

## External Auditor Independence

### 1. Purpose

The purpose of this policy is to ensure that external audit independence is maintained consistent with NZX Listing Rules and best practice so that Vector's external financial and climate related reporting is viewed as highly reliable and credible. It is intended to support the group's audit committee charter.

### 2. Background

Vector's audit committee is responsible for ensuring the independence and performance of external auditors.

This policy on external auditor independence has been adopted by the committee to satisfy this requirement.

This policy covers the following areas:

- appointment of external auditor
- provision of related assurance services by Vector's external auditors;
- audit fees;
- external auditor rotation; and
- the hiring of staff from the external audit firm.

### 3. Appointment of External Auditor

Vector's audit committee shall only approve a firm to be appointed external auditor if that firm:

- is registered and its audit partners are licensed in accordance with the Auditor Regulation Act 2011;
- would be regarded by a reasonable investor with full knowledge of all relevant facts and circumstances as capable of exercising objective and impartial judgement on all issues encompassed within the external auditor's engagement;
- has not, within two years prior to the commencement of the external audit, had as a member of its audit engagement team Vector's group chief executive, chief financial officer, group financial controller or any member of Vector's management who act in a financial oversight role; and
- does not allow the direct compensation of its audit partners for selling non-audit services to Vector.

The external auditor must confirm in writing to the audit committee at least annually that: (a) it is in compliance with Chartered Accountants Australia and New Zealand's (CA ANZ) professional standards and ethical guidelines; and (b) it has remained independent during the previous 12 months.

## 4. Provision of non-audit services

The guidelines that follow are designed to ensure that related assurance services provided by Vector's external auditors are not perceived as conflicting with the independent role of the external auditor. The general principles to be applied in assessing related assurance services are as follows:

- the external auditor should not have any involvement in the production of financial information or preparation of financial statements such that they might be perceived as auditing their own work. This includes the provision of valuation services where such valuation forms an input into audited financial information;
- the external auditor should not perform any function of management, or be responsible for making management decisions;
- the external auditor should not be responsible for the design or implementation of financial information systems; and
- the separation between internal and external audit should be maintained.

### **Services permitted to be performed**

The audit committee must pre-approve all statutory and regulatory audit and related assurance services provided by the external auditor. Aside from audit services relating to the statutory and regulatory audits (*refer to section 10 Definitions*), it is appropriate for Vector's auditors to provide the following services, with prior approval from the audit committee:

- other assurance services (e.g., trust deed reporting,);
- accounting policy advice (including opinions on compliance with New Zealand and International Financial Reporting Standards);
- listing advice;
- accounting/technical training; and
- tax compliance (e.g., assistance in ensuring compliance with the new R&D regime).

The chief financial officer must report all such non-audit services to the audit committee. Any other ad-hoc engagement must be approved by the chair of the audit committee above a de minimis amount.

### Services not permitted

It is not considered appropriate for Vector's external auditors to provide:

- bookkeeping/other services related to accounting records or financial statements;
- the design of financial information systems;
- appraisal / valuation services / opinions as to fairness;
- internal audit services;
- structured finance advice;
- due diligence services;
- legal services (these are services that could only be provided by a person who is qualified in law);
- tax planning and strategy services;
- management functions;
- broker / dealer / investment adviser / investment banking services;
- services of an expert as an advocate;
- actuarial services;
- provision of temporary staff for appropriate assignments;
- assistance in the recruitment of senior management;
- tax services to employees of Vector who act in a financial reporting oversight role; and
- accounting policy advice (including opinions on compliance with NZ GAAP).

## 5. Audit fees

The external auditor's fees for approved non-audit services shall not exceed 25% of the total fees paid to the external auditor for services in any financial year.

The external auditor shall not charge Vector contingent fees (e.g., where a success fee is paid depending upon whether a transaction proceeds or not).

## 6. External auditor rotation

The continued appointment of Vector's external auditors is to be confirmed annually by the audit committee. A policy of regular rotation of external auditor is not mandated.

Rotation of the key audit partner of Vector and its subsidiaries will be required every five years with suitable succession planning to ensure consistency. The key audit partner will be subject to a five-year cooling off period following rotation. The key audit partner has the meaning given in the definition section of the External Reporting Board's Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners (PES 1).

All other audit partners, including the concurring partner, will be required to rotate every seven years and will be subject to a two-year cooling-off period. Accordingly, it is expected that such a policy will be adopted by Vector's external auditors. The external auditor will report compliance with this requirement to the audit committee annually.

## 7. Hiring of staff from the external audit firm

The hiring by Vector of any former audit partner or audit manager must first be approved by the Chair of the Audit Committee.

There are no other restrictions on the hiring of other staff from the external audit firm.

## 8. External audit services provided by firms other than the external auditor

The audit committee must pre-approve all audit and related assurance services by firms other than the external auditor. Any firm providing such services must meet the requirements of section 3 of this policy. Any waivers from the requirements of the approval of external auditor section must be agreed with the Chair of the audit committee.

## 9. Review of external auditor performance

Consistent with the audit committee charter, the performance of the external auditor will be considered and reviewed by the audit committee at least annually.

## 10. Definitions

Audit services comprise:

- financial statement audit services: services provided in the audit or review of Vectors' financial statements;
- regulatory audit services: services provided in respect of Vector's information disclosure and price quality obligations for both electricity and gas distribution, and the telecommunications development levy; and
- TCFD and greenhouse gas emissions assurance services.

Dated: February 2023