

VECTOR LIMITED
BOARD CHARTER



Vector Limited is a leading New Zealand network infrastructure company with a portfolio of businesses delivering electricity, gas, and broadband telecommunications services in New Zealand.

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1. INTRODUCTION

- 1.1 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 in serving the interests of Vector's shareholders and other stakeholders, including its employees, customers and the wider community. It 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 has statutory responsibility for the affairs and activities of Vector, which in practice is achieved through delegation to the Chief Executive Officer and others who are charged with the day-to-day leadership and management of Vector. The Directors are elected by Vector's shareholders.

The Chief Executive Officer also has a special responsibility to manage and oversee the interfaces between Vector and the public and to act as the principal representative of Vector.

As the Board is accountable to all stakeholders, it seeks to identify the expectations of the stakeholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board ensures the Risk and Assurance Committee and Management identify areas of significant business risk and that arrangements are in place to adequately manage those risks. To this end, Directors set strategic directions in conjunction with management, with particular regard to financial policy and the review of performance against strategic objectives.

Aside from the matters detailed above, the responsibility for the operation and administration of Vector, including management of human resources, and implementation of the risk management strategy set by the Board, is delegated by the Board to the Chief Executive Officer, his Senior Management Team and various Board committees. The Board ensures that the Chief Executive Officer and Senior Management are appropriately qualified and experienced.

As far as practicable, the Board is established and run in accordance with guidelines set out in the New Zealand Institute of Directors' Code of Proper Practice for directors, and having regard to the Institute of Directors' best practice statements. It also takes account of the New Zealand Exchange Limited ("NZX") Corporate Governance Best Practice Code, the New Zealand Securities Commission's Corporate Governance Principles and guidelines and contemporary best practice standards in New Zealand and overseas.

The Board has adopted the following guidance principles and governance objectives:

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) Deal fairly and honestly with its customers; and
- e) Be a good corporate citizen.

Governance Objectives

To:

- a) Observe and foster high ethical standards;
- b) Balance independence, skill, knowledge, experience and perspectives among directors so that the board works effectively;
- c) Use committees where this will enhance the Board's effectiveness in key areas while retaining Board responsibility;
- d) Regularly review the performance of Board committees in accordance with their charters;
- e) Demand integrity both in financial reporting and in the timeliness and balance of disclosures on Vector affairs;
- f) Ensure that the remuneration of directors and executives is transparent, fair and reasonable;
- g) Regularly verify that Vector has appropriate processes that identify and manage potential and relevant risks;
- h) Ensure the quality and independence of the external audit process;
- i) Foster constructive relationships with stakeholders that encourages them to engage with the entity; and
- j) Respect the interests of stakeholders within the context of Vector's ownership type and its fundamental purpose.

2.2 The Role 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) Monitoring compliance with regulatory requirements and ethical standards;
- c) Appointing the Chief Executive Officer, determining his/her terms and conditions (including remuneration, and reviewing his/her performance; and
- d) Protecting and enhancing the value of the assets of Vector in the interests of Vector and its stakeholders.

3. RESPONSIBILITIES AND DUTIES

3.1 Powers

In addition to matters expressly required by law to be approved by the Board, powers specifically reserved for the Board are:

- a) Any matters in excess of discretions that it may have from time to time delegated to the Chief Executive Officer and senior management in relation to transactions, market risk limits and expenditure;
- b) Approvals of:
 - (i) the budget and business plan, at least annually;
 - (ii) the acquisition, establishment, disposal or cessation of any significant business of Vector*;
 - (iii) the issue of any securities in Vector*; and

c) The review of Vector's performance against strategic objectives.

(* which also require shareholder approval in certain circumstances)

3.2 **Delegated authorities**

The formulation and implementation of policies and reporting procedures for management has been delegated to the Chief Executive Officer, including through formal Delegated Authorities, to enable the conduct of the day to day affairs of the company. The Board approves Delegated Authorities for the Chief Executive Officer and senior managers which set limits on certain expenditure and other commitments to be made on behalf of the Company. Holders of Delegated Authorities have individual accountability for them.

3.3 **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 the Company's Remuneration Policy. Directors' remuneration is determined on the basis of an independent assessment of the competitive market and authorised by an ordinary resolution of shareholders.

3.4 **Conduct**

Directors will undertake their duties with care and diligence at all times giving proper 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 the Company's Code of Conduct and the Directors' Code of Practice.

4. **COMPOSITION AND PROCEDURES**

4.1 **Board composition**

The minimum number of directors is three and the Company'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 4.6 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 Chief Executive Officer. The Chairman will be elected in accordance with the Constitution.

4.2 **Regular review**

The Board will regularly review its performance and the performance of each director.

4.3 **Appointment**

Directors may be appointed by ordinary resolution of shareholders at any time, as provided for in the Constitution.

4.4 **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 the Company 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 Auckland Energy Consumer Trust (“AECT”) hold not less than 50.01% of the shares of the Company, 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.

4.5 **Rotation**

The Constitution requires 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.

4.6 **Independence**

As required by the NZSX 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 judgment.

Only independent directors are eligible for holding the position of Board chairperson.

4.7 **Induction**

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

4.8 **Continuous education**

It is expected that all directors continuously educate themselves to ensure that they may appropriately and effectively perform their duties.

4.9 **Seeking independent advice**

Where a director perceives an irregularity in a Company-related matter, he or she is entitled to seek independent advice at the Company’s expense. Directors must ensure that the costs are reasonable and must advise the chairperson before the advice is obtained. The advice must be available to the rest of the Board.

4.10 Board procedure

The Board usually meets monthly in accordance with an annual schedule determined prior to the end of each calendar 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. Committees established by the Board 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. Committees do not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so.

5.2 Current Board Committees

The current Board committees are the Audit Committee, the Risk and Assurance Committee, the Remuneration Committee, the Nominations Committee and the Shareholder and Market Committee. Committee chairpersons and members are appointed by the Board.

5.3 Review of Board Committees and Charters

Each Board committee shall regularly review its performance and charter 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. ACCOUNTABILITY

6.1 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.

6.2 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 fixed interest rate notes.

Approved by the board September 2007