



REMUNERATION

Policy Document

1.0 Introduction and Strategy

Remuneration includes all aspects of monetary reward as a result of individual, team and Company performance. Vector's remuneration strategy is to attract and retain high performing individuals able to deliver the Company's strategy and vision.

To achieve this strategy, this Remuneration Policy:

- Aligns with Vector's strategic and annual business objectives, Company values and culture.
- Balances competitive pay with affordability.
- Provides flexibility to reward individuals for outstanding contribution.

2.0 Principles and Objectives

This Remuneration Policy is designed to:

- Ensure there is a direct link between performance and pay.
- Reward performance, based on results achieved as well as demonstrated behaviours and competencies.
- Encourage and recognise high performing individuals.
- Ensure Vector is competitively positioned in the employment market.
- Reward achievement of strategic objectives and shareholder returns.
- Be transparent, consistent, easy to understand and simple to administer.

3.0 Pay Structure

Vector takes a total cash approach to remuneration, inclusive of all "benefits", and takes account of:

- External market trends.
- Individual performance.
- Internal relativities.
- Company budget

Apart from Life and Income Protection Insurance (see below), Vector does not provide "benefits", however employees have access to group scheme memberships.

The total cash approach comprises a mix of fixed and variable "at risk" pay:

Fixed remuneration: Is guaranteed pay or salary and is inclusive of all benefits

Variable "at risk" pay: Includes Vector's incentive plan for eligible employees, and any additional rewards. Variable remuneration is paid on top of fixed remuneration.

Variable pay rewards are not entitlements and must be re-earned each performance period.

4.0 Life and Income Protection Insurances

Vector provides Life as well as Income Protection insurance cover at no cost to employees. These insurances are a key cornerstone to our Vector Life policy; our philosophy about life and work.

5.0 Job Bands

Job bands cluster jobs into common Hay point ranges based on:

- The nature of work carried out.
- The accountabilities undertaken.
- Impact to the business.
- The knowledge, experience and expertise required to perform the job.

Vector uses job evaluation methodology to assign positions to bands. Positions move from one band to another only if the position has been redesigned as a result of organisational change and is fundamentally different in scope. General Managers and People & Culture work together on this process.

6.0 Employment Market Trends

Vector will regularly participate in external remuneration surveys and will compare its fixed remuneration against the median remuneration levels of the New Zealand private sector.

7.0 Individual Pay Rates

Individual remuneration is determined within the appropriate band and is based on an individual's:

- Experience, skill and knowledge relevant to the job.
- Performance and potential contribution to the Company.

Remuneration is reviewed annually and can only be adjusted through this process unless an individual moves into a higher banded role during the year.

8.0 Salary Reviews

Fixed pay is reviewed, but not necessarily increased, on an annual basis. Any salary increases awarded must be based on individual performance, as measured by Vector's Performance Management System.

Salary reviews will generally be effective from 1 July, but the review date may change depending on the Company's needs.

The relevant General Manager and Group Manager, People & Culture must approve any salary adjustment outside of the normal review process, arising as a result of a change in an individual's role responsibility as cited above or, market pressures.

9.0 Vector Incentive Plan

Vector operates an incentive programme to acknowledge and reward eligible participants performing beyond expectations.

The amount of the incentive opportunity is determined on job accountability and overall impact on the business. Positions with greatest impact have access to the greatest incentive opportunity.

The Incentive Plan makes up the variable "at risk" component of an individual's remuneration package. The Plan rewards the achievement of "stretch" performance objectives and, as it is an incentive rather than an entitlement, must be re-earned each performance year.

The Incentive Plan is reviewed each year and amended as required to ensure appropriate alignment with the Company's business strategy. Full details of the plan are documented for each performance period (generally the Company's financial year) and available to all permanent employees.

The continuation and terms of the Incentive Plan are at the discretion of the Company and are available on Vectors intranet.

10.0 Communication

This Remuneration Policy, together with details of the banding and pay range system, is published on the intranet and available to all employees. While individual remuneration is personal and confidential, Vector believes the Company's approach to remuneration should be transparent and understood by all employees.

Vector reserves the right to review and amend this Policy at any time to meet the needs of the business. Any changes will be communicated to all employees.

(Revised June 2007)