

# BOARD CHARTER

Owner: Vector's board of directors  
Approved: 30 June 2020  
Date of next Review: 30 June 2022

Vector Limited is a leading New Zealand network infrastructure company with a portfolio of businesses delivering electricity, gas, telecommunications and metering services in New Zealand. This charter, the board committee charters and policies set out the governance requirements for the Vector board.

## 1 INTRODUCTION

- 1.1 This charter sets out the manner in which the powers and responsibilities of the board of Vector will be exercised and discharged and the obligations of any person appointed as, or holding the office of, a director of Vector, recognising the overriding responsibility of the board to act honestly, fairly, diligently and in accordance with the law.
- 1.2 The primary objective of the board is to protect and enhance the value of the company in the interests of the company and its shareholders.
- 1.3 To ensure that Vector's business objectives and strategies are achieved and to deliver value to the company and its shareholders, the board will strive to understand, meet, and appropriately balance the expectations of all its stakeholders, including its employees, customers and the wider community.
- 1.4 In carrying out its responsibilities and powers as set out in this charter, the board will at all times set and comply with high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation in accordance with Vector's Code of Conduct and Ethics and the Directors' Code of Practice.

## 2 PURPOSE

### 2.1 Governance at Vector

The board is elected by Vector's shareholders and has statutory responsibility for the affairs and activity of the company. In practice, this is achieved through the delegation to the group chief executive who is responsible for the day-to-day leadership and management of the company.

### 2.2 Guiding principles

Vector will:

- (a) Be a leading commercial enterprise in Australasia with a reputation for delivering results through sound strategy;
- (b) Have entrepreneurial agility, being the first to identify opportunities and bring them to market;

- (c) Be a great employer which values knowledge and talent;
- (d) Strive to ensure that everyone who does work for Vector, goes home healthy and safe;
- (e) Deal fairly and honestly with its customers; and
- (f) Be a good corporate citizen.

### 2.3 Governance objectives

Vector will:

- (a) Lay solid foundations for management - Vector will establish and disclose the respective roles and responsibilities of the board and management;
- (b) Structure the board to add value – Vector will have a board of directors of effective composition, size and commitment to adequately discharge its responsibilities and duties;
- (c) Promote ethical and responsible decision making;
- (d) Safeguard the integrity of Vector’s financial reporting – Vector will have a structure to independently verify and safeguard the integrity of its financial reporting;
- (e) Make timely and balanced disclosure – Vector will promote timely and balanced disclosure of all material matters concerning Vector;
- (f) Respect the rights of Vector’s shareholders – Vector will respect the rights of shareholders and facilitate the effective exercise of those rights;
- (g) Recognise and manage risk – Vector will establish a sound system for risk oversight and management and internal control;
- (h) Remunerate fairly and responsibly – Vector will ensure that the level and composition of remuneration is transparent, sufficient and reasonable and that its relationship to performance is clear;
- (i) Promote a company culture which embraces diversity – Vector will ensure that its culture, policies and management systems are aligned with and promote the attainment of diversity; and
- (j) Recognise the legitimate interests of Vector’s stakeholders – Vector will recognise the interests of its stakeholders and will foster constructive relationships with stakeholders to encourage them to engage with Vector.

## 3 RESPONSIBILITIES

### 3.1 Responsibilities of the board

The board is responsible for:

- (a) Charting the direction, strategies and financial objectives of Vector and monitoring the implementation of those policies, strategies and financial objectives;
- (b) Overseeing Vector, including its control and accountability systems;
- (c) Overseeing the planning, delivering, monitoring and reviewing Vector’s health, safety and environment strategy;
- (d) Appointing the group chief executive, determining that person’s terms and conditions (including remuneration and performance review) and ensuring succession plans are in place;

- (e) Delegating responsibility for the day-to-day operation and management of Vector to the group chief executive assisted by senior executives within Vector;
- (f) Ensuring that Vector has an effective framework to balance the role of management in operating Vector and the role of the board in monitoring, guiding and providing oversight;
- (g) Where the board considers it appropriate, ratifying the appointment and removal of senior executives;
- (h) Providing input into and final approval of management's development of corporate strategy and performance objectives;
- (i) Reviewing ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance;
- (j) Where the board considers it appropriate, monitoring senior executives' performance and implementation of strategy and ensuring succession plans are in place;
- (k) Ensuring appropriate resources are available to Vector's senior executives;
- (l) Approving and monitoring capital expenditure above delegated authority limits, the progress of major capital expenditure, capital management, and major acquisitions and divestments;
- (m) Approving and monitoring financial and other reporting;
- (n) Approving the approach to be taken in relation to significant public relations issues that may negatively impact Vector's reputation; and
- (o) Overseeing Vector's corporate governance framework.

### 3.2 **Particular matters reserved to the board for decision**

Without limiting in any way the application of section 3.1, particular matters reserved to the board for decision include, but are not limited to, the following:

- (a) Approving Vector's strategic plan and annual budget;
- (b) Appointing, evaluating and rewarding the group chief executive and the group chief executive's direct reports;
- (c) Ensuring succession plans are in place for the group chief executive and the group chief executive's direct reports;
- (d) Approving half yearly, full year and annual reports and related reports to NZX;
- (e) Approving capital structure, treasury and dividend policies;
- (f) Approving resolutions and corresponding documents to be put forward to shareholders at a general meeting;
- (g) Funding arrangements such as bank borrowings;
- (h) Sales and purchases of businesses or shares in a business;
- (i) Appointments to boards of subsidiaries;
- (j) Approving the prosecution, defence or settlement of litigation involving more than \$100,000 or being otherwise material to the interests of Vector;
- (k) Approving information submitted to regulatory authorities other than information submitted in accordance with a process approved by the board;
- (l) Approving Vector's health, safety and environment strategy;

- (m) Approving the delegated authorities framework and actions that the delegated authorities framework requires the board to approve; and
- (n) Directors' and officers' liability insurance.

### 3.3 Responsibilities of the group chief executive and delegated authorities

The group chief executive:

- (a) Is delegated by the board all the necessary powers and authorities to manage the business of Vector other than the right to exercise those powers and authorities:
  - (i) Which the law requires the board to exercise; or
  - (ii) Reserved to the board for decision as set out in sections 3.1 and 3.2 of this charter, the board committee charters or policy documents issued by the board periodically; or
  - (iii) That do not fairly fall within the terms of the then current strategic plan or annual budget which the board has approved; or
  - (iv) In excess of the group chief executive's authority as set out in the delegated authorities framework approved by the board; or
  - (v) Where to do so would not be in accordance with the spirit of any approval given by the board; or
  - (vi) In respect to a matter communicated by the board to the group chief executive as being a matter in respect of which the board's approval is required;
- (b) In exercising the powers delegated to the group chief executive, will do so in conformity with the duties imposed on directors of Vector by law and by Vector's constitution;
- (c) Is responsible to the board for the management and performance of Vector and in conjunction with the board, for the development of strategy. The group chief executive manages Vector in accordance with the annual budget, strategic plan and policies approved by the board from time to time;
- (d) May sub-delegate the powers delegated to the group chief executive, provided that:
  - (i) Such sub-delegate shall be subject to the same restrictions as apply to the delegator;
  - (ii) The sub-delegation is in accordance with the delegated authorities framework approved by the board; and
  - (iii) The delegator remains responsible for the exercise of the powers that person delegates unless the person believed on reasonable grounds at all times before the exercise of the power delegated that the delegate will exercise that power in conformity with the duties imposed;
- (e) Has primary responsibility to bring to the attention of the board and each committee, issues that fall within the board's responsibilities or within the committee's responsibilities and delegated authority and any other issue which the group chief executive considers requires the attention of the board or a committee.

### 3.4 Role of the chair

The board will elect a chair of the board who shall be an independent, non-executive director and whose responsibilities include:

- (a) Leadership of the board;
- (b) Ensuring the efficient organisation and conduct of the board;

- (c) Setting the agenda for each meeting in consultation with the group chief executive. Any director may request an item to be added to the agenda;
- (d) Chairing board and shareholder meetings;
- (e) Ensuring all directors are briefed on material matters arising at or between board meetings;
- (f) Promoting an environment of trust, respect and openness to ensure consultative and constructive relationships between the board, and management;
- (g) Fostering a constructive governance culture and applying appropriate governance principles among directors and with management;
- (h) Committing the time necessary to discharge effectively the role as chair;
- (i) Approving press releases concerning matters decided by the board; and
- (j) Having authority to act and speak for the board between its meetings, including engaging with the group chief executive. The chair shall report to the board and, where relevant, board committee chairs on decisions and actions taken between meetings of the board.

### 3.5 **Informing the chair**

Directors shall keep the chair and any relevant committee chairs informed on activities undertaken for Vector between meetings of the board including any material conversations with management or external parties.

### 3.6 **Remuneration**

Remuneration of executives and directors shall be at fair and reasonable levels measured against a competitive market. Remuneration levels for executives shall be determined in accordance with Vector's Remuneration Policy and the Director and Executive Remuneration Policy. Directors' remuneration is also determined on the basis of an independent assessment of the competitive market and authorised by an ordinary resolution of shareholders.

### 3.7 **Conduct**

Directors will undertake their duties with care and diligence at all times giving proper time and attention to matters before them. Board discussions will be open and constructive with all directors participating fully and constructively bringing the benefit of their particular knowledge skills and abilities to discussions. Directors will at all times comply with Vector's Code of Conduct and Ethics and the Directors' Code of Practice.

### 3.8 **Advice from management and advisers**

Directors are entitled to rely on information and advice from Vector employees on matters within their responsibility, and on professional advisers or experts on matters within their professional or expert competence, provided that Directors:

- (a) Do not know, or have reason to believe, that reliance is unwarranted;
- (b) Have reasonable grounds to believe that any person on whom the board relies is reliable and competent in relation to the matter; and
- (c) Make proper inquiry where necessary in the circumstances (for example, requesting further information or clarification).

All Directors will apply an independent and enquiring mind, as well as their individual knowledge of Vector, to evaluate and form opinions on matters before the board. Although Directors may rely on information from employees and advisers, they will not substitute such advice for their own diligent examination of important matters.

## **4 COMPOSITION AND PROCEDURES**

### **4.1 Board composition**

The minimum number of directors is three and Vector's constitution sets the maximum number of directors at nine. At least two directors must be ordinarily resident in New Zealand. In addition to the constitutional requirements, the board has agreed that a majority of directors (including the chair) should meet the independence requirements described at section 4.6 and that it will specifically identify the directors it considers to be independent within ten business days of their appointment. The same person shall not hold the roles of chair and group chief executive. The chair will be elected in accordance with the constitution.

### **4.2 Appointment**

Directors may be appointed by ordinary resolution of shareholders at any time, as provided for in the Constitution.

### **4.3 Casual vacancies**

Subject to section 4.5, the board may, at any time, appoint a director to a casual vacancy, although a director so appointed must not hold office (without re-election) past the next annual meeting of Vector.

### **4.4 Rotation**

Under NZX Limited's Main Board Listing Rules (**NZX Listing Rules**) a director must not hold office (without re-election) past the third annual meeting following the director's appointment, or three years, whichever is longer.

### **4.5 Rights of Entrust**

The following matters are noted in relation to Entrust as the majority shareholder of Vector:

- (a) Entrust has the power by resolution of a meeting of shareholders of Vector to appoint and remove any or all of the directors;
- (b) the constitution provides that the prior written approval of Entrust (not to be unreasonably withheld or delayed) is required for the appointment of a person by the board to be an additional director or to fill a casual vacancy;
- (c) the constitution provides that Entrust may at any time by written notice to Vector remove a director who is also at that time a trustee of Entrust and may appoint a person to be a director or to fill the vacancy so created, provided that such director shall retire from office at the commencement of the next meeting of shareholders at which directors are to be elected, but shall be eligible for election as a director at that meeting;
- (d) the charters, protocols and policies of Entrust and Vector respectively provide for consultation within and between each entity's nominations committee prior to finalisation of any recommendation to the board of any candidate for nomination or appointment to or removal from the board.

#### 4.6 **Independence**

As required by the NZX Listing Rules, the board will determine at prescribed times the “independence” of directors and will announce that determination to the market. A director is only to be regarded as independent if the board resolves that the director has no disqualifying relationship with Vector which is defined to mean any direct or indirect interest, position, association or relationship that could reasonably influence, or could reasonably be perceived to influence, in a material way, the director’s capacity to:

- (a) bring an independent view to decisions in relation to Vector;
- (b) act in the best interests of Vector; and
- (c) represent the interests of Vector’s shareholders generally.

Factors that the board may take into account when determining whether a director is independent include:

- (d) being currently, or within the last three years, employed as an executive of Vector or a subsidiary, and there has not been a period of at least three years between ceasing that role and being a director;
- (e) currently, or within the last 12 months, holding a senior role at a firm which provides professional services to Vector or a subsidiary;
- (f) having a current, or within the last three years, material business or contractual relationship (other than as a director) with Vector or a subsidiary;
- (g) being a substantial product holder of Vector, or being a senior manager of, or person otherwise associated with, a substantial product holder of Vector;
- (h) having close family ties with anyone in the categories listed above; and
- (i) having been a director of the entity for a length of time that may compromise their independence from management and substantial product holders.

Only independent directors are eligible for holding the position of board chair.

#### 4.7 **Tenure**

The tenure in office of directors, including as chair or deputy chair, is addressed in the Nominations Committee Charter as a factor to be considered when considering the re-appointment of a director.

#### 4.8 **New directors and induction**

Newly-appointed directors will enter into a written agreement with Vector, establishing the terms of their appointment.

Newly-appointed directors will be provided with an induction programme and materials to assist in enhancing their understanding of Vector and the environment within which it operates.

#### 4.9 **Continuous education**

It is expected that all directors continuously educate themselves to ensure that they may appropriately and effectively perform their duties. Vector will provide specific training as required, including health and safety training. In addition, visits to specific company sites (including to undertake safety observations and to facilitate health and safety discussions with staff), and briefings from the group chief executive and other senior executives, will be

arranged when appropriate. From time to time, the board may also undertake educational trips to receive briefings from companies in relevant industries.

#### **4.10 Seeking independent advice**

A board committee or a director may obtain external legal or other professional advice in relation to any of the matters falling within its scope of enquiry at Vector's expense, subject to first obtaining the approval of the chair of the board.

#### **4.11 Board procedure**

The board usually meets at least nine times a year. Board papers will be provided to directors in sufficient time prior to meetings to enable directors to familiarise themselves with their content.

Should circumstances require, additional meetings may be convened. Urgent business may be conducted by telephone or video conference. If an urgent decision is required between board meetings, where appropriate, the matter may be dealt with by written resolution in accordance with the Constitution.

#### **4.12 Relationship with Entrust**

The board recognises the special status of Entrust as the majority shareholder in Vector and the importance of an environment of trust, respect and openness between Vector and Entrust. In addition to the matters stated elsewhere in this charter the following matters are noted:

- (a) Entrust and Vector have entered into a New Deed Recording Essential Operating Requirements dated 7 August 2015 (**DREOR**) which among other things provides for assistance by Vector to Entrust and for reporting obligations of Vector to Entrust.
- (b) The chair of the board will, through the chair of Entrust, keep Entrust informed on all matters relevant to Entrust, always having regard and subject to Vector's legal obligations including under the Companies Act 1993 and the NZX Listing Rules.

### **5 BOARD COMMITTEES**

#### **5.1 Establishment of board committees**

The board will from time to time establish committees to assist it in carrying out its responsibilities, shall adopt charters setting out matters relevant to the composition, responsibilities and administration of such committees, and other matters that the board may consider appropriate, and shall comply with the NZX Listing Rules (including, to the extent appropriate, recommendations of the NZX Corporate Governance Code) in relation to board committees.

#### **5.2 Authority of board committees**

Board committees will review and analyse policies and strategies, usually developed by management, which are within their terms of reference. They examine proposals and, where appropriate, make recommendations to the full board. The board may generally rely on information provided by the board committees and their members in relation to matters within that board committee's delegated responsibility, provided that it has evaluated the information and is not aware of any basis upon which to question its accuracy (in which case further



enquiry will be required to allow the board to determine whether it can rely on that information or not).

### **5.3 Current board committees**

The current board committees are the Audit Committee, the Risk and Assurance Committee, the Remuneration Committee, and the Nominations Committee. Committee chairs and members are appointed by the board.

### **5.4 Committees to report to board**

Board committees shall report on their deliberations at the next board meeting.

### **5.5 Review of board committees and charters**

The board shall regularly review the performance and charter of each committee to ensure that performance is consistent with the charter and that the charter continues to be appropriate. Each committee shall report its findings to the board.

## **6 HEALTH AND SAFETY**

### **6.1 Health and Safety Risk**

The board is responsible for approving, and overseeing the planning, delivering, monitoring and reviewing, of Vector's health, safety and environment programme. While the board retains the primary responsibility for these matters, the Risk and Assurance Committee is responsible for overseeing key risk management related processes and functions related to health, safety and the environment and reporting to the board on the same.

### **6.2 Health and Safety Champions**

All board members will be health and safety champions for the company.

## **7 ACCOUNTABILITY**

### **7.1 Conflicts of interest**

In consideration of the diverse business activities of Vector and its subsidiaries, directors minimise the possibility of conflict of interest in their involvement with Vector by restricting their involvement in businesses that could lead to a conflict of interest.

It is noted that Vector's Code of Conduct and Ethics contains a section on conflicts of interest which directors are bound to comply with.

Where conflicts of interest do exist, directors must disclose the nature of their interest to fellow directors and, where appropriate, excuse themselves from discussions in respect of that matter, and not exercise their right to vote in respect of such matters.

### **7.2 Trading in Vector quoted financial products**

Directors are subject to limitations on their ability to buy and sell Vector's quoted financial products by Vector's Insider Trading Policy and the Financial Markets Conduct Act 2013. All changes in Vector quoted financial product holdings of directors must be reported to the board

and the NZX. Vector's quoted financial products currently comprise ordinary shares and capital bonds.

## **8 REVIEW OF BOARD**

- 8.1 The chair shall meet regularly with directors to discuss individual performance of the directors.
- 8.2 The board shall undertake an annual self-review of its performance having regard to:
- (a) The board's objectives and responsibilities contained in the relevant charters; and
  - (b) NZX Listing Rules and Corporate Governance Code.
- 8.3 Appropriate external independent review of board and director performance from time to time, is also considered desirable. Accordingly, the chair and will keep under review when external review should be undertaken, and appropriate terms of reference, but envisages it will generally occur approximately every two years.

## **9 REVIEW OF CHARTER**

This Charter should be reviewed by the board and updated at least every two years, having regard to the NZX Listing Rules and Corporate Governance Code.