably qualified professionals, Air New Zealand commits to facilitating a

high quality audit for which payment of fair commercial rates will be made.

Reports will be provided to the Audit Committee of Air New Zealand on a regular basis detailing the level of fees paid to the external auditor differentiating between audit and non-audit services, and compliance with fee limits imposed by the Office of the Auditor General.

If in the view of the Audit Committee of Air New Zealand, the level of fees for non-audit services being paid to the external auditor is of a magnitude that could impair, or be perceived to impair auditor independence, the Audit Committee of Air New Zealand may from time to time impose a restriction on non-audit work being awarded to the external auditor.

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:

- The external auditor, its partners and staff do not have any financial interest in Air New Zealand;
- 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 by Air New Zealand; and
- No fee paid by Air New Zealand to the external auditor is paid on a contingency basis.

The Audit Committee of Air New Zealand will require the external auditor to provide the following assurances annually:

- The total fees received by the external auditor from Air New Zealand do not have a material impact on its operations or financial condition;
- Air New Zealand has not withheld fees from the external auditor; and
- There is no litigation between Air New Zealand and the external auditor.

5. Services which can be performed

Examples of non-audit work which can be performed by the external auditors include:

- Financial audits, both of financial statements and existing company systems and processes;
- Audits of regulatory requirements;
- Reporting engagements to third parties provided prior OAG approval is obtained e.g., prospectus opinions;
- Advice on appropriate accounting standards and the interpretation and application thereof;
- Secondments of junior staff;
- Internal audit assistance under the overall direction of the Chief Internal Auditor;
- Taxation services of an assurance nature e.g., review of tax computations and returns prior to filing;
- Advice on the interpretation and application of Inland Revenue Department taxation policies.

6. Services which can not be performed

No work will be approved in the following areas:

- Design and implementation of key financial information systems and processes;
- Valuation of assets and liabilities other than as required to complete regulatory audit requirements;
- Liquidations and receiverships;
- Taking responsibility for the preparation of financial statements;
- Taking responsibility for internal audit;
- Tax computations;
- Tax planning and strategy development.

7. Services which may be performed subject to the prior approval of the Chairman of the Audit Committee

- Strategic business planning;
- Secondments to management positions;
- Advice on the structuring or pricing of any deal, asset or company acquisition;
- Due diligence activities;
- Advice that has a significant impact on the value of a material asset or liability;
- Legal services

Where not specifically addressed above, or where a variation to this policy is sought, the Chairman of the Audit Committee is to be consulted.

Provision of services other than audit or assurance type services shall be subject to the overriding limitation that in any financial year, the fees for such services should not exceed the fees for the annual audit of the financial statements.

8. Application

This policy applies to the external audit firm providing Audit services to Air New Zealand.

Policy authorised by:



Chairman of the Board

For further information on this Policy, please contact: Myles Perry, Chief Internal Auditor.

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Related links: korunet/internalaudit

Air New Zealand Limited reserves the right to amend, update or withdraw its corporate policies without prior notice.