

BOARD CHARTER

Owner: Vector's board of directors
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Vector Limited is a leading New Zealand network infrastructure company with a portfolio of businesses delivering electricity, gas, telecommunications and metering services in New Zealand. This charter, the board committee charters and policies set out the governance requirements for the Vector board.

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1. INTRODUCTION

- 1.1 The primary objective of the board is to protect and enhance the value of the company in the interests of the company and its shareholders.
- 1.2 To ensure that Vector's business objectives and strategies are achieved and to deliver value to the company and its shareholders, the board will strive to understand, meet, and appropriately balance the expectations of all its stakeholders, including its employees, customers and the wider community.
- 1.3 In carrying out its responsibilities and powers as set out in this charter, the board will at all times recognise its overriding responsibility to act honestly, fairly, diligently and in accordance with the law. The board will work to promote and maintain an environment within Vector that establishes these principles as basic guidelines for all of its employees and representatives at all times.

2. PURPOSE

2.1 Governance at Vector

The board is elected by Vector's shareholders and has statutory responsibility for the affairs and activity of the company. In practice, this is achieved through the delegation to the group chief executive who is responsible for the day-to-day leadership and management of the company.

2.2 Guiding principles

Vector will:

- (a) Be a leading commercial enterprise in Australasia with a reputation for delivering results through sound strategy;
- (b) Have entrepreneurial agility, being the first to identify opportunities and bring them to market;
- (c) Be a great employer which values knowledge and talent;
- (d) Strive to ensure that everyone who does work for Vector, goes home healthy and safe;
- (e) Deal fairly and honestly with its customers; and
- (f) Be a good corporate citizen.

2.3 Governance objectives

Vector will:

- (a) *Lay solid foundations for management* - Vector will establish and disclose the respective roles and responsibilities of the board and management;
- (b) *Structure the board to add value* – Vector will have a board of directors of effective composition, size and commitment to adequately discharge its responsibilities and duties;
- (c) *Promote ethical and responsible decision making*;
- (d) *Safeguard the integrity of Vector's financial reporting* – Vector will have a structure to independently verify and safeguard the integrity of its financial reporting;
- (e) *Make timely and balanced disclosure* – Vector will promote timely and balanced disclosure of all material matters concerning Vector;
- (f) *Respect the rights of Vector's shareholders* – Vector will respect the rights of shareholders and facilitate the effective exercise of those rights;

- (g) *Recognise and manage risk* – Vector will establish a sound system for risk oversight and management and internal control;
- (h) *Remunerate fairly and responsibly* - Vector will ensure that the level and composition of remuneration is transparent, sufficient and reasonable and that its relationship to performance is clear;
- (i) *Promote a company culture which embraces diversity* – Vector will ensure that its culture, policies and management systems are aligned with and promote the attainment of diversity; and
- (j) *Recognise the legitimate interests of Vector's stakeholders* – Vector will recognise the interests of its stakeholders and will foster constructive relationships with stakeholders to encourage them to engage with Vector.

3. RESPONSIBILITIES

3.1 Responsibilities of the board

The board is responsible for:

- (a) Charting the direction, strategies and financial objectives of Vector and monitoring the implementation of those policies, strategies and financial objectives;
- (b) Overseeing Vector, including its control and accountability systems;
- (c) Overseeing the planning, delivering, monitoring and reviewing Vector's health, safety and environment strategy;
- (d) Appointing the group chief executive, determining that person's terms and conditions (including remuneration and performance review);
- (e) Delegating responsibility for the day-to-day operation and management of Vector to the group chief executive assisted by senior executives within Vector;
- (f) Ensuring that Vector has an effective framework to balance the role of management in operating Vector and the board in monitoring, guiding and providing oversight;
- (g) Where the board considers it appropriate, ratifying the appointment and removal of senior executives;
- (h) Providing input into and final approval of management's development of corporate strategy and performance objectives;
- (i) Reviewing ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance;
- (j) Monitoring senior executives' performance and implementation of strategy;
- (k) Ensuring appropriate resources are available to Vector's senior executives;
- (l) Approving and monitoring the progress of major capital expenditure, capital management, and major acquisitions and divestments;
- (m) Approving and monitoring financial and other reporting;
- (n) Approving the approach to be taken in relation to significant public relations issues that may negatively impact Vector's reputation; and
- (o) Overseeing Vector's corporate governance framework.

3.2 Responsibilities of the group chief executive and delegated authorities

The group chief executive:

- (a) Is delegated by the board all the necessary powers and authorities to manage the business of Vector other than the right to exercise those powers and authorities:
 - (i) Which the law requires the board to exercise; or
 - (ii) Reserved to the board for decision as set out in this charter, the board committee charters or policy documents issued by the board periodically; or
 - (iii) That do not fairly fall within the terms of the then current strategic plan or annual budget which the board has approved; or
 - (iv) In excess of the group chief executive's authority as set out in the delegated authorities framework approved by the board; or
 - (v) In accordance with the spirit of any approval given by the board; or
 - (vi) In respect to a matter communicated by the board to the group chief executive as being a matter in respect of which the board's approval is required;
- (b) In exercising the powers delegated to the group chief executive, will do so in conformity with the duties imposed on directors of Vector by law and by Vector's constitution;
- (c) Is responsible to the board for the management and performance of Vector and in conjunction with the board, for the development of strategy. The group chief executive manages Vector in accordance with the annual budget, strategic plan and policies approved by the board from time to time;
- (d) May sub-delegate the powers delegated to the group chief executive, provided that:
 - (i) Such sub-delegate shall be subject to the same restrictions as apply to the delegator;
 - (ii) The sub-delegation is in accordance with the delegated authorities framework approved by the board; and
 - (iii) The delegator remains responsible for the exercise of the powers that person delegates unless the person believed on reasonable grounds at all times before the exercise of the power delegated that the delegate will exercise that power in conformity with the duties imposed;
- (e) Has primary responsibility to bring to the attention of the board and each committee, issues that fall within the board's responsibilities or within the committee's responsibilities and delegated authority and any other issue which the group chief executive considers requires the attention of the board or a committee.

3.3 **Matters reserved to the board for decision**

The matters reserved to the board for decision include, but are not limited to, the following:

- (a) Approving Vector's strategic plan and annual budget;
- (b) Appointing, evaluating and rewarding the group chief executive and the group chief executive's direct reports;
- (c) Ensuring succession plans are in place for the group chief executive and the group chief executive's direct reports;
- (d) Approving half yearly, full year and annual reports and related reports to NZX;
- (e) Approving capital structure, treasury and dividend policies;

- (f) Approving resolutions and corresponding documents to be put forward to shareholders at a general meeting;
- (g) Funding arrangements such as bank borrowings;
- (h) Sales and purchases of businesses or shares in a business;
- (i) Appointments to boards of subsidiaries;
- (j) Prosecution, defence or settlement of litigation involving more than \$100,000 or being otherwise material to the interests of Vector;
- (k) Approving information submitted to regulatory authorities other than information submitted in accordance with a process approved by the board;
- (l) Approving Vector's health, safety and environment strategy;
- (m) Approving the delegated authorities framework;
- (n) Approving actions that the delegated authorities framework requires the board to approve;
- (o) Review of Vector's overall corporate governance arrangements;
- (p) Directors' and officers' liability insurance; and
- (q) Approving changes to policies published on a Vector website and the publishing of any new policies on that website.

3.4 **Role of the chairman**

The board will appoint a chairman of the board who shall be an independent, non-executive director and whose responsibilities include:

- (a) Leadership of the board;
- (b) Ensuring the efficient organisation and conduct of the board;
- (c) Setting the agenda for each meeting in consultation with the group chief executive. Any director may request an item to be added to the agenda;
- (d) Chairing board and shareholder meetings;
- (e) Ensuring all directors are briefed on material matters arising at or between board meetings;
- (f) Promoting an environment of trust, respect and openness to ensure consultative and constructive relationships between the board and management;
- (g) Fostering a constructive governance culture and applying appropriate governance principles among directors and with management;
- (h) Committing the time necessary to discharge effectively the role as chairman;
- (i) Approving press releases concerning matters decided by the board; and
- (j) Having authority to act and speak for the board between its meetings, including engaging with the group chief executive. The chairman shall report to the board and board committee chairs as appropriate on decisions and actions taken between meetings of the board.

3.5 **Remuneration**

Remuneration of executives and directors shall be at fair and reasonable levels measured against a competitive market. Remuneration levels for executives shall be determined in accordance with Vector's Remuneration Policy and the Director and Executive Remuneration Policy. Directors' remuneration is also determined on the basis of an independent assessment

of the competitive market and authorised by an ordinary resolution of shareholders.

3.6 Conduct

Directors will undertake their duties with care and diligence at all times giving proper time and attention to matters before them. Board discussions will be open and constructive with all directors participating fully and constructively bringing the benefit of their particular knowledge skills and abilities to discussions. Directors will at all times comply with Vector's Code of Conduct and Ethics and the Directors' Code of Practice.

4. COMPOSITION AND PROCEDURES

4.1 Board composition

The minimum number of directors is three and Vector's constitution sets the maximum number of directors at nine. At least two directors must be ordinarily resident in New Zealand. In addition to the constitutional requirements, the board has agreed that one third of directors must meet the independence requirements described at section 4.5 and that it will specifically identify the directors it considers to be independent within ten business days of their appointment. The same person shall not hold the roles of chairman and group chief executive. The chairman will be elected in accordance with the constitution.

4.2 Appointment

Directors may be appointed by ordinary resolution of shareholders at any time, as provided for in the Constitution. The Constitution provides that for such time as the trustees of the Auckland Energy Consumer Trust ("AECT") hold not less than 50.01% of the shares of Vector a director may only be appointed with the prior written approval of AECT.

4.3 Casual vacancies

The board may, at any time, appoint a director to a casual vacancy, with a director so appointed required to retire at the next annual meeting of Vector and elected by an ordinary resolution of shareholders. As set out in the board nominations committee charter, for such time as the trustees of the AECT hold not less than 50.01% of the shares of Vector, the Nominations Committee will consult with the trustees (or any appointed subcommittee of the trustees for this purpose) prior to finalising any recommendation to the board on any candidate for nomination or appointment to the board.

4.4 Rotation

The NZX Listing Rules require at least one third of all directors to retire at each annual meeting. At each annual meeting, the directors who retire are those wishing to retire or, where less than one third of directors wish to retire, those who have been longest in office since their last election. There is no maximum term for which a person can remain a director.

4.5 Independence

As required by the NZX Listing Rules, the board will determine at prescribed times the "independence" of directors and will announce that determination to the market. A director is only to be regarded as independent if the board resolves that the director has no relationship with Vector (either directly, through associated persons or as a partner, shareholder, or executive officer of an organisation that has a material relationship with Vector) that could compromise his or her ability to exercise unfettered judgement.

Only independent directors are eligible for holding the position of board chairman.

4.6 Induction

Newly-appointed directors will be provided with an induction programme and materials to assist in enhancing their understanding of Vector and the environment within which it operates.

4.7 Continuous education

It is expected that all directors continuously educate themselves to ensure that they may appropriately and effectively perform their duties. Vector will provide specific training as required, including health and safety training. In addition, visits to specific company sites (including to undertake safety observations and to facilitate health and safety discussions with staff), and briefings from the group chief executive and other senior executives, will be arranged when appropriate. From time to time, the board may also undertake educational trips to receive briefings from companies in relevant industries.

4.8 Seeking independent advice

A board committee or a director may retain and consult with external legal or other professional advisers at Vector's expense where the committee or director deems it necessary to carry out its, his or her duties. The chairman must be advised that the advice has been taken and the advice must be made available to the rest of the board.

4.9 Board procedure

The board usually meets at least nine times a year. Board papers will be provided to directors in sufficient time prior to meetings to enable directors to familiarise themselves with their content.

Should circumstances require, additional meetings may be convened. Urgent business may be conducted by telephone or video conference. If an urgent decision is required between board meetings, where appropriate, the matter may be dealt with by written resolution in accordance with the Constitution.

5. BOARD COMMITTEES

5.1 Establishment of board committees

The board may from time to time establish committees to assist it in carrying out its responsibilities, and shall adopt charters setting out matters relevant to the composition, responsibilities and administration of such committees, and other matters that the board may consider appropriate.

5.2 Authority of board committees

Board committees will review and analyse policies and strategies, usually developed by management, which are within their terms of reference. They examine proposals and, where appropriate, make recommendations to the full board. The board may generally rely on information provided by the board committees and their members in relation to matters within that board committee's delegated responsibility, provided that it has evaluated the information and is not aware of any basis upon which to question its accuracy (in which case further enquiry will be required to allow the board to determine whether it can rely on that information or not).

5.3 Current board committees

The current board committees are the Audit Committee, the Risk and Assurance Committee, the Remuneration Committee, the Regulatory Committee and the Nominations Committee. Committee chairs and members are appointed by the board.

5.4 Committees to report to board

Board committees shall report on their deliberations at the next board meeting.

5.5 Review of board committees and charters

The board shall regularly review the performance and charter of each committee to ensure that performance is consistent with the charter and that the charter continues to be appropriate. Each committee shall report its findings to the board.

6. HEALTH AND SAFETY

6.1 Health and Safety Risk

The board is responsible for approving, and overseeing the planning, delivering, monitoring and reviewing, of Vector's health, safety and environment programme. While the board retains the primary responsibility for these matters, the Risk and Assurance Committee is responsible for overseeing key risk management related processes and functions related to health, safety and the environment and reporting to the board on the same.

6.2 Health and Safety Champions

All board members will be health and safety champions for the company.

7. ACCOUNTABILITY

7.1 Conflicts of interest

In consideration of the diverse business activities of Vector and its subsidiaries, directors minimise the possibility of conflict of interest in their involvement with Vector by restricting their involvement in businesses that could lead to a conflict of interest. Where conflicts of interest do exist, directors disclose the nature of their interest to fellow directors and, where appropriate, excuse themselves from discussions in respect of those interests, and do not exercise their right to vote in respect of such matters.

7.2 Trading in Vector securities

Directors are subject to limitations on their ability to buy and sell Vector's listed securities by Vector's Insider Trading Policy and the Securities Market Act 1988. All changes in Vector securities holdings of directors are reported to the board and the NZX. Vector's listed securities currently comprise ordinary shares, capital bonds and senior fixed interest rate notes.

8. REVIEW OF BOARD

8.1 The chairman shall meet regularly with directors to discuss individual performance of the directors.

8.2 The board shall undertake an annual self review of its performance having regard to:

- (a) The nominations committee's objectives and responsibilities contained in this charter; and

- (b) Best practice corporate governance standards including but not limited to:
 - (i) The New Zealand Securities Commission's (Financial Market Authority) Corporate Governance Principles;
 - (ii) NZX Limited's Main Board Listing Rules including the Corporate Governance Best Practice Code; and
 - (iii) The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

9. REVIEW OF CHARTER

- 9.1 This charter shall be reviewed by the board and updated at least every two years.