

BOARD CHARTER

Owner: Vector’s board of directors
 Approved: June 2010

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

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1. INTRODUCTION

- 1.1 The primary objective of the board is to create shareholder wealth (with a long term bias) and in that context to have due regard to the interests of other stakeholders.
- 1.2 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 directors are elected by Vector's shareholders. As far as practicable, the board is established and operates in accordance with:

- (a) The 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;
- (b) The New Zealand Exchange Limited ('NZX') Corporate Governance Best Practice Code;
- (c) The New Zealand Securities Commission's Corporate Governance Principles and guidelines and contemporary best practice standards in New Zealand and overseas; and
- (d) The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

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) Deal fairly and honestly with its customers; and
- (e) 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) Recognise the legitimate interests of Vector's stakeholders;
- (j) Regularly review the performance of board committees in accordance with their charters;
- (k) Foster constructive relationships with stakeholders that encourages them to engage with the entity.

3. RESPONSIBILITIES

3.1 Responsibilities of the board

The business affairs of Vector are managed by, or under the direction or supervision the board. The board is responsible for:

- (a) Protecting and enhancing the value of the assets of Vector in the interests of Vector and its stakeholders;
- (b) Charting the direction, strategies and financial objectives of Vector and monitoring the implementation of those policies, strategies and financial objectives;
- (c) Overseeing Vector, including its control and accountability systems;
- (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 the approach to be taken in relation to significant public relations issues that may negatively impact Vector's reputation; and
- (n) 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 approved by the board periodically; 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:
 - (i) Such sub-delegate shall be subject to the same restrictions as apply to the delegator;
 - (ii) The sub-delegation may not contradict the extent of sub-delegation permitted by the delegated authorities framework approved by the board;
 - (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 the delegated authorities framework; and
- (m) Approving actions that the delegated authorities framework requires the board to approve;
- (n) Review of Vector's overall corporate governance arrangements;
- (o) Directors' and officers' liability insurance; and
- (p) 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 the Directors' Code of Practice.

4. COMPOSITION AND PROCEDURES

4.1 Board composition

The minimum number of directors is three and the 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 4.6 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 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.

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 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 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.

4.8 Seeking independent advice

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

4.9 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.

4.10 Evaluation of board performance

The chairman shall meet regularly with directors to discuss individual performance of the directors. The board shall review its performance as a whole on an annual basis. The Nominations Committee will assist the chairman in determining the appropriate review and evaluation process to be adopted. The chairman shall make recommendations to the board in relation to the support for renomination of retiring directors.

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 Regulatory Committee and the Nominations Committee. Committee chairs and members are appointed by the board.

5.3 Committees to report to board

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

5.4 **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. 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 senior fixed interest rate notes.