



# AUDIT COMMITTEE CHARTER

Owner: Vector’s board of directors  
Approved: February 2018  
Date of Review: February 2020

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## 1. STATUS, PURPOSE AND OBJECTIVES

### 1.1 Status

The audit committee 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 Purpose

The purpose of the audit committee, in accordance with the audit committee charter, is to assist the board in fulfilling its corporate governance responsibilities in respect of the quality and integrity of Vector’s external financial reporting, the independence and performance of the external auditors, and effectiveness of internal control system for financial reporting and accounting records.

### 1.3 Objectives

The objectives of the audit committee are to:

- (a) Assist the board to discharge its responsibility to exercise due care, diligence and skill in relation to the oversight of:
  - (i) The quality and integrity of Vector's external financial reporting;
  - (ii) Financial management;
  - (iii) Accounting policy and practice;
  - (iv) Compliance with applicable laws, regulations and standards as they relate to financial information;
- (b) Improve the quality, credibility and objectivity of the accounting process, including financial reporting;
- (c) Oversee the appointment, remuneration, qualifications, independence and performance of the external auditors and the integrity of the audit process as a whole;
- (d) Review the financial reporting process, the system of internal financial control, the external audit process and Vector's process for monitoring compliance with statutes and its policies to the extent that they apply to financial information;
- (e) Review treasury risk management controls; and
- (f) Act as formal forum for free and open communication between the board, the external auditors and management.

## 2. RESPONSIBILITIES

### 2.1 Audit committee responsibilities

The audit committee will have the following responsibilities:

- (a) **Accounting policies and practices**
  - (i) Reviewing current accounting policies and practices to ensure compliance with generally accepted accounting practice and applicable financial reporting standards; and
  - (ii) Recommending changes to accounting policies and practices where appropriate
- (b) **Financial reporting quality and integrity**
  - (i) Reviewing financial statements;
  - (ii) Reviewing external financial reporting<sup>1</sup>;
  - (iii) Assessing the quality and integrity of external financial reporting;
  - (iv) Recommending financial statements to the board;
  - (v) Preparing the audit fees report;
  - (vi) Meeting with the external auditors;
  - (vii) Reviewing information provided to regulatory bodies;
  - (viii) Monitoring Vector's internal control environment with respect to controls over the quality and integrity of external financial reporting; and
  - (ix) Fostering an ethical culture within Vector.

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<sup>1</sup> External financial reporting encompasses the annual and interim financial statements and related profit announcement materials, regulatory filings which require external audit, and any other market publications and announcements that contain financial information.

- (c) **External audit relationship**
- (i) Considering, reviewing and recommending the appointment of external auditors;
  - (ii) Providing a formal forum for communication between the board, external auditors, and management;
  - (iii) Ensuring the independence of the external auditors;
  - (iv) Oversight of audit planning;
  - (v) Reviewing and recommending audit fees;
  - (vi) Resolving areas of accounting difficulty;
  - (vii) Considering audit opinions;
  - (viii) Considering audit representation letters to the external auditors
  - (ix) Ensuring an external audit of the Share Register and Bonds Registers;
  - (x) Ensuring the rotation of the audit partner for the statutory audit after no more than five years'
  - (xi) Evaluating the performance of the external auditors; and
  - (xii) Pre-approving all non-audit services proposed to be undertaken by the external auditor
- (d) **Other**
- (i) Reviewing the Board Risk and Assurance Committee (BRAC) reports in respect of internal audit practices;
  - (ii) Reviewing reports, financial statements and certificates required to be furnished to lenders, trustees and credit wrappers under various lending documents; and
  - (iii) Any other directive that the board may set down from time to time.

## 2.2 Delegations

The board has delegated the responsibilities outlined above to the audit committee. **Appendix 1** details the activities by which the committee discharges these responsibilities.

## 3. COMPOSITION

### 3.1 Membership and qualifications

The audit committee must comprise not less than three members, being non-executive directors of Vector, at least one of whom must have an adequate accounting or financial background and the majority of whom are acknowledged as independent by the board pursuant to its charter. The chair shall be an independent director and shall not be the chairman of the board.

A director shall be considered to have an adequate accounting or financial background if one or more of the following criteria are met. The director:

- (a) Is a member of Chartered Accountants Australia and New Zealand (CAANZ) or Certified Practising Accountants Australia (CPA Australia), or has held a chief financial officer position at a listed company for a period greater than 24 months;
- (b) Has successfully completed a course approved by NZX for audit committee membership; and
- (c) Has experience and/or qualifications deemed satisfactory by the board.

### **3.2 Secretary**

The secretary of the committee is the Company Secretary.

### **3.3 Appointment and removal of members**

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

## **4. MEETINGS AND PROCEDURE**

### **4.1 Meetings**

The audit committee shall meet formally at least four times per year and at such other times as the audit committee considers appropriate to fulfil its responsibilities, including any meetings requested by the external auditors.

### **4.2 Board procedure to apply**

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

### **4.3 Quorum**

A quorum for an audit committee meeting shall be three members.

### **4.4 Attendance at meetings**

Non-members are to attend the meetings only at the invitation of the audit committee.

The audit committee extends a standing invitation for attendance to the Group Chief Executive, the Chief Financial Officer and directors who are not members of the audit committee, unless the committee decides to withdraw that invitation in respect to any particular meeting or part thereof.

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

### **4.5 Meeting with external auditors**

The audit committee will meet with the external auditors of Vector regularly, and for at least part of those meetings no executive director or other employee of Vector should be present.

## **5. AUTHORITY**

5.1 The board authorises the audit committee, within the scope of its responsibilities to:

- (a) Seek any information it requires from any employee of Vector and external parties;
- (b) Liaise with and have access to the reports of the BRAC in respect of internal audit practices, and to have unrestricted access to the internal auditor, as the audit committee sees necessary;
- (c) Obtain external legal or other professional advice;
- (d) Require the attendance of Vector officers at meetings as appropriate; and

- (e) Perform or undertake on behalf of the board any other such tasks, investigations, or actions it deems appropriate and consistent with its responsibilities and duties.
- 5.2 Management is responsible for:
- (a) The preparation and presentation of financial statements;
  - (b) Implementing and maintaining adequate accounting policies and principles and internal controls that address risks prevalent in external financial reporting.
- 5.3 Vector's external auditors are responsible for planning and carrying out each audit and review, in accordance with applicable auditing and review standards.

## **6. REPORTING**

### **6.1 Reporting to the board**

The audit committee shall regularly update the board about audit committee activities at the next scheduled board meeting (unless circumstances require earlier communication) and make appropriate recommendations, and should ensure that the board is made aware of any matters which may significantly impact on the financial condition or affairs of the business.

### **6.2 Disclosure requirements**

The annual report of the company must include a corporate governance statement that identifies members of the audit committee, their qualifications, and their attendance at meetings. This information is also published on the Vector website.

The most recent version of this charter shall be available for stakeholders to access on the Vector website.

## **7. REVIEW OF AUDIT COMMITTEE**

- 7.1 The board will undertake an annual review of the performance of the audit committee, having regard to the audit committee objectives and responsibilities contained in the written charter.

## **8. REVIEW OF CHARTER**

- 8.1 This charter should be reviewed by the committee and updated at least every two years, having regard to best practice corporate governance standards, including but not limited to:
- (a) The NZX Listing Rules, including appendices;
  - (b) The Financial Market Authority of New Zealand's Corporate Governance Principles and Guidelines; and
  - (c) The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Any changes to the charter are to be recommended to the board for approval.

## APPENDIX 1 – AUDIT COMMITTEE MEETING AGENDA FRAMEWORK

	ACTIVITY	FEB	JUN	AUG	DEC
<b>1</b>	<b>Committee administration</b>				
1.1	<b>Minutes</b> – Minutes of previous meeting	✓	✓	✓	✓
1.2	<b>Charter review</b> – Review audit committee charter in cycle with committee performance evaluation (two yearly)		✓		
1.3	<b>Performance evaluation</b> – Periodic Committee performance evaluation (with board assessment (yearly))		✓		
1.4	<b>Report to board</b> – Summary of committee proceedings to board of directors	✓	✓	✓	✓
1.5	<b>Review BRAC</b> – Consider the minutes of the board risk and assurance committee minutes	✓	✓	✓	✓
<b>2</b>	<b>Accounting policies and practices</b>				
2.1	Evaluate annually the appropriateness of, and changes to, accounting policies and practices. The review presented by management shall cover:  (i) Major estimates, uncertain or unusual transactions, and provisions made in financial statements  (ii) Significant accounting issues  (iii) Interpretation of accounting standards		✓		
<b>3</b>	<b>Financial reporting quality and integrity</b>				
3.1	<b>Financial statements</b> – Receive from management the draft financial statements in a form which draws to the audit committee’s attention items that vary from previous financial statements and judgements made by management and the rationale for them, including with respect to:  (i) Asset carrying values  (ii) Major estimates, uncertain or unusual transactions, and provisions made in financial statements  (iii) The going concern assumption including adherence to loan agreements and borrowing powers  (iv) Related financial and other information presented with the financial statements including any ‘operating financial review’  (v) Changes in accounting policy  (vi) Any significant accounting estimates and judgements including enquiring of management as to the process used in making material estimates and judgements and then enquiry of the external auditors the basis for their conclusions on the reasonableness of management’s estimates  (vii) Accounting implications of new and significant transactions	✓		✓	

	<b>ACTIVITY</b>	<b>FEB</b>	<b>JUN</b>	<b>AUG</b>	<b>DEC</b>
	(viii) Compliance with NZ GAAP and NZ IFRS (ix) Interpretation of financial reporting standards, stock exchange and legal requirements (x) Misstatements and their nature and causes (xi) The clarity, conciseness, and effectiveness of the financial statements	✓		✓	
3.2	<p><b>External financial reporting</b> – Review and discuss the external financial reporting (which term shall include management discussion and analysis, and the reports of the external auditors on the findings of their external audits and reviews) with management, including whether the reporting is consistent with the audit committee members’ information and knowledge and whether it is adequate for shareholder needs. In conducting that review the audit committee shall consider the following:</p> <p>(i) The underlying quality not just the acceptability, of the external financial reporting</p> <p>(ii) That the Annual Report of the entity should, in addition to all information required by law, include sufficient meaningful information to enable investors and stakeholders to be well informed on the affairs of the entity</p> <p>(iii) Changes in accounting practice</p> <p>(iv) Findings from the external auditors’ audit or review</p> <p>(v) The annual certification of the Group Chief Executive and the Chief Financial Officer to the board that:</p> <ul style="list-style-type: none"> <li>• Vector’s financial statements represent a true and fair view in all material respects of Vector’s financial position and operational results and are in accordance with applicable accounting standards</li> <li>• The above statement was based on a sound system of risk management and internal control and compliance which implements the policies adopted by the board</li> </ul>	✓		✓	
3.3	<p><b>Quality and integrity of external financial reporting</b> – Assess the quality and integrity of external financial reporting. Seek explanations from management and the external auditors on whether:</p> <p>(i) actual financial results varied significantly from budgeted or projected results</p> <p>(ii) Vector’s financial and operating controls are functioning effectively</p> <p>(iii) all financial statements and announcements contain adequate and appropriate disclosures</p>	✓		✓	

	<b>ACTIVITY</b>	<b>FEB</b>	<b>JUN</b>	<b>AUG</b>	<b>DEC</b>
3.4	<b>Financial statements recommendation to the board</b> – Consider and approve for submission to the board both the draft interim (half yearly) and draft final (year-end) financial statements including the notes thereto, and all other financial statements (if any) prepared by Vector (including regulatory accounts) and advise the board whether they comply with the appropriate laws and regulations	✓		✓	
3.5	<b>Chairman’s and Group Chief Executive’s reports</b> – Consider and approve for submission to the board the interim and final Chairman’s and Group Chief Executive’s reports to shareholders.	✓		✓	
3.6	<b>Audit fees report</b> – Prepare annual reports to shareholders and stakeholders on the amount of fees paid to external auditors, which report shall differentiate between fees for statutory audit, regulatory audit and fees for individually identified non-audit work (i.e., separating each category of non-audit work (if any) undertaken by the external auditors, and disclose the fee payable for this)			✓	
3.7	<b>Meeting with the external auditors</b> – Meet with the external auditors to discuss the practices and issues surrounding the external financial reporting	✓	✓	✓	✓
3.8	<b>Information provided to regulatory bodies</b> – Establish a protocol by which the audit committee can have comfort that financial information provided to regulatory bodies is accurate and provided within the required time (ongoing)				
3.9	<b>Culture</b> – Foster an ethical culture within Vector (ongoing)				
<b>4</b>	<b>External audit relationship</b>				
4.1	<b>Audit appointment and review</b> – The audit committee will: (i) consider the independence of the external auditors (including reviewing the range of services provided by the external auditors in the context of all consulting services provided to Vector) (ii) review the performance of the external auditors; and (iii) make recommendations to the board regarding the reappointment of the external auditors				✓  ✓  ✓
4.2	<b>Forum</b> – Provide a formal forum for enhancing communication between the board, management and the external auditors (ongoing)	✓	✓	✓	✓



	<b>ACTIVITY</b>	<b>FEB</b>	<b>JUN</b>	<b>AUG</b>	<b>DEC</b>
4.3	<p><b>Independence</b> – ensuring the ability and independence of the external auditors to carry out their statutory audit role is not impaired, or could not reasonably be perceived to be impaired, including any relationship with a related party, including:</p> <p>(i) receiving from the external auditors written confirmation of their independence at least on a semi-annual basis</p> <p>(ii) requiring a letter of engagement for all non-audit services provided by the external auditors</p> <p>(iii) disclosing in the Annual Report what non-audit work has been undertaken during the reporting period and why this has not compromised auditor independence</p> <p>(iv) monitoring any service provided by the external auditors other than in their audit role</p>	✓		✓	
4.4	<p><b>Audit planning</b> – The audit committee shall meet with the external auditors at the commencement of the planning phase of the audit so that areas of mutual interest and concern can be discussed. This should be limited to significant issues only. One aspect of specific consideration would be the levels of materiality to be adopted by the external auditors in respect of Vector</p>				✓
4.5	<p><b>Level of audit fee</b> – The proposed level of the external audit fee shall be reviewed and an appropriate recommendation made to the main board for implementation under the authorisation pursuant to the resolution by shareholders at the annual meeting</p>				✓
4.6	<p><b>Areas of accounting difficulty</b> – Should areas of major difficulty or controversy arise during the course of an audit, the audit committee shall be available to meet with the external auditors and work towards an acceptable resolution (ongoing)</p>	✓	✓	✓	✓
4.7	<p><b>Audit opinions</b> – At the time the audit committee considers final financial statements it shall consider the form and content of the audit opinion and confirm with the external auditors that management has placed no restrictions on their audit approval</p>			✓	
4.8	<p><b>Audit management letter</b> – At the time the final financial statements are considered the audit committee must receive and consider a report from the external auditors on their annual audit including the audit management letter. Any significant issues raised by the external auditors should be discussed with them</p>			✓	
4.9	<p><b>Financial Markets Conduct Act 203, section 218 (1)</b> – External audit of the Share Register and Bonds Registers</p>			✓	

	<b>ACTIVITY</b>	<b>FEB</b>	<b>JUN</b>	<b>AUG</b>	<b>DEC</b>
4.10	<b>Rotation</b> – While rotation of audit firms is not required, in considering appointment of the external auditors, the audit committee shall ensure that the same audit partner does not lead Vector’s external audit for more than five consecutive years (i.e. lead audit partner should be rotated after a maximum of five years in that role and the engagement audit partner should be rotated after a maximum of five years in that role). Any significant issues raised by the external auditors should be discussed with them (ongoing)				✓
4.11	<b>Performance evaluation</b> – The audit committee shall progressively evaluate the performance of the external auditors during its term of appointment and the progress of the audit. The audit committee shall ensure the criteria for performance evaluation extend to the value delivered for shareholders and Vector under the audit plan, its cost-effectiveness and the maintenance of the highest standards of professional integrity, objectivity and independence				✓
<b>5</b>	<b>Internal audit</b>				
5.1	The audit committee will receive and review regular reports from the Risk and Assurance Committee in respect of the internal audit practices and programmes, and will have unrestricted access to the internal auditors as it sees necessary	✓	✓	✓	✓
<b>6</b>	<b>General</b>				
6.1	The audit committee shall: (i) Undertake a regular review of Vector’s tax position, compliance and exposure (as required) (ii) Review Vector’s system for monitoring compliance with statutes and Vector’s policies as they relate to financial information (iii) Review the findings of any examinations by regulatory agencies (ongoing) (iv) Liaise with the board risk and assurance committee in considering risks of a financial nature, whether those matters have been referred to the audit committee by the board, by the risk and assurance committee, or raised by the audit committee itself (v) Confirmation of Annual Return, Statutory Registers & Substantial Security Holders Notices (vi) Assess financial information posted on website (vii) Undertake such other investigations, tasks and/or activities that may be requested by the board or required from time to time (as required)				