SENSITIVE EXPENDITURE, GIFTS AND KOHA

This policy sets out the over-riding principles, requirements and guidance for Airways people incurring Sensitive Expenditure, including employee recognition, and giving and receiving of Gifts and Koha.
**DOCUMENT MANAGEMENT**

**Document Author, Owner and Approver**

<table>
<thead>
<tr>
<th>Role</th>
<th>Name and Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document Author</td>
<td>Corporate Solicitor</td>
</tr>
<tr>
<td>Document Owner</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Document Approver</td>
<td>Airways Board of Directors</td>
</tr>
</tbody>
</table>

**Document Review**

This policy document is to be reviewed every two years.
1 WHY DO WE HAVE THIS POLICY?

Airways New Zealand is a State Owned Enterprise and should be seen to set and maintain the highest standards of honesty and integrity.

This policy sets out the over-riding principles, requirements and guidance for Airways people incurring Sensitive Expenditure, including employee recognition, and giving and receiving of Gifts and Koha.

This policy is underpinned by Airways values. The Code of Conduct states that its peoples’ personal responsibilities are to be trustworthy, act honestly and fairly and to respect Airways property. This policy supports those objectives by ensuring Airways people avoid the risks commonly associated with expenditure on employees and the receipt of Gifts or Koha by employees, i.e. that:

- The expenditure or Gift/Koha received is seen to give an inappropriate or excessive benefit to an individual; or
- With regard to Gifts and Koha, the relevant item is seen as given:
  - In explicit or implicit expectation of a favour in return;
  - In substitution for legitimate payment or remuneration; or
  - Repeatedly and/or at times when it could be seen to influence or reinforce a particular decision or action.

While this policy describes actions to be taken in certain circumstances, it is recognised that it cannot cover all scenarios. Where a situation arises that is not anticipated in this policy, Airways people will use reasonable judgement to determine how to proceed, acting in accordance with the spirit and principles of this policy.

2 WHO DOES THIS POLICY APPLY TO?

This policy is applicable to all Airways employees, Board members, temporary employees and contractors (subject to contract terms). It also applies to Gifts and Koha offered to family members of Airways people where there is a clear link with the duties or official position of the person involved.

This policy does not cover:

- Randomly drawn prizes;
- Externally provided merit based awards and/or prizes; and/or
- Airpoints™ (refer to the Travel Policy).

Breaches of this policy may be considered breaches of Airways Code of Conduct and result in disciplinary action.

3 GENERAL PRINCIPLES & PROCEDURES

3.1 Principles for Sensitive Expenditure

All Sensitive Expenditure (including Gifts and Koha) must:

- Be for a justified business purpose;
- Be in an amount consistent with our corporate culture of moderate to conservative expenditure;
Be made openly and transparently;
Be adequately documented (including the business purpose and including supporting documentation) so that at any time Airways can demonstrate probity;
Be capable of withstanding public scrutiny;
Be in compliance with all applicable Airways policies and legislative requirements;
Be made with integrity;
Not be of a nature or quantum that could:
  o compromise, or appear to have compromised, your judgement;
  o place you under any obligation to a third party;
  o appear to be a conflict of interest;
  o damage relationships with others; or
  o indicate favouritism or preference;
Only be made when both budgetary provision and delegated authority exist to authorise payment.

3.2 One-up approval of Sensitive Expenditure, Gifts and Koha
All Sensitive Expenditure, and the receipt of Gifts or Koha (where required), will receive “one up” approval. This means a person senior to the person who will benefit, or who might be perceived to benefit, from a transaction must approve it. In most instances, this will be the beneficiary’s line manager or the manager of the cost centre being charged (if different), however the following specific approvals are required for specific beneficiaries:

<table>
<thead>
<tr>
<th>Beneficiary</th>
<th>Details of change made</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive member</td>
<td>CEO</td>
</tr>
<tr>
<td>CEO</td>
<td>Board Chair</td>
</tr>
<tr>
<td>Board Chair</td>
<td>Chair of Audit and Finance Committee</td>
</tr>
</tbody>
</table>

Approval of Sensitive Expenditure should be given before the expenditure is incurred (where practical), noting that formal approval of purchase card expenditure is provided after the fact.
In most cases, project managers can approve Sensitive Expenditure charged to a project however:

- Where the project manager benefits from the Sensitive Expenditure, the project sponsor should approve
- Where the beneficiaries include senior managers, the most senior person benefitting should get the expense approved by someone one-up who also has DFA over the project

Appendix 1 makes an exception to this general rule with respect to internal catering.
4 GIFTS AND KOHA

Airways people are required to use reasonable judgement in externally presenting or accepting Gifts and Koha, acting in accordance with the principles set out under section 3.1 above. If in doubt about whether to accept or present Gifts and Koha, people should err on the side of caution.

Examples of Gifts and Koha include, but are not limited to:

- Offers of free or heavily discounted travel (e.g. a trip to Brisbane to watch a rugby test match)
- A bottle of wine or spirits
- Tickets to a concert or sporting event
- Dinner and drinks provided by a supplier
- Loyalty points (excluding Airpoints™) or other loyalty benefits provided by a supplier
- Items received from the redemption of loyalty points accrued from Airways purchases (excluding Airpoints™).

Recognising the importance of adhering to the principles set out in Section 3.1, the following approvals and actions are required when accepting Gifts or Koha. Approval should be obtained in advance, where practical.

<table>
<thead>
<tr>
<th>Value of Gift or Koha</th>
<th>Required approval and action</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$100</td>
<td>None</td>
</tr>
<tr>
<td>From $100 to and including $250</td>
<td>“One up” approval required under section 3.2, and the Gift or Koha must be recorded in the Gifts and Koha Register within two weeks of receipt.</td>
</tr>
<tr>
<td>Individually &gt;$250</td>
<td>Approval required from an executive member or, if the Gift or Koha is received by a member of the executive, in line with the approval requirements under section 3.2. Must be recorded in the Gifts and Koha Register within two weeks of receipt.</td>
</tr>
<tr>
<td>In aggregate, &gt;$500 from a single party in any financial year</td>
<td></td>
</tr>
</tbody>
</table>

The value of Gifts and Koha given to hosts overseas should be appropriate to the circumstances.

Under no circumstances may:

- Gifts and Koha given or received by third parties be exchanged for cash or cash presented to third parties as Gifts and Koha except where Koha is effectively presented in exchange for services (or similar) and the recipient has provided an appropriate tax invoice;
- an individual solicit an externally provided Gift or Koha for themselves or others.

Where any Gift or Koha is required to be declared and added to the Gifts Register, a completed Gift Approval Form should be emailed to awhap@airways.co.nz.

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1 Where the value of Gifts and Koha is not known, it is expected that Airways people will make best endeavours to estimate the value, based on the likely purchase price, face value (e.g. tickets) or other reliable method of estimation.
The Gifts and Koha Register will be reported bi-annually to the Executive, and annually to the Board.

5 EMPLOYEE RECOGNITION, WELFARE AND DEVELOPMENT

Airways encourages managers to acknowledge and recognise special occasions and events in the lives of people reporting to them, and on-the-job successes. Acknowledgments and recognition may take the form of personalised verbal or written communications, functions such as morning or afternoon teas, and presentations of gifts or flowers for such occasions as:

- Births
- Bereavements
- Marriage
- Significant illness or injury
- Farewells for people that have been employed in excess of 24 months
- Hard work and achievement within an employee’s role, on a day-to-day basis
- Service

Detailed expenditure limits and guidelines for employee recognition, welfare, team building and development are set out in Appendix 1. In addition:

- Guidelines for recognition of people’s success in their roles and teams, and for service recognition are set out in the Airways Recognition Programme.
- Guidelines for employee development opportunities are set out in Your Development.
- Service length is the period of unbroken service with Airways (or MOT prior to 1987). On some occasions leave may be considered interrupted but not broken (this is only the case where a specific individual written agreement recognises broken service, such as a sabbatical arrangements or the like). Airways do not include service with other government organisations nor the military. Nor previous Airways employment service (or pre 1987 MOT) if the individual left our employment and then chose to return.

6 EMPLOYEE SPONSORSHIP

Sponsorship of employees can provide major benefits to the organisation, in terms of team building, career development and maintaining a link with the community.

Employee sponsorship requests should be directed to the Communications Team using the Employee Sponsorship Request Form. Sponsorship Requests will then be considered and, subject to the requirements in sections 3.1 and 3.2, decisions made by the Head of Public Affairs and Communications or, where required under the Delegated Financial Authority Policy, by the Chief Executive. Preference will be given to activities, events or initiatives that are in accordance with the principles outlined in section 3.1 of this policy and:

- Promote teamwork – especially from people across more than one business area.
- Build company identity and profile e.g. through Airways-branded clothing, media coverage, and community support for the event/initiative.
- Foster development or innovation – i.e. via the provision of an annual scholarship.
Promote awareness/visibility of Airways in the communities in which we operate – e.g. clean ups, volunteering at the city mission etc. Used in this way, sponsorship is a very cost-effective way of raising our profile and raising the esteem of our employees.

There is no implied guarantee that an event supported one year will automatically be supported in subsequent years.

Applications for food-related expenses or for individuals to attend/enter sporting events and associated travel costs, will not be considered.

7 SUPPORTING PROCESSES OR OTHER RELEVANT DOCUMENTS

In addition to the additional procedural guidance provided in Appendices 1 and 2, the following supporting policies are available on the Policy Hub:

- Code of Conduct
- Delegated Financial Authority Policy
- Travel and Overseas Assignment Policy
- Purchasing Card Policy
- Sponsorship Policy
- Gift Approval Form
- Employee Sponsorship Request Form
- Payments and Gifts in the Maori Community (IRD Guide IR278)

8 DEFINITIONS

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sensitive Expenditure</td>
<td>Any expenditure which could, or could be seen to, give an unjustifiable private benefit to an individual additional to the business benefit for which the expenditure is incurred. Examples of sensitive expenditure include (but are not limited to) travel, entertainment, employee recognition and gifts. Although these types of expenditure may be perfectly justified, the potential sensitivity means that careful decision-making is required.</td>
</tr>
<tr>
<td>Gift and/or Koha</td>
<td>Is a token of recognition received or provided by an Airways employee. It is a gift, token or recognition given on appropriate occasions. Gifts and Koha usually take the form of some tangible object, but might also be in the form of access to services (e.g. free use of a corporate box at a sporting event, tickets to a concert). Gifts and Koha include loyalty or reward points (excluding Airpoints™) when they are redeemed (but not as they are accrued).</td>
</tr>
</tbody>
</table>

9 RECORD AND QUALITY MANAGEMENT

The following records have been specified for retention under the Information Management Policy, NZ Archive General Disposal Authority or the Airways Retention & Disposal Authority:

- Gifts and Koha Register to be retained for 10 years.
**APPENDICES**

**APPENDIX 1: SPECIFIC LIMITS FOR EMPLOYEE RECOGNITION, WELFARE AND DEVELOPMENT**

The following limits and special requirements/conditions apply to sensitive expenditure for employee recognition, welfare and development. These limits, requirements and conditions apply in addition to (not in substitution for) the rules and principles set out in other sections of this Policy. In particular, Airways’ people must satisfy themselves that expenditure (even within the limits set out below) is also compliant with the principles for Sensitive Expenditure set out in Section 3.1.

Where multiple limits below apply to any given expenditure situation (e.g. team building event limits and per person on site catering limits), all must be complied with.

It is recognised that, in certain circumstances, it may be consistent with Airways’ business interests and with the section 3.1 principles for Sensitive Expenditure to exceed the levels below. However, these levels may not be exceeded without prior approval from a member of the Executive, or where a member of the Executive is involved in the expenditure then in line with the approval matrix in Section 3.2.

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Limit</th>
<th>Additional Requirements/Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal gifts for special occasions (e.g. births, deaths, marriages)</td>
<td>$100 + catering for morning/afternoon teas where appropriate</td>
<td>Costs to be met from the employee’s cost centre.</td>
</tr>
<tr>
<td>Leaving gifts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years of Service</td>
<td>Limit</td>
<td>Managers may also fund morning/afternoon teas at their discretion subject to onsite catering guidelines below. Costs to be met from the employee’s cost centre.</td>
</tr>
<tr>
<td>Under 2</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>2-5</td>
<td>$150</td>
<td></td>
</tr>
<tr>
<td>6-10</td>
<td>$250</td>
<td></td>
</tr>
<tr>
<td>11-20</td>
<td>$300</td>
<td></td>
</tr>
<tr>
<td>21-30</td>
<td>$500</td>
<td></td>
</tr>
<tr>
<td>31+</td>
<td>$750</td>
<td></td>
</tr>
<tr>
<td>Service length recognition</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milestone (years)</td>
<td>Recognition Item</td>
<td>Value</td>
</tr>
<tr>
<td>5</td>
<td>Gift - selected by Manager in consultation with recipient</td>
<td>$100</td>
</tr>
<tr>
<td>10</td>
<td>$100</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>$150</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>$250</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>$350</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Gift – Employee selects and is reimbursed. Invitation to Recognition Awards with Partner</td>
<td>$1,000</td>
</tr>
<tr>
<td>35</td>
<td>$1,000</td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>$1,000</td>
<td></td>
</tr>
<tr>
<td>45</td>
<td>CEO’s Discretion</td>
<td></td>
</tr>
<tr>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>Limit</td>
<td>Additional Requirements/Conditions</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Onsite catering</td>
<td>$10 per person (morning/afternoon teas)</td>
<td>Payment by one-up not required</td>
</tr>
<tr>
<td></td>
<td>$25 per person (lunches)</td>
<td>Costs to be met from the employee’s cost centre.</td>
</tr>
</tbody>
</table>
| Team building events and activities | **Frequency** – up to 2 events **per team** can be held offsite per financial year. Any other events are expected to be held onsite. (Offsite hire of a room due to onsite accommodation constraints is not considered an event.) | All events must be supported by an appropriate business reason or purpose (e.g. planning and strategy setting) and not simply for ‘team building’.
|                                     | **Cost limits:**                               | Costs to be met from team leader’s or members’ cost centre(s).                                     |
|                                     | $200 per person per event (to cover all external costs other than travel and accommodation, e.g. venue, activities, speakers and catering costs); and All expenditure must be made within approved event budgets. |                                                                                                    |
|                                     | Accommodation and travel costs for overnight events must be made in line with the Travel policy, and from approved travel budgets. |                                                                                                    |
| Airways-wide initiatives (e.g. Recognition Awards) | Expenditure to be managed within approved budget levels for the specific event. | Any associated Gifts (e.g. to support health & wellbeing campaigns) to be approved by a member of the Executive Leadership team. |
| Christmas functions                | $50 per person (one event only) unless explicitly different values advised by the CEO |                                                                                                    |
| Celebrating on-the-job performance | $50                                            | Exercised using manager’s discretion                                                              |
APPENDIX 2: SPECIFIC LIMITS FOR EMPLOYEE RECOGNITION, WELFARE AND DEVELOPMENT

All claims relating to Sensitive Expenditure need to:

- clearly state the business purpose of the expenditure – in instances where the business purpose is not clear from the supplier documentation supporting the claim, a written statement of the purpose should be included as part of the claim;
- be accompanied by adequate supporting documentation, such as tax invoices or other validating documentation – credit card statements do not constitute adequate documentation for reimbursement;
- document the date, amount, description, and purpose of minor expenditure when receipts are unavailable (for example, for tips or from vending machines);
- where it involves catering and entertainment, document the number of people attending and the most senior Airways person in attendance; and
- be submitted promptly after the expenditure is incurred.

All Gifts and Koha provided to external parties must be:

- approved in line with the one up principle in Section 3.2;
- coded to the “gifts” natural account in the general ledger; and
- processed and documented in line with the guidance above.

In addition, the following conditions must be met in order to ensure Koha is deductible for tax purposes:

- The Gift or Koha must be linked to Airways’ business; and
- Adequate records must be kept to support the payment and linkage. This includes the:
  a) particulars of the meeting (time, date and place)
  b) reason for attending the meeting
  c) type of payment made (cash, cheque, supplies)
  d) source of payment (where supplies came from
  e) receipt or tax invoice if one can be obtained.