

REMUNERATION POLICY

Owner: Vector's board of directors
Approved: June 2010

1. Introduction and strategy

- 1.1 Remuneration includes all aspects of monetary reward as a result of individual, team and Company performance. Vector's remuneration strategy is to attract and retain high performing individuals able to deliver the Company's strategy and vision.
- 1.2 To achieve this strategy, this Remuneration Policy:
- (a) Aligns with Vector's strategic and annual business objectives and Company values;
 - (b) Balances competitive pay with affordability; and
 - (c) Provides flexibility to reward individuals for outstanding contribution.

2. Principles and objectives

- 2.1 This Remuneration Policy is designed to:
- (a) Ensure there is a direct link between performance and pay;
 - (b) Reward performance, based on results achieved as well as demonstrated behaviours and competencies;
 - (c) Encourage and recognise high performing individuals;
 - (d) Ensure Vector is competitively positioned in the employment market;
 - (e) Reward achievement of strategic objectives and shareholder returns; and
 - (f) Be transparent, consistent, easy to understand and simple to administer.

3. Pay structure

- 3.1 Vector takes a total cash approach to remuneration; total cash includes the dollar value of base pay, "benefits" and incentive payments inclusive of all "benefits", and takes account of:
- (a) External market trends;
 - (b) Individual performance;
 - (c) Internal relativities; and
 - (d) Company budget.
- 3.2 Apart from Life and Income Protection Insurances (see below), Vector does not provide "benefits", however employees have access to group scheme memberships.
- 3.3 The total cash approach comprises a mix of fixed and variable "at risk" pay:

Fixed remuneration: Is guaranteed pay or salary and is inclusive of all benefits;

Variable "at risk" pay: Includes Vector's incentive plan for eligible employees, and any additional rewards. Variable remuneration is paid on top of fixed remuneration. Variable pay rewards are not entitlements and must be re-earned each performance period.

4. Life and income protection insurances

- 4.1 Vector provides life as well as income protection insurance cover at no cost to employees. These insurances are a key cornerstone to our Vector Life policy; our philosophy about life and work.

5. Job bands

- 5.1 Job bands cluster jobs into common job evaluation point ranges based on:
- (a) The nature of work carried out;
 - (b) The accountabilities undertaken;
 - (c) Impact to the business; and
 - (d) The knowledge, experience and expertise required to perform the job.
- 5.2 Vector uses job evaluation methodology to assign positions to bands. Positions 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. Managers and Human Resources work together on this process.

6. Employment market trends

- 6.1 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.

7. Individual pay rates

- 7.1 Individual remuneration is determined within the appropriate band and is based on an individual's:
- (a) Experience, skill and knowledge relevant to the job; and
 - (b) Performance and potential contribution to the Company.

8. Salary reviews

- 8.1 Fixed pay is reviewed, but not necessarily increased, on an annual basis. Any salary increases awarded must be based on individual performance, as measured by Vector's performance management system.
- 8.2 Salary reviews will generally be effective from 1 July, but the review date may change depending on the Company's needs.
- 8.3 The relevant General Manager and Group Manager Organisational Development must approve any salary adjustment outside of the normal review process, arising as a result of a change in an individual's role responsibility as cited above or, market pressures.

9. Vector incentive plan

- 9.1 Vector operates an incentive programme to acknowledge and reward eligible participants performing beyond expectations.

The amount of the incentive opportunity is determined on job accountability and overall impact on the business. Positions with greatest impact have access to the greatest incentive opportunity.

- 9.2 The Incentive Plan makes up the variable “at risk” component of an individual’s remuneration package. The plan rewards the achievement of “stretch” performance goals and, as it is an incentive rather than an entitlement, must be re-earned each performance year.
- 9.3 The Incentive Plan goals are reviewed each year and amended as required to ensure appropriate alignment with the Company’s business strategy. Full details of the goals are documented for each performance period (generally the Company’s financial year) and available to all permanent employees.
- 9.4 The continuation and terms of the Incentive Plan are at the discretion of the Company and are available on Vectors intranet.

10. Communication

- 10.1 This Remuneration Policy, together with details of the banding and pay range system, is published on the intranet and 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.
- 10.2 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.