

# Remuneration policy

## 1. PURPOSE

The purpose is 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;
- Pay employees a 'living wage';
- Set a benchmark standard to influence the remuneration strategy of the various third-party organisations that support Vector's operations;
- Be transparent, consistent, easy to understand and simple to administer.

## 2. POLICY

### 2.1. Introduction

Vector's remuneration framework is designed to attract and retain high performing individuals, able to support the delivery of the company's strategy and vision and reward them appropriately and competitively. This policy applies to all permanent employees.

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;
- Provides employees with a 'living wage', the income necessary for them and their families to afford the basic necessities of life, live with dignity and actively participate in society.

### 2.2. Strategy

Vector's remuneration strategy aims to attract and retain high-performing, motivated individuals who have the skills, experience and creativity to contribute to the company's performance and deliver its strategy. In determining the remuneration structure, Vector benchmarks comparable jobs against the external market, taking into consideration the industry and the specialised roles within Vector.

In terms of determining an individual's remuneration, various factors are considered, including, individual performance, market and internal relativities and affordability. High performing employees may have the opportunity to earn a total remuneration of up to the upper quartile of the market. This strategy has been designed to:

- Ensure there is a direct link between performance and reward;
- Encourage and recognise high performance;
- Reward for the achievement of strategic goals;
- Reward for performance, through incentives and recognition, based on results achieved as well as demonstrated behaviours and competencies;
- Be market-competitive;
- Be transparent, consistent, easy to understand and simple to administer.

### 3. FIXED REMUNERATION

At Vector, we recognise most peoples' preference to make their own financial decisions.

This means the company generally does not provide package benefits such as company vehicles or additional company superannuation.

However, we do provide access to savings, financial schemes at preferential rates negotiated by the company for employees as well as many other benefits. For more details please refer to Vector's Employee Benefits Guide.

Fixed remuneration is the guaranteed pay that you receive and is set based on the following:

- External market trends and individual performance;
- Internal relativities;
- Company budget.

### 4. REMUNERATION REVIEWS

The annual remuneration review and budget is subject to board approval. People's fixed remuneration is reviewed, but not necessarily increased, on an annual basis in line with the company financial year.

The formal annual performance review process occurs over June and July. During the course of the year, managers and their team members have regular conversations.

The new remuneration rates, if any, will be effective 1 July. The remuneration review dates may be changed depending on company requirements.

Your review is a collaborative meeting between employee and manager. All endeavours are made to ensure that remuneration increases are allocated equitably based on merit and performance.

Any remuneration adjustment will be based on:

- Individual performance (goals and behaviours);
- Individual skills/experience;
- The company's ability to pay;
- Market movements;
- Current remuneration paid as it relates to role band.

Importantly, remuneration is generally not adjusted outside of the remuneration review process. The relevant executive and human resources manager must approve any remuneration adjustment outside of the normal review process, arising as a result of a change in an individual's role responsibility or market pressures.

Employees who join Vector or receive a remuneration adjustment after 31 March will not be eligible for an annual remuneration review. Consideration of average market movements will be factored into the salary package for these individuals at the time their employment offer is made.

The final allocation of the annual remuneration review approved budget is subject to approval by:

- Executive of each business unit;
- Chief Executive Officer.

## 5. VARIABLE PAY

Vector also, at its sole discretion, may provide eligible employees with the opportunity to receive variable 'incentive' pay. Please note that, unlike your fixed remuneration, variable 'incentive' pay is not an entitlement and is granted at the sole discretion of the company.

An employee will not be considered for an incentive payment if they are not employed by Vector at the time of payment and/or has not been with the company for at least 6 months of the review period.

An employee may, at the company's discretion, be considered for an incentive payment if three performance thresholds are achieved. These are:

- The company financial performance target of EBITDA;
- No preventable fatality on Vector's network;
- An individual performance review rating (goals and behaviours) of 3 or higher in your annual performance review.

However, even with the achievement of these targets, the company reserves the right to decide it is not appropriate to pay an incentive for any reason it, in its sole discretion, sees fit.

Importantly, the Board has ultimate discretion over the payment of incentives and the existence of this incentive scheme or any other incentive scheme. The Board may amend, replace or remove this scheme at any time in its sole discretion, as it sees fit.

## 6. KIWISAVER

In addition to employee's fixed remuneration, Vector will contribute the compulsory employer contribution, of an employee's gross salary, after tax, for those enrolled in KiwiSaver.

## 7. JOB BANDS

Job bands cluster roles 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 remuneration bands. Positions generally 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. Executive and human resource manager approval is required before any remuneration changes are made.

## 8. PAY EQUITY

At Vector, we assess each roles' remuneration based on Market data, internal relativity and an individuals' performance. We believe that an individual's remuneration should not be affected by their gender. Employees' performing roles of equal value, in terms of the skills, knowledge, responsibility they hold, and the terms and conditions of their employment, will receive equal pay.

To evaluate and ensure pay equity across the business, we will conduct an annual pay equity review. The review will identify comparable roles by assessing the skills, knowledge, responsibility, and the terms and conditions of their employment. Should any disparity in pay be identified within these comparable roles, HR will work with the relevant business manager(s) to understand the cause and rectify the disparity where appropriate.

## 9. EMPLOYMENT MARKET

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.

## 10. COMMUNICATION

This Remuneration Policy, together with details of the banding and pay range system, is published on VectorConnect and is 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.

Dated: August 2020