

RISK & ASSURANCE COMMITTEE CHARTER



Owner: Vector’s board of directors
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Contents

- 1. STATUS, PURPOSE AND OBJECTIVES 1
 - 1.1. Status 1
 - 1.2. Purpose 1
 - 1.3. Objectives 1
- 2. RESPONSIBILITIES 1
 - 2.1. BRAC responsibilities 1
 - 2.2. Delegations 2
 - 2.3. Management responsibilities 2
- 3. COMPOSITION 3
 - 3.1. Membership and qualifications 3
 - 3.2. Secretary 3
 - 3.3. Appointment and removal of members 3
- 4. MEETINGS AND PROCEDURE 3
 - 4.1. Meetings 3
 - 4.2. Board procedure to apply 3
 - 4.3. Quorum 3
 - 4.4. Attendance at meetings 3
 - 4.5. Confidential sessions with the internal auditor 3
- 5. AUTHORITY 3
- 6. REPORTING 4
 - 6.1. Liaison with Audit Committee 4
 - 6.2. Reporting to the board 4
- 7. REVIEW OF COMMITTEE 4
- 8. REVIEW OF CHARTER 4

1. STATUS, PURPOSE AND OBJECTIVES

1.1. Status

The board risk and assurance committee (BRAC) 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 BRAC, in accordance with the BRAC Charter, is to assist the board in fulfilling its responsibilities to protect the interests of shareholders, customers, employees and the communities in which Vector operates through establishing a sound risk management framework and rigorous processes for internal control.

1.3. Objectives

The objectives of the BRAC are to:

- (a) Provide strategic guidance and feedback to the board and to the Vector executive on the development of the maturity of Vector's Enterprise Risk Management (ERM) framework;
- (b) Assist the board to discharge its responsibility to exercise due care, diligence and skill in relation to oversight of the effective management of the company's material business risks;
- (c) Ensure objectivity of the group internal audit function by providing a structured line of reporting; and
- (d) Provide a formal forum for free and open communication between the board, group internal audit and management.

2. RESPONSIBILITIES

2.1. BRAC responsibilities, 2.1(a)(iv)

The BRAC will have oversight of and/or review of:

(a) Risk Management

- (i) The development of the ERM framework, maturity and related procedures and practices, and the effectiveness of the implementation of the framework;
- (ii) The risk management policies and related public disclosures;
- (iii) The risk capacity and exposure limits (risk tolerance and risk appetite) and the alignment of Vector's risk profile with the limits set by the board;
- (iv) Vector's material business risks and management reporting of these risks;
- (v) Vector's exposure to fraud related risks including oversight of appropriate investigation and management reporting of allegations of fraud, misconduct or unethical behaviour and any other significant risk events and incidents;
- (vi) The allocation of risks between the board and appropriate committees in accordance with their respective Charters;

- (vii) Key risk management related processes and functions, such as treasury, insurance, business continuity management, health safety and environment and IT security;
- (viii) The maintenance of an appropriate risk culture within Vector;
- (ix) Risk Management Policy and the effectiveness of the ERM Framework will be reviewed every 3 years by the Risk & Assurance Committee.

(b) Compliance

- (i) Key compliance programs including compliance with applicable laws, regulations, codes and standards;
- (ii) Responses to enquiries from regulatory authorities relating to key risk management related processes and functions which are not included within the remit of the Audit or Regulatory Committees.

(c) Assurance

- (i) The control maturity of Vector and the effectiveness of key internal control systems;
- (ii) The overall scope, annual plan and resources for the internal audit program, aligned to Vector's assurance map;
- (iii) Progress against the annual work plan including any significant changes to it, any restrictions on scope of activities or access to information and any significant disagreements with management;
- (iv) All internal audit reports including audit findings, actions taken and timetable proposed by management in response to the findings;
- (v) The status of the group corrective actions register including the steps being taken by management to resolve any overdue internal audit actions;
- (vi) The alignment of the ERM framework and internal audit activities;
- (vii) The performance of group internal audit;
- (viii) The Internal Audit Policy and the effectiveness of the internal audit function will be reviewed every 3 years by the Risk & Assurance Committee.

Matters relating to the security of electricity and gas supply are the responsibility of the board, not this committee.

2.2. Delegations

The board has delegated the responsibilities outlined above to the BRAC. The activities to be undertaken to discharge these responsibilities are set out in more detail in Appendix 1 and 2.

2.3. Management responsibilities

Management retains responsibility for the development, implementation and effective operation of the ERM framework, internal control, audit and compliance systems within Vector.

In addition to the independent reporting of both the Chief Risk Officer and the group internal audit function to the committee, the Group Chief Executive Officer will also assist the committee in maintaining oversight of Vector's risk and assurance practices.

3. COMPOSITION

3.1. Membership and qualifications

The BRAC must comprise not less than three members, being directors of Vector.

3.2. Secretary

The secretary of the committee is the Company Secretary.

3.3. Appointment and removal of members

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

4. MEETINGS AND PROCEDURE

4.1. Meetings

The BRAC shall meet formally at least quarterly and at such other times the BRAC considers appropriate to fulfil its responsibilities, including any meetings requested by group internal audit.

4.2. Board procedure to apply

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

4.3. Quorum

A quorum for a BRAC meeting shall be three members.

4.4. Attendance at meetings

A standing invitation shall be extended to all directors, the Chief Executive Officer, Chief Risk Officer and the Group Manager Internal Audit and Assurance, to attend meetings of the committee unless the committee decides to withdraw that invitation with respect of any particular meeting or part of a meeting.

4.5. Confidential sessions with the internal auditor

Twice a year, the BRAC will hold a confidential session with the Group Manager Internal Audit and Assurance where no executive director or other employee of Vector should be present.

The BRAC may from time to time also request to meet directly with internal audit service providers.

5. AUTHORITY

The board authorises the BRAC, within the scope of its responsibilities to:

- (a) Seek any information it requires from any employee of Vector and external parties;
- (b) Obtain external legal or other professional advice;
- (c) Require the attendance of Vector officers at meetings as appropriate; and

- (d) Perform or undertake on behalf of the board any such other tasks, investigations or actions it deems appropriate and consistent with its responsibilities and duties.

6. REPORTING

6.1. Liaison with Audit Committee

The BRAC will regularly report to the board audit committee in respect of the internal audit practices, and will facilitate unrestricted access by the audit committee to group internal audit, as the audit committee sees necessary.

6.2. Reporting to the board

The committee will report its decisions and recommendations to the board; such report to be made at the next scheduled meeting of the board.

7. REVIEW OF COMMITTEE

The BRAC shall undertake an annual self review of its performance having regard to:

- (a) The BRAC objectives and responsibilities contained in the Charter; and
- (b) Best practice corporate governance standards including but not limited to:
 - (i) The New Zealand Securities Commission's Corporate Governance Principles;
 - (ii) The NZX Listing Rules and NZX Corporate Governance Best Practice Code; and
 - (iii) The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

8. REVIEW OF CHARTER

This Charter should be reviewed by the committee and updated at least every two years. Any changes to the Charter are to be recommended to the board for approval.

APPENDIX 1 – BRAC MEETING AGENDA FRAMEWORK

	Review timeframe	MAR	JUNE	NOV	DEC
Committee administration					
Minutes of previous meeting	Quarterly	✓	✓	✓	✓
Summary of Committee proceedings to Board of Directors	Quarterly	✓	✓	✓	✓
BRAC Performance Review	Annually				✓
BRAC Charter Review (every 2 years)	2017	✓			
Risk Management					
Fraud Control Policy and Practice Status Update	Annually				✓
Fraud Control and Whistleblower Policy Review (every 2 years)	2017				✓
ERM Maturity Development Status Update (every 3 years)	2019			✓	
Risk Management Policy Review (every 3 years)	2018	✓			
Material Business Risks Report	Annually		✓		
Risk Appetite Review (every 3 years)	2017			✓	
Investigations Report	Quarterly	✓	✓	✓	✓
Independent review of ERM Framework (every 3 years)	2019			✓	
Insurance Programme Placement	Annually		✓		
Business Continuity and Crisis Management Policy and Practice Status Update (every 2 years)	2018				✓
Business Continuity and Crisis Management Policy Review (every 2 years)	2017				✓
HSE Policy, Strategy and Programme Update	Bi-annually	✓		✓	
Enterprise Data Security Strategic Plan Update (including management response to penetration testing)	Annually		✓		
Cyber Security Update	Quarterly	✓	✓	✓	✓
Assurance					
Fraud risk assessment (every 2 years)	2017		✓		
Control Maturity Review	Annually			✓	
Internal Audit Policy (every 3 years)	2019				✓
Internal Audit Status Update (including approval of the rolling 18-month internal audit programme)	Quarterly	✓	✓	✓	✓
Internal Audit Reports completed during period	Quarterly	✓	✓	✓	✓
Confidential sessions with Internal Auditor	Bi-annually		✓		✓
Independent review of effectiveness of Internal Audit function (every 3 years)	2019			✓	

	Review timeframe	MAR	JUNE	NOV	DEC
Report on Controls over Special or Complex Transactions, (including restructuring charges and derivatives)	Quarterly	✓	✓	✓	✓
Management Letters of Representation	Bi-annually	✓		✓	
Compliance					
Legal Compliance Policy and Practice Status Update	Annually				✓
Code of Conduct and Ethics Policy Review and Status Update	Annually		✓		
Legal Compliance Programme Update	Bi-annually	✓		✓	
General					
Confirmation of proper maintenance of Annual Returns, Statutory Registers and Substantial Security Holders Notices	Annually			✓	
Approve risk and control public disclosures (as required as part of the Annual Report process)	As required				
Refer items of financial risk to the Audit Committee and regulatory risk to the Regulatory Committee for consideration	As required				
Undertake such other investigations, tasks and/or activities that may be requested by the Board or required from time to time	As required				

APPENDIX 2 – BRAC MEETING AGENDA MAPPED TO CHARTER OBLIGATIONS

AGENDA ITEM	CHARTER CLAUSE REFERENCE
Committee Administration	
Minutes of previous meeting	4.2
Summary of Committee proceedings to Board of Directors	1.1, 6.2
BRAC Performance Review	7
BRAC Charter Review	8
Risk Management	
Fraud Control Policy and Practice Status Update	2.1(a)(v), 2.1(a)(viii)
Fraud Control and Whistleblower Policy Review	2.1(a)(v), 2.1(a)(viii)
ERM Maturity Development Status Update	1.2, 1.3(a), 2.1(a)(i), 2.1(a)(viii), 2.1(c)(v)
Risk Management Policy Review	1.2, 2.1(a)(ii), 2.1(a)(viii)
Material Business Risks Report	1.2, 1.3(b), 2.1(a)(iv), 2.1(a)(viii)
Risk Appetite Review	1.2, 2.1(a)(iii), 2.1(a)(viii)
Investigations Report	2.1(a)(v)
Independent review of ERM Framework	1.2, 1.3(a), 2.1(a)(i), 2.1(a)(viii), 2.1(c)(v)
Insurance Programme Placement	2.1(a)(vii)
Business Continuity and Crisis Management Policy and Practice Status Update	1.2, 2.1(a)(vii)
Business Continuity and Crisis Management Policy Review	1.2, 2.1(a)(vii)
HSE Policy, Strategy and Programme Update	2.1(a)(vii), 2.1(a)(viii)
Enterprise Data Security Strategic Plan Update (including management response to penetration testing)	2.1(a)(vii)
Cyber Security Update	2.1(a)(vii)
Assurance	
Fraud Risk Assessment	2.1(a)(v), 2.1(a)(viii)
Control Maturity Status Update	1.2, 2.1(c)(i)
Internal Audit Policy	1.3(c), 2.1(c)(ii), 2.1(c)(v)
Internal Audit Status Update (including approval of rolling 18-month internal audit programme)	1.3(c), 1.3(d), 2.1(c)(iii)
Internal Audit Reports completed during period	1.3(c), 2.1(c)(i), 2.1(c)(iv)
Confidential sessions with Internal Auditor	1.3(c), 1.3(d), 2.1(c)(i), 4.5
Independent review of effectiveness of Internal Audit function	1.2, 2.1(c)(vi)
Report on Controls over Special or Complex Transactions, (including restructuring charges and derivatives)	2.1(c)(i)
Management Letters of Representation	2.1(a)(viii), 2.1(c)(i)

AGENDA ITEM	CHARTER CLAUSE REFERENCE
Compliance	
Legal Compliance Policy and Practice Status Update	2.1(b)(i)
Code of Conduct Policy and Compliance Status Update	2.1(b)(i)
Receive Summary Compliance report	2.1(b)(i)
General	
Confirmation of proper maintenance of Annual Returns, Statutory Registers and Substantial Security Holders Notices	2.1(b)(i)
Refer items of financial risk to the Audit Committee and regulatory risk to the Regulatory Committee for consideration	6.1
Approve risk and control public disclosures (as required as part of the Annual Report process)	2.1(a)(ii)
Such other investigations, tasks and/or activities that may be requested by the Board or required from time to time	1.1, 5.1(d)