

# Annual Corporate Governance Statement 2020



The Board and management of Spark New Zealand Limited (**Spark**) are committed to maintaining high standards of corporate governance. The Board regularly reviews and assesses Spark's governance structures and processes to ensure that they are consistent with international best practice, in both form and substance.

Spark is required to report against the NZX Corporate Governance Code (**NZX Code**) and, as part of its commitment to best practice governance, has elected to take into consideration and substantially complies with the ASX Corporate Governance Council's Principles and Recommendations (the Fourth Edition).

This statement is a snapshot view of Spark's practices, processes and policies measured against the principles of the NZX Code. It was approved by the Board on 26 August 2020 and is accurate as at that date.

## Principle 1:

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### Code of Ethical Behaviour

**"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."**

#### Codes of Conduct

Spark has an integrated Company-wide compliance framework. A Code of Ethics (which applies to all employees) and a Directors' Code of Ethics, together set out the standards by which Spark people are expected to conduct themselves.

The Codes provide guidance on decision-making and set out to instill a culture of acting lawfully, ethically and responsibly. The Code of Ethics contains links to Spark's core policies and details Spark's values, expected behaviours and sets out Spark's approach to conflicts of interest, bribery and corruption, gifts and hospitality, confidentiality, use of assets and information and compliance with laws. The Codes also set out Spark's compliance escalation procedures that are designed to be used to report breaches of Spark's legal obligations, the Codes themselves and other Spark policies, either through the Honesty Box confidential whistle-blowing portal or other avenues.

Online training modules during the induction process for new joiners and as part of Spark's

continuous education programme, are used to educate all staff about the Code of Ethics and how to apply it. We reinforce this training through regular one-on-one sessions and broader internal communication (emails and intranet articles) across the business. Training on the Directors' Code of Ethics is coordinated by the Company Secretary.

Copies of the Code of Ethics and the Directors' Code of Ethics can be found at: [www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance)

#### Trading Policies

The Insider Trading Policy and the Disclosure Policy (together with the associated procedures for implementation) are two of Spark's core policies that address the treatment of material information and trading in Spark and other issuers' financial products while in possession of material information.

Copies of the Insider Trading Policy and the Disclosure Policy can be found at: [www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance)

## Principle 2:

### Board Composition and Performance

**“To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.”**

#### Board

A key factor in Spark’s long-term growth framework is strong governance, with focus areas including proactive risk management policies and having a diverse Board.

A biography of each Board member and the Board skills matrix that outlines the qualifications, capabilities, geographical location, tenure and gender of each member of the Board can be found in the Our Board section of the 2020 Annual Report.

The Board of Directors is elected by shareholders to protect and enhance the value of the assets of Spark in the interests of Spark and its shareholders. The Board has statutory responsibility for the affairs and activities of Spark, which in practice is achieved through delegation to the Chief Executive Officer (CEO) and those who are charged with the day-to-day leadership and management of the Company. The CEO has, in some cases, formally delegated certain authorities to direct reports and has established an empowerment framework that sets out decision rights at Spark.

More information regarding the respective roles and responsibilities of the Board and management is set out in the Board Charter, which can be found at: [www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance)

The Board regularly reviews and assesses Spark’s governance structures and processes to ensure that they are consistent with international best practice in both form and substance.

#### Director Appointment

The procedures for the appointment and removal of directors are governed by Spark’s constitution. Each director has a signed letter of appointment or employment agreement setting out the terms of their appointment, including their duties, terms, conditions of appointment, expectations of the role and remuneration. Spark directors have no fixed term of office but are subject to the retirement provisions contained in the relevant stock exchange listing rules.

Recommendations for nominations of new directors are generally made by the NOMs and considered by the Board as a whole. External consultants are from time to time used to access a wide base of potential candidates and to review the suitability of candidates for appointment.

When recommending a candidate to act as director, the NOMs takes into account such factors as it deems appropriate, including the candidate’s independence, experience, professional skills, qualifications and personal qualities. In doing so Spark will undertake appropriate checks, including as to the candidate’s character, education, criminal record and bankruptcy history. The NOMs will review the candidate’s skills and experience relative to the Board skills matrix to determine whether they will augment the existing Board skillset and assess their availability to commit themselves to the role.

If the Board appoints a new director during the year, that person will stand for election by shareholders at the next annual meeting. Shareholders are provided with relevant information on the candidates standing for election in the notice of meeting.

#### Diversity and Inclusion

Spark’s talented workforce is a representation of gender, ethnicity, culture and experience. We believe that building greater diversity and inclusion among our people speaks to our role as a major New Zealand company that shows leadership in areas important to society. We also believe it will ultimately deliver enhanced customer experiences and business performance. One of Spark’s major initiatives involved inviting all employees to make the Blue Heart Pledge, which is an individual’s personal commitment to support a ‘heart-led’ approach to diversity and inclusion at Spark.

Spark’s Diversity and Inclusion Policy sets out the requirement for the Board to set and review measurable objectives for achieving diversity each year. The HRCC will annually review and report to the Board on the relative proportion of gender diversity that makes up

## Principle 2 continued:

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Spark’s workforce and recommend objectives to the Board. A copy of Spark’s Diversity and Inclusion policy can be found at: [www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance)

For more details on the importance of Diversity and Inclusion at Spark, and reporting on our workforce demographics, please see the Our People section of the 2020 Annual Report.

#### Director Training

The Board introduces new directors to management and the business through specifically tailored induction programmes, depending on their needs. All directors are regularly updated on relevant industry and Company issues. This may include visits to Spark operations and briefings from key Leadership Squad members or external experts. There is an ongoing programme of presentations to the Board by management from across Spark. From time to time the Board may also undertake educational trips to receive briefings from companies in relevant industries, locally and abroad. The Board expects all directors to undertake continuous education so that they may appropriately and effectively perform their duties.

#### Board, Committee and Director Performance

The Board regularly discusses governance and performance and annually reviews its own performance as a whole against the Board Charter and each Committee’s performance against its Charter. The Chair meets with directors to discuss the performance of each director individually. Further, Board evaluations are undertaken annually to seek director and Leadership Squad feedback on a range of matters relating to Board performance, including its role and composition and engagement with management, shareholders and stakeholders. The collective results of the evaluation are then reported to the Board by the Chair and discussed individually with directors. The last Board evaluation survey was undertaken in

July 2019 with the next Board evaluation under way in August 2020.

#### Director Independence

Spark’s Board Charter requires that a majority of directors be independent. When assessing independence the Board will consider whether a director is free of material relationships with Spark (other than as a director) and other entities and people who could influence, or could reasonably be perceived to influence, the director’s capacity to exercise independent judgement and act in the best interests of Spark and Spark’s shareholders generally. The mere existence of a relationship with Spark, or a customer or supplier, may not necessarily mean that a director is not independent. Rather, the Board will assess each relationship on a case-by-case basis to determine whether it is material and might compromise the independence of the director. The Board will also consider the tenure of each director when assessing independence and succession planning.

Please see the Board’s statement regarding Director independence at page 106 of the 2020 Annual Report.

#### Board Positions

The Chair is elected by the Board. The Board supports the separation of the roles of Chair and the CEO. The Chair’s role is to manage and provide leadership to the Board and to facilitate the Board’s interface with the CEO. The current Chair Justine Smyth is a non-executive and independent director as required by the Board Charter. The Board does not have a Deputy Chair.

The Company Secretary is responsible for supporting the effectiveness of the Board by ensuring that its policies and procedures are followed and for coordinating the completion and dispatch of the Board agendas and papers. The Company Secretary is accountable to the Board, via the Chair, on all governance matters, as further described in the Board Charter.

### Principle 3:

## Board Committees

**“The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.”**

Spark’s Board establishes committees to assist in the execution of the Board’s responsibilities. Board committees do not act or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so.

The current committees of the Board are:

- Audit and Risk Management Committee (ARMC);
- Human Resources and Compensation Committee (HRCC); and,
- Nominations and Corporate Governance Committee (NOMs).

Other committees may be established from time to time to consider matters of special importance or to exercise the delegated authority of the Board.

Each Board Committee has a Charter summarising the role, rights, responsibilities and membership requirements for that Committee. The Board annually reviews the charters of the Board committees and their performance against those charters, with the last review conducted in November 2019. The Board committee charters can be found at: [www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance)

The Board is responsible for appointing committee members and Chairs according to the skills, experience and other qualities they bring to the Committee. All Spark committees are comprised of a majority of independent directors. A Committee Chair is entitled to invite persons to attend Committee meetings as deemed necessary. Spark management and employees can only attend Committee meetings at the invitation of the Committee.

Specific Committee memberships and attendance information are outlined on pages 103 & 105 of the 2020 Annual Report.

#### **ARMC**

The Board has delegated responsibility to the ARMC for reviewing Spark’s principal risks on an annual basis; ensuring that management has established a risk management framework that includes policies and procedures to effectively identify, treat and monitor principal business risks; assessing the effectiveness of the risk management

system and ensuring it is fit for purpose annually; and monitoring compliance with the risk management framework.

The ARMC is tasked with ensuring the quality, credibility and objectivity of Spark’s accounting processes, including financial reporting. The ARMC will discuss interim financial statements and annual reports with management, including whether the reporting is consistent with the Committee members’ information and knowledge and whether it is adequate for shareholder needs.

The ARMC is comprised solely of non-executive directors, and the Chair of the ARMC is independent and is not the Chair of the Board.

#### **HRCC**

The HRCC is responsible for reviewing Spark’s remuneration policy and practices, as well as Spark’s overall human resources strategy, structure, policy and practices. The remuneration of directors is reviewed by the HRCC – taking account of the Company’s size and complexity and the responsibilities, skills, performance and experience of the directors – with recommendations made to the Board for approval.

#### **NOMs**

The NOMs role is to identify and recommend to the Board individuals for nomination as members of the Board and its committees (taking into account such factors as it deems appropriate, including experience, qualifications, judgement and the ability to work with other directors); and to develop and review Spark’s corporate governance principles and make recommendations to the Board. The NOMs is also responsible for reviewing Board succession planning.

#### **Takeovers**

Spark’s Board has put in place Takeover Response Guidelines that set out the procedure to be followed if there is a takeover offer for Spark, including with regards to communication between insiders and the bidder, the preparation of an independent advisor’s report and establishment of a Bid Response Sub-committee.

## Principle 4:

### Reporting and Disclosure

“The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.”

#### Continuous Disclosure

Spark is committed to providing material information regarding Spark’s business and operational performance to shareholders and other stakeholders in compliance with applicable laws and securities exchange requirements. Pursuant to its Disclosure Policy, Spark has an appointed Disclosure Officer to authorise all financial market communications. Together with the Company Secretary the Disclosure Officer is responsible for overseeing Spark’s disclosure practices and ensuring that all material information is lodged promptly and without delay with the relevant securities exchanges and ensuring that the Board receives copies of all material market announcements and is kept informed of the nature and quality of the information being disclosed to the market.

Authorised spokespersons are restricted to reduce the risk of inconsistent communications and to ensure that public comments are within the bounds of information already in the public domain and/or information that is not materially price sensitive.

#### Reporting

Spark’s financial reports are prepared in a manner that is balanced, clear and objective. The financial statements in the Annual Report are prepared in accordance with NZ GAAP and comply with NZ IFRS.

Spark requires that, prior to the approval of financial statements by the Board, its CEO and Finance Director make a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Spark; and that their opinion has been formed on the basis of a sound system of risk management and internal control, which is operating effectively.

In addition to the published financial statements Spark’s Annual Report provides information on Spark’s performance on a number of non-financial matters, including

environmental, social and governance commitments, integrating elements of the Global Reporting Initiative Standards.

The 2020 Annual Report is also Spark’s first report to adopt elements of the Integrated Reporting International <IR> Framework. Integrated reporting takes into consideration the creation of value over the short, medium and long term, thinking holistically about the resources and relationships the organisation uses or affects and the dependencies and trade-offs between them as value is created.

#### Key Governance Documents

Spark’s website has a dedicated governance section that contains Spark’s policies that outline its core governance structures and processes. This includes the Code of Ethics, Board Charter (and the charters of the various committees), Disclosure Policy, Insider Trading Policy, Diversity and Inclusion Policy and other principal corporate governance documents: [www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance)

## Principle 5:

### Remuneration

**“The remuneration of directors and executives should be transparent, fair and reasonable.”**

#### Policies and Practices

The HRCC is responsible for Spark's remuneration policy and practices and is also ultimately responsible for ensuring Spark meets legislative and regulatory requirements as they relate to remuneration matters.

Spark is committed to ensuring that the remuneration of directors is transparent, fair, and reasonable and subject to shareholder approval if required.

For more details on director and executive remuneration please see the Leadership and Board Remuneration section of the 2020 Annual Report.

#### Directors

Non-executive director remuneration is determined with consideration of the size and complexity of Spark and relative market activity. From time to time independent consultants are engaged for benchmarking purposes to ensure that the remuneration of Spark's non-executive directors is appropriate and comparable to that of similar companies in New Zealand and, as relevant, Australia. Non-executive directors are also expected to purchase and hold an amount of Spark shares within the first three years of their appointments.

Jolie Hodson, as an executive director, does not receive any director fees.

Further details on non-executive director remuneration can be found at pages 52 & 103 of the 2020 Annual Report.

Further details on directors' Spark shareholdings can be found at pages 106 & 110 of the 2020 Annual Report.

#### Executives

The Leadership Squad's remuneration consists of a fixed remuneration component and at-risk short-term and long-term incentives. Spark's STI rewards senior leaders for the achievement of annual performance objectives, with payments awarded from a fixed cash pool that is set based on overall Spark performance against financial and/or non-financial annual performance objectives. Spark believes that senior leaders should

have part of their remuneration linked to the long-term performance of the Company. For the Leadership Squad and a select group of senior leaders, a long-term incentive, which vests after three years contingent on continued employment and Spark achieving a performance hurdle, forms part of their remuneration packages.

Further details on Leadership Squad remuneration can be found at page 50 of the 2020 Annual Report.

#### CEO

The CEO's remuneration package reflects the scope and complexity of the role and is set by the Board, with reference to the remuneration of CEOs of similarly sized organisations. For FY21 the CEO's remuneration package comprises a fixed cash component, an at-risk short-term incentive and an at-risk long-term incentive.

The CEO's annual cash-based short-term incentive is subject to the achievement of specific performance objectives set by the Board based on Spark's strategy and business plan for the respective financial year. The CEO's annual long-term incentive will be granted as options under Spark's LTI, contingent on continued employment and Spark achieving a performance hurdle. The CEO is also expected to purchase and hold an amount of Spark shares.

Further details on CEO remuneration can be found at pages 51 & 104 of the 2020 Annual Report.

## Principle 6:

### Risk Management

**“Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.”**

Spark’s Agile organisation design and practices empower its people to make decisions and manage the risks associated with achieving Spark’s strategy and business objectives. Strong corporate governance, including a highly effective and integrated risk management framework, helps Spark people to make good business decisions that create stakeholder value. Spark’s Managing Risk Policy and Framework is benchmarked to the COSO ERM 2017, a leading enterprise risk management standard.

Spark’s Managing Risk Policy and Framework is designed on the principles that managing risk creates, protects and enhances value. It is embedded in decision-making processes and accountability structures so that uncertainty and risks can be managed effectively. It is iterative and responsive to change so that it remains effective when external and internal forces require Spark to adapt its priorities and operating models. A copy of Spark’s Managing Risk Policy can be found at the following link:

**[www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance)**

The ARMC plays an important role and is responsible for ensuring that Management has established a risk management framework. Spark’s Risk Team is accountable for designing and managing this framework and provides the ARMC with regular updates about its performance and evolution.

The ARMC reviews Management’s principal risk profile annually. It also receives reports on the effectiveness of the implementation and operation of the policies and systems designed to manage risk. The ARMC receives quarterly reporting from the Risk, Internal Audit and Fraud Lead that discusses progress against the approved Risk, Internal Audit and Fraud Plan. Information reported includes the priorities, updates about the evolution of the Managing Risk Framework, findings from its internal audit reviews, updates about the status of previously raised items and fraud risk management.

The ARMC conducts an annual assessment to confirm the Managing Risk Framework is designed and operating effectively. The last assessment was undertaken in August 2020 as part of year-end procedures. Every three years Spark also has an external review to ensure it continues to be fit for purpose and is operating effectively.

A summary of Spark’s Managing Risk Framework and Spark’s identified principal business risks and mitigations are outlined in the Our Governance and Risk Management & Our Suppliers sections of the 2020 Annual Report.

#### Health and Safety

The health and safety of people is of the utmost importance to Spark. A safe and healthy workplace is one in which people and suppliers are accountable and empowered to work together to protect and promote the health, safety and wellbeing of all. To achieve this Spark has established four pillars of health and safety: a clearly defined Health and Safety framework; active hazard and risk management; development of an employee-driven safety culture; and the right resources and processes to deliver on the framework. Integral to the framework is the H&S Information System, which shapes and monitors key performance indicators across the business, focusing on Spark’s strategic objectives, targets and managing critical hazards and risks. The Board and Leadership Squad are both integrally involved in health and safety strategic planning, implementation and monitoring.

Further details regarding Spark’s health and safety performance can be found in the Our People section of the 2020 Annual Report.

## Principle 7:

### Auditors

**“The board should ensure the quality and independence of the external audit process.”**

#### External Audit

Oversight of Spark’s external audit arrangements is the responsibility of the ARMC. The External Auditor Independence Policy and ARMC Charter together establish a framework for Spark’s engagement with the external auditor. The objective of this framework is to ensure that audit independence is maintained, both in fact and appearance, such that Spark’s external financial reporting is viewed as being highly reliable and credible.

The ARMC is responsible for the appointment of Spark’s external auditor, its terms of engagement and the level of fees incurred. The ARMC Charter outlines the nature of the services permitted to be performed and those not permitted to be performed by the external auditor.

The ARMC Charter requires that the Committee annually assesses and confirm to the Board the independence and objectivity of the external auditor after consideration of the External Auditor Independence Policy criteria. Regular rotation of the external audit firm is not mandated, however, rotation of the key audit partner of Spark is required every five years.

Procedures for communication between the ARMC, the external auditor and Management are set out in the ARMC Charter.

Representatives of Spark’s external auditor are available at Spark’s annual meeting to answer shareholder questions about the conduct of the audit and the content of the external auditor’s reports.

KPMG was appointed as Spark’s external auditor effective 1 July 2002. Given the duration of service, the Board considered it was the appropriate time to rotate external auditor.

Following a formal request for proposal process for external audit services, in March 2020 the Spark Board recommended that Deloitte be appointed as its new external auditor, subject to approval by shareholders at Spark’s Annual Meeting to be held in November 2020.

The Audit and Risk Management Committee Charter and the External Auditor Independence Policy can be found at: [www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance)

#### Internal Audit

The Spark Internal Audit Team’s primary objective is to assist the Board and CEO to exercise good governance by providing independent assurance on Spark’s control and risk management processes. The ARMC approves the appointment and oversees the performance of Spark’s Risk, Internal Audit and Fraud Lead, who is accountable for leading Internal Audit and reports directly to the Chair of the ARMC. The Internal Audit Charter defines the Group’s objectives, scope, independence, responsibilities and authority. Internal Audit is independent from the activities and operations it audits and has unrestricted access to Spark’s records and employees.

Internal Audit regularly performs audits across Spark. It works to an annual Risk, Internal Audit and Fraud Plan that outlines the risk themes and engagements it intends to complete over the plan year. The ARMC approves this plan and ensures that the Internal Audit is appropriately staffed and that its scope of work is appropriate for the key risks facing Spark.

## Principle 8:

### Shareholder Rights and Relations

**“The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.”**

#### Shareholder Communications and Disclosure

Spark is committed to promoting a fair, orderly and transparent market through comprehensive continuous disclosure and ensuring shareholders are able to exercise their rights in an informed manner.

Spark’s Disclosure Policy and associated procedures governs communications with shareholders and other stakeholders. All material information is lodged promptly and without delay with the relevant securities exchanges. Once lodged the information will also be published on Spark’s website, with further dissemination through broadcast emails to news agencies and other market commentators where appropriate. Spark may make available on its website any other relevant information made available to investors/analysts (e.g. roadshows and presentation briefing materials).

Spark is committed to maintaining multiple channels of shareholder communications and engagement, which currently includes:

1. Semi-annual earnings announcements via audio conference;
2. Semi-annual post-results briefings with investors in New Zealand and Australia;
3. Regular ad hoc one-on-one and group investor and analyst meetings;
4. An annual meeting;
5. An annual report and corporate governance statement;
6. Semi-annual shareholder newsletters;
7. Investor briefing days (where appropriate); and
8. Regular investor roadshows.

Spark provides shareholders with the option to receive communications from, and send communications to, Spark electronically.

#### Spark’s Investor Website

Spark’s website is an important avenue of communication with shareholders and other stakeholders. Spark maintains a dedicated investor website ([investors.sparknz.co.nz](http://investors.sparknz.co.nz)) which contains market releases, periodic financial information, current and past annual reports, investor presentations and webcasts, dividend and share price histories, notices of meeting, biographies of Spark directors and Leadership Squad, investor contacts, important calendar dates and other information about Spark.

#### Annual Meetings

All Spark shareholders are encouraged to participate in the annual meeting including virtually via an online annual meeting platform, where shareholders can vote, ask questions and watch the meeting via webcast. Shareholders can also electronically appoint and direct proxies to vote on their behalf at the annual meeting.

The annual meeting webcast will be archived on the Spark investor website after the meeting.

The annual shareholders’ notice of meeting is posted on Spark’s website as soon as possible.

Spark is committed to ensuring that each shareholder who invests in Spark has the right to vote on major decisions that may change the nature of the Company. All of Spark’s shareholders have the right to one vote per share and voting at the annual meeting is conducted by poll.

# Glossary

There are terms used in this document that may be unfamiliar these are what each mean:

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<b>ARMC</b>	Audit and Risk Management Committee
<b>HRCC</b>	Human Resources and Compensation Committee
<b>LTI</b>	Long-Term Incentive Scheme, which is part of Spark Leadership Squad and CEO remuneration
<b>NOMs</b>	Nominations and Corporate Governance Committee
<b>NZ GAAP</b>	Generally Accepted Accounting Practice in New Zealand
<b>NZ IFRS</b>	New Zealand equivalents to International Financial Reporting Standards
<b>Spark</b>	Spark New Zealand Limited
<b>STI</b>	Short-Term Incentive Scheme, which is part of Spark Leadership Squad and CEO remuneration

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