

Auckland Energy Consumer Trust

Code of Conduct

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Part One: Introduction

Summary

Auckland Energy Consumer Trust ("Trust") was established by Trust Deed in 1993 to hold majority ownership in Vector Limited's ("Vector") predecessor, Mercury Energy Ltd ("Mercury"), on behalf of electricity consumers supplied by Mercury. The Trust fund currently comprises the Trust's 75.1% shareholding in Vector .

Trustees are subject to the provisions of the Trustee Act 1956 and general principles and obligations of trust law. Notwithstanding their being elected in triennial elections, trustees retain fiduciary obligations under the general trustee duty of care to act at all times in the best interests of the beneficiaries of the Trust.

In addition to these obligations the trustees have resolved to adopt a Code of Conduct in the interests of the good governance of the affairs of the Trust.

The Trust Code of Conduct includes provisions in relation to:

1. Agreed statements of roles and responsibilities of Trustees and specifically for the Chair, Deputy Chair, Subcommittee Chairs and the role of Executive Officer of the Trust.
2. Agreed general principles of conduct, including relationships with staff, the community, contact with media and Vector and dealing with confidential information.
3. Circumstances such as conflicts of interest, claims for expenses, influencing others for personal, family or business interests.
4. The use of Trust resources for personal business, soliciting gifts and a policy for receiving gifts over a dollar value set by the Trust.

A breach of the Code of Conduct will be investigated by the Trust. The Trust, on finding a breach, may censure a Trustee, remove that Trustee from a subcommittee or dismiss that Trustee as the chair, deputy chair or subcommittee chair if applicable.

The Code of Conduct will be reviewed following each triennial election.

Part Two: Roles and Responsibilities

This part of the Code describes the roles and responsibilities of Trustees, the additional roles of the Chair, Deputy Chair and Subcommittee Chairs and the role of the Executive Officer.

Trustees

Trustees, acting as the Trust, are responsible for the prudent management of the affairs of the Trust, which includes:

1. Acting as prudent persons of business in relation to the management of the Trust Fund, at present comprising a 75.1% shareholding in Vector Ltd.
2. Appointing Vector's Board of Directors to govern Vector as a successful business.
3. Monitoring Vector's performance.
4. Acting as a responsible shareholder of Vector including giving proper consideration to all major transactions proposed by Vector, and any other matters which require Trust approval under Vector's constitution.
6. Performing and ensuring Vector performs its obligations under the Deed Recording Essential Operating Requirements agreed between Vector and the Trust.
7. Acting where appropriate, as advocates on behalf of consumers on electricity consumer related matters.

Each Trustee has one vote, with the Chair holding a casting vote as well. No individual Trustee (including the Chair) has authority to act on behalf of the Trust unless the Trust has expressly delegated such authority.

Chair

The Chair is the leader of the Trust and presides at meetings of the Trust. The Chair is responsible for ensuring the orderly conduct of business during meetings (as determined in standing orders).

The Chair is elected by Trustees following each triennial election. As a Trustee the Chair shares the same obligations and responsibilities as other Trustees of the Trust.

The Chair also acts as spokesperson for the Trust:

The Chair must follow the same rules as other Trustees about making public statements and committing the Trust to a particular course of action, unless acting under a delegation of authority from the Trust and in accordance with the rules for media contact on behalf of the Trust.

Deputy Chair

The Deputy Chair is elected by Trustees following each triennial election. As a Trustee the Deputy Chair shares the same responsibilities as other members of the Trust. If the Chair is absent or incapacitated the Deputy Chair must perform all of the responsibilities and duties and may exercise the powers of the Chair.

Subcommittee Chairs

The Trust may create one or more subcommittees of the Trust.

A Subcommittee Chair presides over all meetings of the subcommittee, ensuring that the subcommittee acts within the powers delegated to it by the Trust. Subcommittee Chairs may be called on to act as an official spokesperson on a particular issue relevant to the subcommittee's work.

Trustee Directors

4.

Under the Trust Deed two trustees may be appointed to Vector's board of directors.

The process for the appointment of Trustee Directors and some conditions governing their status and entitlements is set out in the Trust's Protocol in Respect of the Appointment and Conduct of Trustees as Directors of Vector Limited.

Executive Officer

The Executive Officer is the principal employee of the Trust and responsible for the day to day management and operation of the Trust. The duties and responsibilities of the Executive Officer are set out in a written contract of employment between the Trust and the Executive Officer. While the Executive Officer is responsible to all Trustees, he or she takes direction primarily from the Chair.

Part Three: Relationships and Behaviours

This part of the Code sets out the Trust's agreed standards of behaviour.

Relationships with other Trustees

Successful team work is a critical element in the success of any organisation including a democratically elected organisation or trust.

No team will be effective unless mutual respect exists between members. With this in mind Trustees will conduct their dealings with each other in ways that:

1. Maintain public confidence in the office of trustee to which they have been elected and the Trust itself.
2. Are open and honest.
3. Focus on issues rather than personalities.
4. Avoid aggressive, offensive or abusive conduct.

Relationships with staff

The effective performance of the Trust also requires a high level of cooperation and mutual respect between Trustees and Trust staff. To ensure that the level of cooperation and trust is maintained, Trustees will:

1. Recognise that the Executive Officer is the principal employee of the Trust, responsible for the day to day management and operation of the Trust, taking direction from the Chair between Trust meetings, whilst maintaining accountability to all Trustees.
2. Inform themselves of the obligations that the Trust has as employer and observes those requirements at all times.
3. Treat all employees with courtesy and respect (including the avoidance of aggressive, offensive or abusive conduct).
4. Observe any guidelines that the Executive Officer puts in place regarding contact with other Trust employees.
5. Not do anything which compromises, or could be seen as compromising, the impartiality of any Trust employee.
6. Avoid publicly criticising any Trust employee in any way that reflects on the competence and integrity of the employee.
7. Raise concerns about another employee with the Executive Officer and any concern about the Executive Officer only with the Chair.

Trustees should be aware that failure to observe this portion of the Code may compromise the Trust's obligations to act as a good employer and may expose the Trust to litigation and financial sanctions.

Relationships with Beneficiaries and the Community

Trustees will ensure that individuals and groups of Beneficiaries of the Trust, or from the community at large, are accorded respect in their dealings with the Trust, and have any concerns listened to and deliberated on in accordance with the requirements of Trustees' obligations.

Trustees will act in a manner that encourages and values appropriate Beneficiary involvement in the affairs of the Trust.

Trustees will comply with their obligations detailed in the Guidelines for Access to Information by Beneficiaries of Electricity Community and Customer Trusts, as adopted by the Trust.

Contact with Vector

Effective Trust decision making depends on productive relationships between Trustees and Vector.

The Chair is the spokesperson for the Trust in its dealings and relationship with Vector and Trustees will only communicate directly with Vector, its Board or management as authorised by the Trust or otherwise in the proper conduct of the Trust business with Vector.

Trustee Directors are also an important point of contact between the Trust and Vector. The presence of Trustee Directors on the Vector Board does not derogate from the role of the Chair of the Trust in relation to Vector.

Contact with the Media

As the largest elected community Trust in New Zealand, the media will continue to play its part in the affairs of the Trust. From time to time, individual Trustees will be approached to comment on a particular issue either on behalf of the Trust, or as an elected Trustee in his or her own right. This part of the Code deals with the right and duties of Trustees when speaking to the media on behalf of the Trust, or in their own right.

The following rules apply for media contact *on behalf of the Trust*:

1. The Chair is the first point of contact for the official Trust view on any matter. Where the Chair is absent, any matters will be referred to the Deputy Chair.
2. The Chair may refer any matter to the Executive Officer for comment.
3. No other Trustee may comment *on behalf of the Trust* without having first obtained the approval of the Chair.

Trustees may at times express a *personal view* in the media, provided the following rules are observed:

1. Media comments must not state or imply either directly or by omission that they represent the views to the Trust.
2. Where a Trustee is making a statement that is contrary to a Trust decision or Trust policy, they must not state or imply (either directly or by omission) that his or her statements represent a majority view.
3. Media comments must observe the other requirements of the code of conduct, eg not disclose confidential information, compromise the impartiality or integrity of staff or harm the interest of the Trust fund.

Where a media organisation appears to wrongly assume that the Trustee is speaking *on behalf of the Trust*, the Trustee should try to correct this assumption wherever practicable.

Confidential information

In the course of their duties Trustees will receive information that needs to be treated as confidential. This would generally be information that is either commercially sensitive, particularly to the interests of Vector, or is personal to a particular individual or organisation.

Trustees must not use or disclose confidential information for any purpose other than the one for which the information was supplied.

Trustees should be aware that failure to observe these provisions will impede the performance of the Trust by inhibiting information flows and undermining Beneficiary and Vector's confidence in the Trust. Failure to observe these provisions may also expose the Trust and Vector to sanctions, for example from the New Zealand Exchange or the Securities Commission.

Conflicts of interest

Trustees must be careful that they maintain a clear separation between their personal interests and their duties as elected Trustees. People who fill positions of authority must carry out their duty free from bias (whether real or perceived). Trustees therefore need to familiarise themselves with the legal requirements concerning both financial and non-financial conflicts of interest.

In addition to any requirements under the general law or the Trust Deed, Trustees are prohibited from participating in any Trust discussion or vote on any matter in which they have a pecuniary interest, other than an interest in common with the general public, or in which they seek any form of benefit or advantage. The same rules also apply where a Trustee's spouse (including defacto partners) or other related party has a pecuniary interest. Trustees must declare their interests at a Trust meeting where matters in which they have a pecuniary interest arise.

If a Trustee is in any doubt as to whether or not a particular course of action (including a decision to take no action) raises a conflict of interest, then the Trustee must seek guidance through the Executive Officer from the Trust's legal advisor or their own independent legal advisor *immediately*.

Standing orders

The Trust has adopted standing orders. The Trustees will adhere to the standing orders of the Trust. The same requirements as this code of conduct apply to adoption, amendment or revocation of these standing orders.

Ethics

The Trust seeks to promote the highest standards of ethical conduct amongst its Trustees. Accordingly Trustees will:

1. Claim only for legitimate expenses as laid down by any remuneration and policy decisions of the Trust.
2. Not influence, or attempt to influence, any Trust or Vector employee to take actions that may benefit that member, or the member's family or business interest.
3. Not use Trust resources for personal business (including campaigning).
4. Not solicit, demand or request any gift, reward or benefit by virtue of their position.
5. Notify the Executive Officer of any gifts intended to influence or reward specific decisions of Trustees in their roles as trustees.

Substantial gifts (as shall be determined by the Trust) which are received by the Trustees in the course of their duties are gifts to the Trust and shall be retained by the Trust.

Disqualification of Trustees from office

In order to ensure compliance with Rule 2.2 of the Schedule to the Trust Deed Trustees must declare at any time whether:

1. they are or have become an undischarged bankrupt.
2. they have been convicted of any offence punishable by a term of imprisonment of two or more years, or sentenced to imprisonment for an offence.
3. they cease to be a Parliamentary elector for the purposes of the Electoral Act 1956.
4. they cease to be a Consumer as defined in the Trust Deed
5. they have otherwise become disqualified from continuing to hold the office of Trustee.

Part Four: Compliance and Review

Compliance

Compliance with the Code will be monitored by the Chair in respect of other Trustees and by the Deputy Chair in respect of the Chair.

Any allegation of a breach of the Code must be authored, in writing, be specific and provide corroborating evidence. The breach is to be submitted in the first instance to the Executive Officer who will notify all trustees of its receipt.

On receipt of an alleged breach in the appropriate form, a subcommittee of the Trust shall be constituted ("Complaints Subcommittee") comprising the Chair (or the Deputy Chair in respect of any complaint against the Chair) and at least one other Trustee nominated by the Chair (or the Deputy Chair, as the case may be). Neither any complainant Trustee nor the Trustee, the subject of any complaint, shall be eligible to be a member of the Complaints Subcommittee.

The Complaints Subcommittee will investigate the alleged breach and prepare a written report for the consideration of the Trust. Before beginning any investigation, the Complaints Subcommittee will notify the Trustee in writing of the complaint, explaining when and how they will get the opportunity to put their version of events.

The Trust will consider any Complaints Subcommittee report at the next ordinary meeting of the Trust, unless the particular circumstances justify the convening of a special meeting of the Trust.

Responses to breach of the Code

The action the Trust takes in response to a complaint which is made out will depend on the nature of the breach. The Trust may take the following action:

1. Censure.
2. Removal of the Trustee from a Subcommittee.
3. Dismissal of the Trustee from the position of Chair, Deputy Chair of the Trust or as Subcommittee Chair (if applicable).

A decision to apply one or more of these actions requires a Trust resolution to that effect.

Review

Once adopted, the Code will continue in force until amended, replaced or revoked by the Trust.

The Trust will formally review the Code as soon as practicable after each Trust election.

The results of that review will be presented to the Trustees for their consideration.