

RISK & ASSURANCE COMMITTEE CHARTER



Owner: Vector's board of directors
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1. STATUS AND OBJECTIVES

1.1 Status

The board risk and assurance committee (BRAC) is a sub-committee of the board of Vector and exercises the board's authority in respect to those responsibilities delegated to it by the board and is accountable to the board for its performance.

1.2 Objectives

The objectives of the BRAC are to:

- (a) Provide strategic guidance and feedback to the board and to the executive risk management committee on Vector's risk management and assurance policy and practice;
- (b) Assist the board to discharge its responsibility to exercise due care, diligence and skill in relation to the oversight of the following:

Risk Management

- (i) Review the key risks faced by Vector;
- (ii) Review the risk management policy;
- (iii) Risk management framework and practices, and compliance with the framework;

- (iv) Key risk management related processes and functions, such as insurance, business continuity management, health safety and environment and IT security;

Assurance

- (v) Internal control systems;
- (vi) Compliance with applicable laws, regulations, codes and standards;

Internal Audit

- (vii) Oversee the development of the internal audit program and its implementation including delivery of required actions;
- (viii) Oversee and monitor the performance of the internal auditor;
- (ix) the identification, analysis and management of risks which may have a significant influence on the performance of Vector;
- (x) Provide a structured reporting line for internal audit and ensure the objectivity of internal audit; and
- (xi) Act as a formal forum for free and open communication between the board, internal auditors and management.

Matters relating to the security of electricity and gas supply are the responsibility of the board, not this committee.

2. COMPOSITION

2.1 Membership and qualifications

The BRAC must comprise not less than three members, being directors of Vector.

2.2 Appointment and removal of members

The board shall appoint the members and chair of the BRAC. Members may be removed by the board at any time during their tenure. The chair of the board audit committee shall be appointed a member of the BRAC.

3. MEETINGS AND PROCEDURE

3.1 Meetings

The BRAC shall meet formally at least quarterly and at such other times the BRAC considers appropriate to fulfil its responsibilities, including any meetings requested by the internal auditors.

3.2 Board procedure to apply

The procedure of the board in relation to meetings shall apply to the BRAC with all necessary modifications.

3.3 Quorum

A quorum for a BRAC meeting shall be three members.

3.4 Attendance at meetings

A standing invitation exists for attendance to the chair of the Executive Risk and Assurance Committee.

A standing invitation shall also be extended to all directors to attend meetings of the committee unless the committee decides to withdraw that invitation in respect to any particular meeting or part thereof.

The internal auditors must be invited to attend those parts of any meetings related to their responsibilities as required.

3.5 Meeting with the internal auditors

The BRAC will meet with the internal auditors of Vector quarterly, and for at least part of that meeting no executive director or other employee of Vector should be present.

4. AUTHORITY

- 4.1 The board authorises the BRAC, within the scope of its responsibilities to:
- (a) Seek any information it requires from any employee of Vector and external parties;
 - (b) Obtain external legal or other professional advice; and
 - (c) Require the attendance of Vector officers at meetings as appropriate.

5. RESPONSIBILITIES

5.1 Delegations

The board has delegated to the BRAC the responsibilities set out in **Appendix 1**.

5.2 Management responsibility

Management retains responsibility for the implementation and operation of an adequate internal control and audit systems within Vector.

6. REPORTING

6.1 Liaison with Audit Committee

The BRAC will regularly report to the board audit committee in respect of the internal audit practices, and will facilitate unrestricted access by the audit committee to the internal auditor, as the audit committee sees necessary.

6.2 Reporting to the board

The committee will report its decisions and recommendations to the board; such report to be made at the next scheduled meeting of the board.

7. REVIEW OF COMMITTEE

- 7.1 The BRAC shall undertake a regular self review of its:

- (a) objectives and responsibilities; and
- (b) charter.

APPENDIX 1 – BRAC MEETING AGENDA FRAMEWORK

	FEB/ MAR	JUN	AUG	DEC
Committee administration				
Minutes of previous meeting	✓	✓	✓	✓
Periodic Committee performance evaluation (with board Assessment (2009)		✓		✓
Summary of Committee proceedings to board of Directors	✓	✓	✓	✓
Internal audit				
Review Internal Audit Charter in cycle with Committee performance evaluation (2009). One aspect of specific consideration would be the levels of materiality to be adopted by the internal auditors in respect of Vector				
Review and approve the scope of the internal audit rolling five year work plan and annual work programme on a risk assessed basis including meeting with the internal auditors at the commencement of the planning phase of the audit so that areas of mutual interest and concern can be discussed		✓		
Monitor progress against the agreed work programme	✓	✓	✓	✓
Receive Internal Audit Activity report	✓	✓	✓	✓
Receive Internal Audit reports	✓	✓	✓	✓
Confidential sessions with Internal Audit	✓	✓	✓	✓
Three yearly external quality assessment of Internal Audit function (2010).				
Internal Controls (Letter of representation process & support)				
Undertaking a regular overview and assessment of the appropriateness of the functions of internal control and internal audit within Vector including resourcing (including qualifications, skills, experience and fees) and make a recommendation to the board thereto				✓
Review management's processes for ensuring & monitoring compliance with laws, regulations and other requirements				✓
Assess whether there are adequate controls over special or complex transactions, including restructuring charges and derivatives	✓	✓	✓	✓
Receive annual report on fraud risk and mitigating controls				✓
Receive Summary Compliance report	✓		✓	
Review the Internal Auditor's internal control opinion	✓		✓	
Review management's letters of representation	✓		✓	
Receive reports on all suspected & actual frauds & avoidable losses, thefts & breaches of law (as required)				
Risk				
Approve the Risk Management Policy for recommendation to the board (as required)				
Ensure that Management has established a risk management framework which includes policies and procedures to effectively identify, treat and monitor principal business risks			✓	

	FEB/ MAR	JUN	AUG	DEC
Ensure an effective risk management framework is in operation. Receive copies of executive risk management committee minutes for information and noting (ongoing)				
Evaluate the effectiveness Vector's systems for identifying and managing strategic and business risks that are material to Vector	✓			
Oversee Vector's insurance programme, including periodically reviewing insurance coverage			✓	
Oversee Vector's business continuity policy and practice	✓			
Oversee Vector's HSE policy and practice				✓
Oversee IT's security policy and practice		✓		
Review Vector's most significant risks – spreading those risks for consideration over a year	✓	✓	✓	✓
General				
(i) Review and confirm that annual returns, Statutory Registers and Substantial Security Holders Notices are properly and effectively maintained			✓	
(ii) Refer items of financial risk to the Audit Committee for consideration (as required)				
(iii) Prepare annual reports for investors and stakeholders on risk identification and management and on relevant internal controls			✓	
(iv) Such other directives that the board may set down from time to time (as required)				