

AIR NEW ZEALAND LIMITED

EXPLANATORY TABLE OF CHANGES MADE BY PROPOSED NEW CONSTITUTION

Air New Zealand Limited (the **Company**) is proposing to adopt a new constitution at the 2019 Annual Meeting of Shareholders as detailed in the Notice of Annual Meeting dated 23 August 2019.

Many of the changes in the proposed new constitution are largely due to the Company's transition on 1 July 2019 to the new NZX Listing Rules dated 1 January 2019 (**New Rules**). In addition, the Company is taking this opportunity to update the existing constitution for the Company's change to an ASX Foreign Exempt Listing in March 2017, legislative developments, changes in market practices and other improvements.

What is included in this table?

This table explains the key differences between the Company's proposed new constitution and its existing constitution under the following headings:

- A. Changes to align the constitution with the New Rules and other legislative amendments;
- B. Removal of provisions that have been repeated in full in the constitution under the requirements of previous versions of the NZX Listing Rules, but are no longer required to be included or incorporated by reference in a company's constitution;
- C. Changes to reflect the Company's change to Foreign Exempt Listing status on ASX;
- D. Removal of other redundant provisions;
- E. Amendments to reflect current market practices and other improvements; and
- F. Consequential amendments.

The only other changes in the proposed new constitution are minor (such as consequential alterations in numbering throughout the constitution) or inconsequential improvements.

How to read the table

The table should be read in conjunction with the marked-up version of the proposed new constitution (available on the Company's website at airnewzealand.co.nz/annual-meeting) which sets out all of the changes to the Company's existing constitution.

The clause references in the first column of the table refer to the clauses as they appear in the marked-up proposed new constitution unless otherwise stated.

Glossary

The following defined terms are used in this table:

ASX Listing Rules	The listing rules of ASX Limited
Companies Act	Companies Act 1993
Company	Air New Zealand Limited
existing constitution	Air New Zealand Limited's constitution adopted by special resolution on 25 October 2006 and amended by special resolution on 23 September 2009, a copy of which is on the Company's website at www.airnewzealand.co.nz/constitution
FMC Act	Financial Markets Conduct Act 2013
New Rules	The NZX Listing Rules dated 1 January 2019 (which may be viewed on the NZX website at www.nzx.com)
NZX Listing Rules	The NZX Listing Rules of NZX Limited in force from time to time

A. Changes to align the constitution with the New Rules and other legislative amendments		
Clause reference	Topic	Summary of proposed change
1.6	<i>Definitions</i>	Several definitions in clause 1.6 have been changed. These include: <ul style="list-style-type: none"> Changes made to the wording of definitions for consistency with the equivalent definitions under the New Rules and the FMC Act. The replacement of the defined term “Securities” with the term “Financial Products” for consistency with the terminology used in the New Rules following changes introduced under the FMC Act. (As a consequence, throughout the constitution references to “Securities” have also been replaced with references to “Financial Products”.)
1.7	<i>Meaning of “Interest”</i>	The definition of “Interest” in clause 1.7 was based on the meaning of “relevant interest” under the now repealed Securities Markets Act 1988 (SMA). Amendments to the definition have been made to align the definition with the updated meaning of “relevant interest” in sections 235 to 238 of the FMC Act (which replaced the SMA in 2014).
2.2	<i>Incorporation of NZX Listing Rules</i>	The New Rules retain a requirement that certain specific NZX Listing Rules be included, or incorporated by reference, in a constitution (Rule 2.20.1(a)). Those specific Rules continue to be included in the proposed new constitution. The new clause 2.2 also provides for NZX Listing Rules to be incorporated by reference to ensure that the constitution will remain compliant with the NZX Listing Rules, and may limit the need for further amendments to be made to the constitution if there are subsequent changes to the NZX Listing Rules listed in New Rule 2.20.1(a).
2.5	<i>Effect of failure to comply with the NZX Listing Rules</i>	Clause 2.5 (which was previously clause 2.4) has been updated to reflect the wording in New Rule 2.20.2. There has been no change in substance to this clause.
2.6	<i>NZX Listing Rules prevail</i>	Clause 2.6 (which was previously clause 2.5) has been updated to reflect the changes made by New Rule 2.20.1(e). There has been no change in substance to this clause.
7.1	<i>Lien on unpaid and partly paid shares</i>	Clause 7.1 has been updated to reflect the wording in the New Rules. There has been no change in substance to this clause.
9.2	<i>Right to transfer shares</i>	Clause 9.2 has been updated to reflect the repeal of the Securities Transfer Act 1991 by the applicable provisions in the FMC Act and the Reserve Bank of New Zealand Act 1989. There is no change to a shareholder’s ability to transfer shares.
9.5(e)	<i>Power to refuse to register shares</i>	Clause 9.5(e) (which was previously clause 9.7(f)) has been updated so it is consistent with New Rule 8.1.4(b). This ensures that the Company can refuse to register a share transfer if either a transferor or a transferee (and not just a transferee) would hold less than the prescribed minimum holding.
12.1	<i>Methods of holding shareholders’ meetings</i>	Clause 12.1 has been updated to provide more up-to-date wording in relation to holding meetings by electronic means. This change provides flexibility for using technology as part of shareholders’ meetings. The amendments align the constitution with changes made to the Companies Act.
13.2	<i>Contents of notice of shareholders’ meetings</i>	Clause 13.2 (which was previously clause 13.3) has been updated to reflect in the case of: <ul style="list-style-type: none"> clause 13.2(c), a Companies Act requirement that a notice of meeting which contains resolutions relating to certain amendments to the constitution or the approval of a major transaction to contain a statement regarding shareholders’ minority buy-out rights; and clause 13.2(d), the wording of the New Rules – which requires a notice of meeting to contain or be accompanied by sufficient explanation, reports, valuations and other information, as to enable a reasonable person entitled to vote to understand the effect of each resolution proposed, and clause 13.2(e), a general provision to acknowledge that the Company must comply with any additional requirements for notices under the New Rules.

16.2	<i>Audio-visual shareholders' meetings</i>	The amendments made to clause 16.2 reflect changes to the Companies Act that provide for more flexibility in the way voting may be carried out at meetings.
16.4	<i>Postal votes for shareholders' meetings</i>	The amendment to clause 16.4 (which was previously clause 16.3) is also consistent with clause 14 of Schedule 1 of the Companies Act. It has been added to provide further clarity.
16.16	<i>Shareholder participation by electronic means</i>	The existing clause 16.15 was inserted before provisions were included in the Companies Act to allow for electronic participation by shareholders at meetings. The new clause 16.16 replaces the existing clause 16.15 to align the constitution with the wording in clause 14 of Schedule 1 of the Companies Act.
17.1 and 17.2	<i>Voting restrictions</i>	Clauses 17.1 and 17.2 have been updated to reflect the wording in New Rule 6.3. There has been no change in substance to the clauses.
18.3	<i>Lodging proxy</i>	Clause 18.3 has been updated to reflect changes to the Companies Act relating to lodging proxies. It clarifies that a notice of meeting may provide for different matters for different kinds of proxies (for example, a different specified time for the receipt of a proxy by electronic means).
23.1	<i>Director number and residence requirements</i>	Clause 23.1 (which was previously clause 24.1) addresses the number and residence requirements for directors. It has been amended to reflect New Rule 2.1.1. This includes the deletion of the requirement for the number of independent directors to be increased "if there are eight or more Directors" to "the greater of three or one-third of the total number of Directors (rounded down to the nearest whole number)". The NZX Listing Rules now only require there to be two independent directors, with a recommendation in the NZX Corporate Governance Code that a majority of the Board should be independent directors. Redundant wording relating to fixing a maximum number of directors and a deeming provision regarding that maximum has also been removed from this clause.
23.3	<i>Appointment of Directors</i>	The new clause 23.3 reflects New Rule 2.2.1, and sets out concisely the methods by which directors and alternate directors may be appointed. New Rule 2.2.1 is a rule that must either be included in the constitution or incorporated by reference. Clause 23.3 does not change in any way or amend the manner in which directors may be appointed.
Deletion of existing clauses 24.4 to 24.6	<i>Determining independent directors</i>	The existing clauses 24.4 to 24.6 (relating to the Board's determination of independent directors) have been deleted because the New Rules no longer require them to be incorporated into the constitution. The Company is still subject to corresponding provisions under New Rule 2.6.
Deletion of existing clause 24.9	<i>Nominations of Directors</i>	Existing clause 24.9 (relating to the nomination of directors by shareholders entitled to attend and vote at meetings) has been deleted because it is no longer required to be incorporated into the constitution under the New Rules. The Company is still subject to corresponding provisions under New Rules 2.3.1 and 2.3.2.
23.6 (and the deletion of existing clauses 24.10 and 24.11)	<i>Rotation of Directors</i>	The rules on director rotation and re-election have been changed under the New Rules as follows: <ul style="list-style-type: none"> Under the previous NZX Listing Rules (and under clause 24.10 of the existing constitution), one-third of the directors, or the number nearest one-third, were required to retire at the annual meeting each year, and were eligible for re-election. The directors to retire were those who had been longest in office. Under the New Rules, directors are required to stand for re-election at the later of the third annual meeting or three years after their appointment. Under the previous NZX Listing Rules (and under clause 24.11 of the existing constitution) a managing director was not required to retire by rotation. The New Rules remove that exception so a managing director is required to retire by rotation in the same manner as all of the other directors. As a result of these changes, the new clause 23.6 has been included in place of existing clauses 24.10 and 24.11 to reflect the New Rules.
Deletion of existing clause 24.12	<i>Appointment of Directors to be voted on individually</i>	Existing clause 24.12 (relating to the appointment of directors needing to be voted on individually) has been deleted because it is no longer required to be incorporated into the constitution under the New Rules. The Company is still subject to corresponding provisions under New Rule 2.3.3.
24.1	<i>Alternate Directors - appointment</i>	Clause 24.1 (which was previously clause 25.1) has been updated to reflect the wording in the New Rules. There has been no change in substance to this clause.

Clause 25 (previously clause 27)	<i>Proceedings of the Board</i>	Clauses 25.7 (relating to powers of the Board where there is an insufficient number of directors), 25.13 (prohibiting "interested" directors from voting) and 25.14 (relating to the exceptions to the voting prohibition in clause 25.13) have been updated to reflect the wording in the New Rules 2.9.1, 2.10.1 and 2.10.2. There have been no changes in substance to these clauses.
Deletion of existing clause 32.2	<i>Service of notices outside New Zealand</i>	The existing clause 32.2 is based on a previous NZX Listing Rule that has not been included in the New Rules. Accordingly, it has been deleted from the constitution.
B. Removal of provisions that have been repeated in full in the constitution under the requirements of previous versions of the NZX Listing Rules, but are no longer required to be included or incorporated by reference in a company's constitution		
Clause reference	Topic	Summary of proposed change
Deletion of existing clause 3.8	<i>Modification of rights of security holders</i>	The existing clause 3.8, which modifies the provisions of sections 116 and 117 of the Companies Act to apply those sections to different types of security holders, has not been included in the proposed new constitution. The Company will continue to be subject to corresponding provisions to the existing clause 3.8 under New Rule 6.7.
New Clause 4.1 and the deletion of existing clauses 4.1 to 4.11 and 4.14	<i>Issues of new equity securities</i>	The existing clauses 4.1 to 4.11 and clause 4.14 (which restrict the Board's power to issue equity securities) have not been included in the proposed new constitution. A new clause 4.1 has been inserted in their place to clarify that all issues of equity securities must be made in compliance with the New Rules. The Company will continue to be subject to corresponding provisions to clauses 4.1 to 4.11 and clause 4.14 under Section 4 of the New Rules. However, the New Rules make two substantive changes to the previous NZX Listing Rules and existing clauses 4.4 and 4.5: <ul style="list-style-type: none"> • Issues of new equity securities under a share purchase plan must now not be greater than 5% of the number of fully paid shares already existing on issue in any 12 month period, rather than the 30% threshold specified in the existing constitution. • The limit for placements of new equity securities has been reduced from a 20% limit to a 15% limit.
New clause 5 and the deletion of existing clauses 5.2 to 5.9	<i>Buybacks and redemptions of equity securities and financial assistance for the acquisition of equity securities</i>	The existing clauses 5.2 to 5.9 that restrict the acquisition or redemption by the Company of its own equity securities and the Company's ability to give financial assistance have not been included in the proposed new constitution. The existing clause 5.1 (renumbered as clause 5) has been simplified to state that all buybacks and redemptions of equity securities must be made in compliance with the New Rules. The Company will continue to be subject to corresponding provisions to existing clauses 5.2 to 5.9 under New Rules 4.14 to 4.16.
Deletion of existing clause 13.2	<i>Rights of equity security holders and directors relating to notices of shareholders' meetings</i>	The existing clause 13.2 has not been included in the proposed new constitution. However, New Rule 2.14.1 still provides that equity security holders of all classes are entitled to: <ul style="list-style-type: none"> • attend meetings of shareholders; and • receive copies (or have access to electronic copies) of all notices, reports and financial statements issued generally to holders of financial products carrying voting rights.
Deletion of existing clauses 22.1 to 22.4	<i>Major transactions</i>	The existing clauses 22.1 to 22.4 which require shareholder approval for certain major transactions have not been included in the proposed new constitution. The Company will continue to be subject to corresponding provisions to the existing clauses 22.1 to 22.4 under New Rules 5.1.1 and 5.1.2.
Deletion of existing clause 23	<i>Transactions with related parties</i>	The existing clause 23 which requires shareholder approval for certain related party transactions has not been included in the proposed new constitution. The Company will continue to be subject to corresponding provisions to the existing clause 23 under New Rules 5.2.1 and 5.2.2.
New clause 26.1 and deletion of existing	<i>Fixing directors' remuneration</i>	The director remuneration provisions in the existing clauses 28.1 to 28.5 have not been included in the proposed new constitution. The Company will continue to be subject to the matters covered by the deleted clauses under New Rules 2.11.1, 2.11.2, and 2.11.3. In addition, a revised clause 26.1 has been included in the constitution to state that the power conferred on the Board by section 161

clauses 28.1 to 28.5		of the Companies Act to authorise remuneration and other benefits to and for directors is subject to the New Rules.
Deletion of existing clause 28.8	<i>Payments upon cessation of office</i>	The existing clause 28.8 which restricted payments which could be made to a director (or his or her dependents) on cessation of office of a director has not been included in the proposed new constitution. The Company will continue to be subject to the matters covered by the existing clause 28.8 under New Rule 2.11.4.
Deletion of existing clause 30	<i>Audit Committee</i>	The existing clause 30 which required the Company to have an Audit Committee and set out the composition and responsibilities of that committee has not been included in the proposed new constitution. The Company will continue to be subject to corresponding provisions under New Rule 2.13.
C. Changes to reflect the Company's change to Foreign Exempt Listing status on ASX		
Clause reference	Topic	Summary of proposed change
Deletion of existing clause 2.6	<i>Compliance with ASX Listing Rules</i>	The Company changed its ASX admission category from a full ASX Listing to an ASX Foreign Exempt Listing in March 2017. The ASX Listing Rules requiring the Constitution to contain provisions to the effect of the existing clause 2.6 apply to a full ASX Listing but do not apply to ASX Foreign Exempt Listings, and accordingly this clause has been deleted.
D. Removal of other redundant provisions		
Clause reference	Topic	Summary of proposed change
Deletion of existing clause 9.5	<i>Power to require declaration in respect of transferee's shareholding</i>	The existing clause 9.5 was originally included in the constitution to comply with very old NZX Listing Rule provisions. Those provisions were partly designed to enable beneficial interests in substantial shareholdings to be identified. The provisions have not been included in the NZX Listing Rules for some time, having been superseded by statutory provisions which allow a listed issuer to require declarations of "relevant interests" (originally in the Securities Markets Act 1988 and now in the FMC Act). Therefore, the existing clause 9.5 is a redundant provision and has been deleted.
Deletion of existing clause 9.7(c)	<i>Power to refuse to register</i>	The existing clause 9.7(c) provides that the Board may refuse to register a transfer that is in respect of more than one class of Share. The Company has only one class of transferable Shares. The Kiwi Share is a separate class but is non-transferable. The existing clause 9.7(c) therefore is a redundant provision and has been deleted.
23.8(a) and deletion of existing clause 24.13	<i>Deemed re-election of retiring directors</i>	The existing clause 24.13 has been deleted as in practice directors are only re-elected by ordinary resolution (and not through a deemed re-election). The amendments to clause 23.8(a) (the existing clause 24.15(a)) are consequential to the deletion of clause 24.13.
Deletion of existing clause 24.2	<i>Existing directors to continue in office</i>	The effect of this clause is covered by the more general provision in the proposed new clause 1.12. The existing clause 24.2 has been deleted accordingly.
Deletion of existing clause 26	<i>Managing Director</i>	The Managing Director provisions in the existing clause 26 have been deleted. The Company has not had a Managing Director for many years.
E. Amendments to reflect current market practices and other improvements		
Clause reference	Topic	Summary of proposed change
1.6 and 25.8	<i>Definition of "Crown"</i>	The reference to the "Minister of Finance" in the definition of "Crown" has been deleted. The definition is not consistent with the definition in other majority Crown-owned listed companies. A consequential amendment in clause 25.8 (which was previously clause 27.8) replaces a reference to the "Minister of Finance" with a reference to the "Crown".
New clause 1.12	<i>Confirmation of Office</i>	The proposed new clause 1.12 clarifies and confirms that the adoption of a new constitution does not affect offices and appointments (including director appointments) and any acts of authority under any previous constitution. It replaces existing clause 24.2 which only confirmed the continuation in office of directors.

9.8	<i>Sale of less than a minimum holding</i>	Clause 9.8 (which was previously clause 9.10) has been updated to include improved wording in relation to the Company's power to sell shares where a shareholder holds less than a minimum holding. There is no change to the Company's powers in respect of minimum holdings.
New clause 13.3	<i>Proxy form must be sent with notice</i>	A proposed new clause 13.3 has been included to reflect the common market practice of including a requirement in the notice of meeting section of the constitution that a proxy form must be sent by mail or electronically with each notice of meeting. This requirement was previously addressed in the existing clause 18.4 of the constitution relating to proxies and corporate representatives.
13.4	<i>Irregularity in notice</i>	Clause 13.4 has been amended to include improved wording in relation to accidental omissions in sending notices of meetings to shareholders (to reflect clause 2(3A) of Schedule 1 of the Companies Act and common market practice).
New clause 16.3	<i>Voting by electronic means</i>	A proposed new clause 16.3 has been included to reflect developing market practices for the use of personal and other electronic devices for voting at shareholders' meetings. This clause is consistent with amendments to the Companies Act.
16.11	<i>Auditor of Company to be Scrutineer at shareholders' meetings</i>	The wording of clause 16.11 (which was previously clause 16.10) has been updated and also clarifies that employees or agents of the auditor may act as scrutineers on a poll.
16.12	<i>Declaration of Poll Result</i>	Clause 16.12 (which was previously clause 16.11) has been simplified to enable the chairperson to declare the result of a poll as soon as the result is known and to remove outdated requirements for auditors' and scrutineer's certificates to be provided before the result is declared.
18.2	<i>Form of Proxy</i>	Clause 18.2 has been amended to reflect current market practice relating to appointment of proxies by electronic means and to reflect changes to the wording used in the New Rules. The changes do not affect rights to appoint a proxy.
25.2	<i>Convening of Meetings of the Board</i>	A specific reference to convening a meeting of the Board by sending a notice by email has been added to clause 25.2(b) (which was previously 27.2(b)) for clarity and for consistency with common market practice.
28.1, 28.3 and 28.5	<i>Dividends –method of payment; -deductions; and - unclaimed distributions</i>	Clauses 28.1 and 28.3 (which were previously clauses 31.1 and 31.3) have been updated to reflect current market practices relating to the payment methods for distributions and any deductions from any dividend or other distribution payable to any shareholder. Clause 28.5 (which was previously clause 31.5) contains updated wording in relation to the ability to invest unclaimed distributions and to mingle such distributions with other money of the Company.

F. Consequential Amendments

Clause reference	Topic	Summary of proposed change
1.6	<i>Definitions</i>	<p>A number of consequential deletions have been made to definitions arising from deletions of substantive provisions in the constitution (as noted above). These include the deletion of the following definitions:</p> <ul style="list-style-type: none"> “Average Market Capitalisation” following the deletion of the existing clauses 5, 22 and 23. “ASX” and “ASX Listing Rules” following the deletion of the existing clause 2.6 and related references to those terms in clause 1.9(d). “Employee” following the deletion of the existing clauses 4.2, 4.5 and 4.6 and the existing clauses 5 and 23. “Managing Director” following the deletion of existing clause 26. “Relevant Interest” following the deletion of the existing clause 23.3.
Deletion of existing clause 9.6 and new clause 10.2	<i>Shareholder disclosure register</i>	The existing clause 9.6 has been moved to clause 10 and is now the proposed new clause 10.2. This is a consequential change resulting from the deletion of the existing clause 9.5. Changes to the wording in the proposed new clause 10.2 also arise from the deletion of the existing clause 9.5.

9.5(d)	<i>Board's power to refuse to register a transfer of shares</i>	The changes to clause 9.5(d) (which was previously clause 9.7(e)) are consequential to the deletion of the existing clause 9.5.
23	<i>Appointment and Removal of Directors</i>	The deletions of the references to a "Managing Director" in clause 23 (which was previously clause 24) are consequential amendments arising from the deletion of existing clause 26 and the definition of "Managing Director" in clause 1.6.
23.5	<i>Appointment of Directors by the Board</i>	The deletion of the wording "or deemed fixed, by Ordinary Resolution" in clause 23.5 (which was previously clause 24.8) has been made as a consequence of the removal of the deeming provision that those words refer to in clause 23.1 (which was previously clause 24.1).
26.3	<i>Directors' special remuneration</i>	Clause 26.3 (which was previously clause 28.7) has been amended to reflect the deletion of the related party transaction provisions (in clause 23 of the existing constitution). This clause is now subject to the related party transaction provisions in the New Rules.