



VECTOR LIMITED

AUDIT COMMITTEE CHARTER

1. OBJECTIVES

The objectives of the Audit Committee are to:

- (i) Assist the board in performing its oversight responsibilities relating to financial reporting and regulatory conformance;
- (ii) Review the financial reporting process, the system of internal financial control, the external audit process and the company's process for monitoring compliance with statutes and its policies; and
- (iii) Review Treasury risk management controls.

2. STRUCTURE AND COMPOSITION

The committee shall comprise not less than three members, being non-executive directors of the Company, at least one of whom shall have an adequate accounting or financial background and the majority of whom are acknowledged as independent by the board pursuant to its charter. The Chairperson shall be an independent director and shall not be the Chairman of the Board.

A director shall be considered to have an adequate accounting or financial background if he or she:

- (a) is a member of the Institute of Chartered Accountants of New Zealand, or has held a Chief Financial Officer position at a listed company for a period greater than 24 months; or
- (b) has successfully completed a course approved by NZX for audit committee membership; or
- (c) has experience and/or qualifications deemed satisfactory by the board.

The Board shall appoint the members and Chairperson of the Committee. Members may be removed from the Committee by the Board at any time during their tenure.

The Committee shall extend an invitation for attendance to other directors, the Chief Executive Officer and the Chief Financial Officer where the Committee thinks this is appropriate. The external auditors shall be invited to attend those parts of any meetings related to their responsibilities as required.

The Committee will meet with the external auditors of the Company at least once a year, and for at least part of that meeting no executive directors or other employees of the Company should be present.

3. AUTHORITY

The Board authorises the Audit Committee, within the scope of its responsibilities to:

- (i) seek any information it requires from any employee of the Company and external parties;
- (ii) obtain external legal or other professional advice; and
- (iii) ensure the attendance of company officers at meetings as appropriate.

4. FUNCTIONS OF THE AUDIT COMMITTEE

The functions of the Committee include:

Financial Reporting

- (i) Considering and approving all major accounting policy issues, including any proposed changes to the company's accounting policies and practices which should be submitted by management for consideration;
- (ii) Considering whether any changes to the company's accounting policies and practices are required as a result of changes to any generally accepted accounting principles or statutory requirements;
- (iii) Considering and approving for submission to the Board both the interim (half yearly) and final (year end) accounts including the notes thereto, and all other financial statements (if any) prepared by the company (including the company's quarterly reports and regulatory accounts) and advising all directors whether they comply with the appropriate laws and regulations;
- (iv) Assessing the fairness of financial statements prepared by the company, and obtaining explanations from management and the external auditors on whether:
 - actual financial results varied significantly from budgeted or projected results;
 - there are any significant or unusual events or transactions;
 - the company's financial and operating controls are functioning effectively; and
 - all financial statements and announcements contain adequate and appropriate disclosures;
- (v) Considering and approving for submission to the Board the interim and final directors' reports to shareholders; and
- (vi) Preparing annual reports to shareholders and stakeholders on the amount of fees paid to auditors, which report shall differentiate between fees for audit and fees for individually identified non-audit work (i.e., separating each category of non-audit work (if any) undertaken by the auditors, and disclosing the fee payable for this).

External Audit

- (vii) Liaison with the external auditors, which includes:

- **Audit Planning**

The committee shall meet with the external auditors at the commencement of the planning phase of the audit so that areas of mutual interest and concern can be discussed. This

should be limited to significant issues only. One aspect of specific consideration would be the levels of materiality to be adopted by the auditors in respect of Vector.

- **Level of Audit Fee**

The proposed level of the external audit fee shall be reviewed and an appropriate recommendation made to the main Board for implementation under the authorisation pursuant to the resolution by shareholders at the Annual Meeting.

- **Areas of Accounting Difficulty**

Should areas of major difficulty or controversy arise during the course of an audit, the Committee shall be available to meet with the auditors and work towards an acceptable resolution.

- **Audit Opinion**

At the time the Committee considers final financial statements it shall consider the form and content of the audit opinion and confirm with the auditors that management has placed no restrictions on their audit approval.

- **Audit Management Letter**

At the time the final financial statements are considered the committee shall receive and consider a report from the auditors on their annual audit including the audit management letter. Any significant issues raised by the auditors should be discussed with them.

- **Audit Appointment**

The Committee shall also:

- consider the independence of the external auditors (including reviewing the range of services provided by the auditors in the context of all consulting services bought by the company);
- review the performance of the external auditors; and
- make recommendations to the Board regarding the reappointment of the external and internal auditors.

While rotation of audit firms is not required, in considering appointment of the auditor, the Committee shall ensure that the same audit partner does not lead the Company's external audit for more than five consecutive years (i.e., lead and engagement audit partners should be rotated from the engagement after a maximum of five years).

Internal Audit

The Audit Committee will receive and review regular reports from the Risk and Assurance Committee in respect of the internal audit practices and programmes, and will have unrestricted access to the internal auditors as it sees necessary.

Finance

- (vii) The audit committee may annually review Vector's funding policies and practices and when appropriate approve and recommend to the Board any changes to finance/funding arrangements, e.g. changes to promissory note facilities, new bond issues, bank arrangements.

General

- (viii) Reviewing the company's treasury policy from time to time. No changes to any treasury policy shall occur without the approval of the Audit Committee;
- (ix) Undertaking a regular review of the company's tax position, compliance and exposure;
- (x) Recommending to the board whether any dividends or other distributions should be made to shareholders, and the amount of those dividends or distributions;
- (xi) Reviewing the company's system for monitoring compliance with statutes and the company's policies;
- (xii) Obtaining regular updates from management and the company's legal advisers regarding compliance matters;
- (xiii) Reviewing the findings of any examinations by regulatory agencies;
- (xiv) Liaison with the Risk and Assurance Committee in considering risks of a financial nature, whether those matters have been referred to the Audit Committee by the Board, by the Risk and Assurance Committee, or raised by the Audit Committee itself;
- (xv) Ensuring that there is full and frank dialogue among the Committee, Board, external auditors and management of the Company; .and
- (xvi) Such other directives that the Board may set down from time to time.

5. MEETINGS

The Audit Committee shall meet formally at least three times per year and at such other times the Committee considers appropriate to fulfil its responsibilities, including any meetings requested by the external auditors. The proceedings of all meetings shall be minuted.

A quorum for a Committee meeting shall be three members.

6. REPORTING

The Committee shall regularly update the Board about Committee activities at the next scheduled Board meeting (unless circumstances require earlier communication) and make appropriate recommendations, and should ensure that the Board is made aware of any matters which may significantly impact on the financial condition or affairs of the business.

7. REVIEW OF COMMITTEE

The Committee shall undertake:

- (a) a regular self review of its objectives and duties; and
- (b) a regular self review of its charter.

Approved by the board May 2007