



# Board Charter

**November 2019**

## **Introduction**

This charter and the board committees' charters and policies set out the governance requirements for the Spark New Zealand Board. These include the roles and responsibilities, procedures, members' powers and reference to applicable legislation.

## **Purpose**

### Governance at Spark New Zealand

The Board has statutory responsibility for the affairs and activities of the Company, which in practice is achieved through delegation to the Chief Executive and others (including subsidiary company boards) who are charged with the day-to-day leadership and management of the Company. The Chief Executive also has a special responsibility to manage and oversee the interfaces between the Company and the public and to act as the principal representative of the Company.

The Board has also adopted the following governance objectives.

1. To lay solid foundations for management and oversight.
2. To structure itself to add value.
3. To promote ethical and responsible decision-making.
4. To safeguard the integrity of its financial reporting.
5. To make timely and balanced disclosure.
6. To respect the rights of its shareholders.
7. To recognise and manage risk.
8. To remunerate fairly and responsibly.
9. To ensure the effective monitoring and management of health and safety.
10. To promote a corporate culture which embraces diversity and inclusion.

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## The Role of the Board

The Board has the responsibility to work to protect and enhance the value of the assets of the Company in the interests of the Company and its shareholders.

## Composition

### Board Composition

The Constitution requires that the Board comprise between five and twelve members. The Constitution and NZX Listing Rules require that two Directors are ordinarily resident in New Zealand. In addition to the constitutional requirements, the Board has agreed that a majority of Directors must meet the independence requirements described below. The Board has also agreed that the Chairperson shall be independent.

### Rotation

All Directors appointed by way of casual vacancy are required by the Company's Constitution to be elected by the shareholders at the first annual meeting after their appointment. A Director must not hold office (without re-election) past the third annual meeting following the Director's appointment or 3 years, whichever is longer. Subject to these rotation requirements, there is no maximum term for which a person can remain a Director.

### Independence

In order for a Director to be considered independent:

- The Director must be a non-executive Director;
- The Director must not serve on the Board for a period which could reasonably be perceived to interfere with the Director's capacity to bring an independent view to decisions in relation to the Company, the Director's ability to act in the best interests of the Company and to represent the interests of the Company's financial product holders generally; and
- The Board must affirmatively determine that the Director does not have a material relationship (other than solely as a consequence of being a Director); and disclose the basis for this determination in the annual report.

The Board will review any determination it makes as to a Director's independence on

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becoming aware of any information that indicates that the Director may have a material relationship of the kind described above. If there is a change in the Board's determination it will be announced promptly and without delay. The Board will disclose in the Spark New Zealand annual report which Directors are independent, the basis for these determinations, their profile of experience, the length of service and ownership interests of each Director.

In this Charter, in determining whether a "material relationship" exists, the Board will consider the following:

- 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 bring an independent view to decisions in relation to the Company, act in the best interests of the Company and represent the interests of the Company's financial product holders generally.
- A relationship as a principal, director or senior employee of a provider of material professional services to the Company or Group or an employee materially associated with the service provided, in each case, whether currently or within the last 12 months.
- Whether the person is employed in an executive capacity by the Company or Group held currently or at any time within the past three years and there has not been a period of at least three years between ceasing such employment and serving on the Board.
- A relationship as a material customer or supplier of Spark New Zealand (including as a Director or Officer of the customer or supplier) or an associated person or affiliate thereof or a party to a material contract with the Company or Group, at any time within the past three years.
- A relationship as a substantial product holder of Spark New Zealand or an associated person of that substantial product holder (other than solely as a consequence of being a Director of Spark New Zealand).
- A current, or within the last three years, material contractual relationship with the Company or Group, other than as a Director.
- A relationship of close family ties with any person who falls within any of the categories described above.

In certain circumstances, the mere existence of a relationship in some of the categories described above, or the fact that a Director has served on the Board for a

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period which could reasonably be perceived to interfere with the Director's ability to act in the best interests of the Company or financial product holders generally, may not necessarily mean that the Director is not independent. Rather, in those cases, the materiality of the relationship will need to be assessed by the Board to determine whether it might interfere, or might reasonably be seen to interfere, with the Director's capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of the Company and to represent the interests of its financial product holders generally. In circumstances where the materiality of the relationship is required to be assessed by the Board and the Board is of the opinion that the relationship does not compromise the independence of the Director, the Board will disclose in the annual report the nature of the relationship in question and an explanation as to why the Board is of that opinion.

For the purposes of the definition of material relationship:

- "associated person" means a person who is able, directly or indirectly, to exert a substantial degree of influence over the activities of another person (and vice versa), and is further defined by the NZX Listing Rules.
- "indirect relationship" includes relationships as supplier, partner, customer, shareholder, or an officer of an organisation that has a relationship with Spark New Zealand.
- "material" is to be considered having regard to the materiality to Spark New Zealand, the Director and the person or organisation with which the Director is related (eg. the customer, supplier or adviser).
- "relationship" is to be interpreted broadly and includes interests, positions, associations, and indirect relationships and direct relationships such as employment and other contractual relationships.
- "substantial product holder" is a person who has a relevant interest in 5% or more of a class of quoted voting products of the Company.

The Chairperson's other commitments must not be such that they are likely to hinder his or her effective performance in the role.

### Nomination

The Nominations and Corporate Governance Committee recommends to the Board candidates to be appointed to act as a Director. To be eligible for selection

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candidates must demonstrate appropriate qualities and experience. All Directors must meet the certification requirements established by any stock exchange on which the Company is listed.

The nomination of new Directors to be appointed by way of casual vacancy is considered by all Directors and Directors have the opportunity to meet with potential new Directors prior to their appointment. Directors are selected based on a range of factors including the perceived needs of the Board at the time. These factors include the independence, qualifications and experience of candidates.

## Induction

The Board seeks to ensure that new Directors are appropriately introduced to management and the business, that all Directors are acquainted with relevant industry knowledge and economics and that Directors receive a copy of this Charter, the Charters of all Committees, recent Board and Committee papers, recent Board minutes and relevant Company policies.

## Continuous Education

It is expected that all Directors continuously educate themselves to ensure that they may appropriately and effectively perform their duties.

In addition, visits to specific Company operations when appropriate and briefings from key executives and industry experts will be arranged. From time-to-time the Board also undertakes educational trips to receive briefings from companies in relevant industries.

## Role of Company Secretary

The Company Secretary, who is appointed by the Board as a whole, is accountable to the Board, via the Chairperson, on all governance matters. The Company Secretary plays a significant role in monitoring compliance with Board policy and procedures, and with ensuring timely completion and despatch of the Board agenda and briefing material. All Directors have access to the Company Secretary.

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## Composition and Role of Committees

Committees established by the Board 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. Committees do not take action 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 the Audit and Risk Management Committee, the Human Resources and Compensation Committee and the Nominations and Corporate Governance Committee. An individual charter exists for each Committee which will be annually reviewed by the Board. From time-to-time the Board may create ad hoc or other committees to examine or have the delegated authority to deal with specific issues on behalf of the Board.

Committee Chairpersons and members are appointed by the Board.

The Board reviews annually the performance of each Committee, to ensure that each Committee is operating consistently with its Charter.

## Procedure

### Board Materials and Presentations

The Chairperson of the Board meets with the Chief Executive and/or Company Secretary prior to each Board meeting to discuss the agenda for the forthcoming Board Meeting. Each Committee or Director is able to suggest agenda items.

To enable appropriate review of Board materials, it is recommended that Directors receive materials approximately seven days in advance of meetings for items to be acted upon, except in the case of special meetings for which the time period may be shorter due to the urgency of the matter to be considered. Guidelines are in place concerning the content, presentation and delivery of papers to Directors for each meeting. Presentations on specific subjects at Board meetings seek to summarise the material sent to Directors so that discussion is focused on the issues requiring Board determination.

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The Board normally meets at least eight times a year.

The Board encourages the Chief Executive to bring employees to Board meetings who can provide additional insight into the items being discussed because of personal involvement in those matters, including employees whose future potential the Chief Executive believes should be given exposure to the Board. All Directors have access to employees to discuss issues or obtain further information on specific areas, as they think appropriate.

The Board of Directors meets regularly on an “in camera” basis without management present.

## Relationship between the Chairperson and the Chief Executive

The Board supports the concept of the separation of the role of Chairperson from that of the Chief Executive. The Chairperson’s role is to manage the Board effectively, to provide leadership to the Board, and to interface with the Company’s Chief Executive.

## Remuneration of Directors

The Directors’ remuneration is paid in the form of Directors’ fees. Additional fees are paid to the Chairperson of the Board and to Chairpersons and members (other than the Chairperson of the Board) of each Committee (except the Nominations and Corporate Governance Committee) to reflect the additional responsibilities of these positions. The Board may determine that additional allowances be paid to a Director, as appropriate, to reflect additional services provided to the Company by that Director. The total fees available to be paid to Directors are subject to shareholder approval. Directors are also provided with a range of information technology and communication benefits at no cost which include telephone line rental, mobile phone, national and international phone calls, on-line services and the use of computer equipment.

No retirement allowances are provided to Directors.

## Reimbursement of Directors’ Expenses

In summary, the Company meets the cost of:

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- all Directors' travel directly associated with attendance at Board and Committee meetings, Board trips and Board business;
- any costs associated with a Director's attendance at functions where the Director is representing the Company;
- any travel costs directly associated with a Director's spouse's/partner's attendance at functions where their attendance is considered appropriate; and
- any costs directly associated with the Director's performance of his or her role.

All Directors' expenses are approved by the Chairperson. The Chairperson's expenses are approved by the Chairperson of the Audit and Risk Management Committee.

### Remuneration of Chief Executive

The Chief Executive's remuneration is paid in the form of a salary and the Chief Executive is also entitled to participate in various Spark New Zealand incentive schemes, subject to any necessary shareholder approval requirements.

### Conflicts of Interest

In consideration of the diverse business activities of the Company, Directors minimise the possibility of conflict of interest in their involvement with Spark New Zealand by restricting their involvement in businesses that could lead to a conflict of interest. Where conflicts of interest do exist then Directors excuse themselves from discussions in respect of those interests and, in accordance with the listing rules of the stock exchanges on which the Company is listed, do not exercise their right to vote in respect of such matters.

### Trading in Spark New Zealand Shares

All non-executive Directors are expected to hold Spark New Zealand shares. Subject to personal circumstances (that should be discussed with the Chairperson, or in the case of personal circumstances of the Chairperson, with the Chairperson of the Audit and Risk Committee, as appropriate), there is an expectation that each non-executive Director will purchase and hold an amount of shares that are at least equivalent in value to the non-executive Director base member fee as at the date of their appointment, or in the case of Directors appointed before 1 July 2017, as at 1 July 2017. Shares are to be purchased within a three year period from the date of appointment, or in the case of Directors appointed before 1 July 2017, within a three



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year period from that date. To assess whether this expectation has been met, the aggregate purchase price for all shares acquired, less the aggregate sale price for all shares disposed (if any), shall be used to calculate value.

Directors are subject to limitations on their ability to deal in Spark New Zealand securities by Spark New Zealand's Insider Trading Policy and Guidelines and the New Zealand Financial Markets Conduct Act 2013 and the Australian Corporations Act 2001. These limitations include the requirement that Directors may not deal in Spark New Zealand securities or the securities of another issuer while in possession of inside information about that entity.

As a matter of policy, Spark New Zealand also requires that prior to dealing in Spark New Zealand securities consent must be obtained from the Chairperson and that trading may only occur within the periods specified in Spark New Zealand's Insider Trading Policy and Guidelines.

All changes in the shareholdings of Directors are required to be reported to the Board and the stock exchanges on which the Company is listed.

## Responsibilities and Duties

### Policy and Corporate Strategy

The Board is responsible for the approval of appropriate corporate strategies with particular regard to portfolio composition and return expectations, including the approval of transactions relating to acquisitions, divestments and capital expenditure above delegated authority limits, dividend policy and the review of performance against strategic objectives. The Board also approves and monitors the Company's financial and other reporting.

Every year, the Board reviews and approves the corporate plan for the forthcoming year and the capital expenditure and operating budget for the Company for the forthcoming year.

The Board is also engaged actively and continuously in strategic planning and the ongoing assessment of business opportunities and risks and is also responsible for

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the oversight of the Company's control and accountability systems.

The Board annually receives a certification from the Chief Executive and Chief Financial Officer that:

- the Company's financial reports represent a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
- the certification has been made based on a sound system of risk management and internal compliance and control which implements policies adopted by the Board and that internal compliance and control system is operating efficiently and effectively in all material respects.

The Board is also responsible for the regular review of:

- the Disclosure Policy;
- the Treasury Management Policy;
- the Insider Trading Policy;
- the Governance Policy;
- the Health and Safety Policy; and
- the Diversity and Inclusion Policy.

The Board is responsible for appointing and removing the Chief Executive and for ratifying the appointment and removal of the Chief Financial Officer and General Counsel.

## **Evaluation of the Chief Executive and Management Succession Planning**

The Human Resources and Compensation Committee evaluates the performance of the Chief Executive and oversees the Chief Executive's evaluation of his or her direct reports. It also recommends the annual remuneration of the Chief Executive to the Board for approval and approves the remuneration of the Chief Executive's direct reports. The evaluation is based on criteria set by the Committee which include the performance of the business, the accomplishment of long-term strategic objectives and other non-quantitative objectives agreed at the beginning of each year. The Human Resources and Compensation Committee meets with the Board and the Chairperson, to discuss the Chief Executive's performance and remuneration. The

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Chairperson then meets with the Chief Executive to discuss the Chief Executive's performance and to provide counsel to the Chief Executive.

The Chief Executive reports annually to the Board regarding management and Chief Executive succession planning and management development. In the event of an emergency or the retirement of the Chief Executive the Human Resources and Compensation Committee will recommend suitable candidates to the Board for appointment to the position of Chief Executive.

## **Powers/Authority**

### Delegation of Authority to the Chief Executive

The formulation and implementation of policies and reporting procedures for management, other than as referred to above, has been delegated to the Chief Executive and certain subsidiary companies as formal delegation terms. The Board's delegation of the conduct of the day to day affairs of the Company to the Chief Executive and certain subsidiary companies is made within these terms. The Board monitors those delegations as part of the formal business of each Board meeting. The Chief Executive and the Boards of some subsidiary companies in turn implement a Delegation of Authority Policy which sets limits on certain decision making and achieves individual accountability.

### Independent Advice

A Committee or individual Director may retain and consult with external advisers (including legal) at the Company's expense where the Committee or individual deems it necessary to carry out its, his or her functions, with the approval of the Chairperson of the Board.

Non-executive Directors are not employees of Spark New Zealand. Non-executive Directors are generally entitled to rely on Spark New Zealand executives, in relation to matters within their responsibility and area of expertise, so long as the Director (acting reasonably) is not aware of any grounds upon which such reliance may be inappropriate (in which case further enquiry will be warranted for the Director to establish reasonable grounds for the explanations given).

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The Board may generally rely upon information provided by 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 warranted for the Board to establish reasonable grounds for the explanations given).

## Accountability

### Evaluation of Board performance

The Chairperson meets regularly with Directors to discuss individual performance of the Directors. The Human Resources and Compensation Committee reviews the remuneration of Directors based on criteria developed by that Committee. The Board reviews its performance as a whole on an annual basis.

### General

This Board Charter has been approved by the Board and is reviewed annually by the Board.