



**MARKET RELEASE – 24 AUGUST 2022**

## **Spark New Zealand Limited H2 FY22 Results**

In accordance with the NZX Listing Rules, Spark New Zealand releases the following to the market in relation to Spark New Zealand Limited's H2 FY22 results:

1. Market Release
2. Results Announcement
3. Distribution Notice
4. Annual Report
5. Investor Presentation
6. Detailed Financial Information
7. Annual Corporate Governance Statement
8. Modern Slavery Statement
9. Greenhouse Gas Inventory Report

Spark New Zealand's Chief Executive, Jolie Hodson, and Chief Financial Officer, Stefan Knight, will discuss the H2 FY22 Results at 10:00am New Zealand time today.

**If you would like to join via teleconference, please register by clicking [here](#) or using the below link:**

**[Diamond Pass Invitation \(c-conf.com\)](#)**

**Please note that registered participants will receive their dial in number upon registration.**

ASX Appendix 3A.1 will follow this release.

ENDS

**Authorised by:**

Alastair White  
GM Capital Markets

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**About Spark**

As New Zealand's largest telecommunications and digital services company, Spark's purpose is to help all of New Zealand win big in a digital world. Spark provides mobile, broadband, and digital services to millions of New Zealanders and thousands of New Zealand businesses.

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



**MARKET RELEASE – WEDNESDAY, 24 AUGUST 2022**

## **Spark delivers strong full year performance and announces plans to increase FY23 dividend and return up to \$350 million to shareholders through on-market buy-back**

- Disciplined strategy execution delivering strong full year performance with revenue back in growth, EBITDAI<sup>1</sup> at the top end of guidance, and NPAT<sup>2</sup> in growth
- Spark outperformed the market in mobile service revenue growth<sup>3</sup>
- Total FY22 dividend of 25 cents per share, 100% imputed, and guiding to an FY23 total dividend of 27 cents per share, 100% imputed
- ~\$900 million in TowerCo proceeds to be used to maximise shareholder value, invest for growth, and maintain financial strength and flexibility

Spark New Zealand (Spark) today announced its FY22 results, with revenue, EBITDAI, and NPAT all in growth.

Spark Chair Justine Smyth said, "In a year marked by ongoing Covid-19 disruption and increasing economic volatility, Spark has delivered an incredibly strong result, returning to revenue growth and delivering earnings at the top end of guidance.

"Spark's transition from its traditional telecommunications heritage to a more diversified and higher growth digital services provider continues at pace. As we look to FY23 we have confidence in Spark's ability to grow free cash flow to ~\$460-\$500 million to fund our ordinary dividend. As a result, we are guiding to a total FY23 dividend of 27 cents, 100% imputed, funded through earnings and free cash flow growth. This is the first time the total dividend has increased since 2016 and reflects the confidence we have in Spark's strategy and future growth potential."

As announced in July, Spark has reached agreement to sell a 70% stake in its TowerCo business to the Ontario Teachers' Pension Plan (OTPP). Spark expects net cash proceeds<sup>4</sup> of ~\$900 million at completion, which is conditional on Overseas Investment Office approval and anticipated to occur in the first half of FY23.

Justine continued, "Following completion of the TowerCo transaction up to \$350 million will be returned to shareholders, which we intend to deliver through an on-market share buy-back. This will be subject to market conditions at the time, and we may investigate alternative return options.

"A further \$350 million will be invested in future growth opportunities, such as digital infrastructure, scaling Spark Health and Spark IoT, and accelerating the commercialisation of emerging technology, such as digital identity and verifiable data through our subsidiary MATTR.

"The remaining funds will be used to offset debt headroom requirements resulting from the increased lease liability of our long-term agreement with TowerCo to secure access to existing and new towers.

"With strong market momentum and the ability to accelerate investment in future growth, Spark is well positioned to continue growing shareholder value in the years to come, as it helps its customers and Aotearoa to win big in a digital world."

<sup>1</sup> Earnings before finance income and expense, income tax, depreciation, amortisation, and net investment income (EBITDAI) is a non-Generally Accepted Accounting Practice performance measure that is defined and reconciled to net earnings in Spark New Zealand's Financial Statements

<sup>2</sup> Adjusted for the impact of cloud accounting standards change

<sup>3</sup> Market share estimates sourced from IDC

<sup>4</sup> After transaction costs

## FY22 operating highlights

Revenue<sup>5</sup> increased 3.5% to \$3,720 million, driven by an outperformance in mobile and wins in Spark Health. Mobile service revenue grew 5.5%, with Spark outperforming the market<sup>3</sup> as data-driven marketing supported a ~13% increase in customers on Endless plans, and pay-monthly, pre-paid, and business connections grew steadily.

Following a redesign of its broadband plans Spark stabilised its base at 704,000, in line with its strategy to maintain market leadership. While this drove a 4.6% revenue decline to \$639 million, continued wireless broadband connection growth of 16,000 helped to offset this impact through avoided input costs.

Cloud, security, and service management revenues grew modestly at 0.7% to \$446 million, impacted by Covid lockdowns, transformation project delays, supply chain disruption, and some execution challenges.

Spark's future markets of Spark IoT and Spark Health made a material contribution to overall revenue growth. Spark IoT revenue increased 22% as connections climbed 75% to 832,000, while Spark Health revenue increased 46%, supported by new national contract wins.

Top line momentum and cost discipline drove a 2.8% increase in EBITDAI to \$1,150 million, at the top end of the guidance range. NPAT increased 7.6% to \$410 million, driven by EBITDAI growth, with net financing, depreciation and amortisation, and tax stable.

Free cash flow was lower than aspiration at \$296 million, impacted by advanced purchasing of inventory and capital expenditure items to mitigate supply chain disruption risks and the related impact on working capital. Spark remains confident in achieving its FY23 free cash flow aspiration of ~\$460-\$500 million.

Commenting on the results Spark CEO Jolie Hodson said, "We have returned to revenue growth with a market-leading result in mobile and our growth markets of IoT and digital health accelerating. We stabilised our broadband base and are on track to deliver our FY23 target of ~30% of our customers on wireless, reaching ~28% by the end of the financial year.

"With one year to run in our three-year strategy, we are on track to deliver our FY23 ambitions. We are a simpler and more digital organisation, with 102 legacy mobile and broadband plans retired and digital journeys<sup>6</sup> increasing by 23%. Our data and AI-driven marketing capability continues to mature, and we can now better predict the needs of ~90% of Spark customer households, increasing conversion by 19%.

"As we deliver these simpler, more digital, and data-driven customer experiences, we are improving engagement – with our customer interaction net promoter score (iNPS) up 9 points from FY21.

"We are on track to deliver the substantial investments we are making in the digital infrastructure that underpins Aotearoa's digital economy and our growth. At the end of FY22 5G was live in 21 locations across the country and our Takanini data centre expansion is over 85% contracted and on track for completion in 2023.

"These results wouldn't have been possible without the hard work of our Spark whānau, and the investments we are making in building a high-performance, inclusive culture. We maintained high levels of engagement despite Covid-19 disruptions, with our employee net promoter score (eNPS) at +70, and we were pleased to see female representation increase from 42% to 47% in our senior leadership roles. We also made significant progress closing our median gender pay gap, which reduced from 28% to 24%.

"We have continued to mature our sustainability practices, establishing an emissions reduction and energy efficiency programme to drive action against our science-based target, and growing our not-for-profit broadband service Skinny Jump by ~33% during the year – supporting 23,323 households that would otherwise be excluded from the digital world."

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<sup>5</sup> Operating revenues and other gains

<sup>6</sup> For sales and service

## FY23 guidance and outlook

Spark provided the following guidance for FY23, subject to no adverse change in operating outlook:

- **EBITDAI:** \$1,185-\$1,225 million (excluding any gain on sale for the TowerCo transaction)
- **Capital expenditure (excluding spectrum):** ~\$410 million
- **Total dividend per share:** 27.0 cents per share, 100% imputed

Jolie finished, "It's been a big year, and we were really happy to close it out with Spark ranking #2 against international peers for total shareholder returns, with a compound annual growth rate of ~12% for three years<sup>7</sup>.

"We are now in the final year of our three-year strategy, and firmly focussed on delivering what we said we would for our shareholders. We are well placed to adapt to an inflationary environment, with resilient products and services positioned well in the market. With the ability to invest in growth, and the investments we are making in our capabilities today, we are excited about the potential tomorrow will bring, for Aotearoa, our customers, and for Spark."

### Authorised by:

Alastair White  
GM Capital Markets

### For more information contact

#### For media queries please contact:

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### About Spark

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

<sup>7</sup> 1 July 2019 to 30 June 2022, see investor presentation appendix for detail on the peer group





# Results announcement

(for Equity Security issuer/Equity and Debt Security issuer)

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Results for announcement to the market		
Name of issuer	Spark New Zealand Limited	
Reporting Period	12 months to 30 June 2022	
Previous Reporting Period	12 months to 30 June 2021	
Currency	NZD – New Zealand Dollar	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$3,720,000	3.5%
Total Revenue	\$3,720,000	3.5%
Net profit/(loss) from continuing operations	\$410,000	7.6%
Total net profit/(loss)	\$410,000	7.6%
Final Dividend		
Amount per Quoted Equity Security	NZD\$0.12500000 (comprised only of an ordinary dividend)	
Imputed amount per Quoted Equity Security	NZD\$0.04861111	
Record Date	16 September 2022	
Dividend Payment Date	7 October 2022	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	As at 30 June 2022 NZD\$0.34	As at 30 June 2021 NZD\$0.34
A brief explanation of any of the figures above necessary to enable the figures to be understood	<p>Movements from the prior period are compared to restated amounts for H2 FY21 following Spark’s change in accounting policy in relation to configuration and customisation costs incurred in implementing Software as a Service (SaaS) cloud computing arrangements. This was in response to the International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision, issued in April 2021.</p> <p>The change in Spark’s earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) is provided in the addendum.</p>	
Authority for this announcement		
Name of person authorised to make this announcement	Stefan Knight, Finance Director (CFO)	
Contact person for this announcement	Chante Mueller, Head of Investor Relations	
Contact phone number	+64 (0) 27 469 3062	

Contact email address	<a href="mailto:investor-info@spark.co.nz">investor-info@spark.co.nz</a>
Date of release through MAP	24 August 2022

Audited financial statements accompany this announcement.

**Addendum:**

	Amount (000s)	Percentage change
Reported earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (Reported EBITDAI)	NZD\$1,150,000	2.8%



## Distribution Notice

### Section 1: Issuer information

Name of issuer	Spark New Zealand Limited			
Financial product name/description	Ordinary Shares			
NZX ticker code	SPK			
ISIN (If unknown, check on NZX website)	NZ TELE001S4			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year	X	Quarterly	
	Half Year		Special	
	DRP applies	No		
Record date	16 September 2022			
Ex-Date (one business day before the Record Date)	15 September 2022			
Payment date (and allotment date for DRP)	7 October 2022 AUST & NZ; 21 October 2022 USA			
Total monies associated with the distribution	NZD \$233,948,434 (1,871,587,475 shares @ \$0.125 per share)			
Source of distribution (for example, retained earnings)	Retained Earnings			
Currency	NZD – New Zealand Dollar			

### Section 2: Distribution amounts per financial product

Gross distribution	NZD\$0.17361111
Gross taxable amount	NZD\$0.17361111
Total cash distribution	NZD\$0.12500000
Excluded amount (applicable to listed PIEs)	N/A
Supplementary distribution amount	NZD\$0.02205882

### Section 3: Imputation credits and Resident Withholding Tax

Is the distribution imputed	Fully imputed
	<del>Partial imputation</del>
	<del>No imputation</del>
If fully or partially imputed, please state imputation rate as % applied	28%
Imputation tax credits per financial product	NZD\$0.04861111
Resident Withholding Tax per financial product	NZD\$0.00868056

#### Section 4: Distribution re-investment plan

DRP % discount (if any)	N/A	
Start date and end date for determining market price for DRP	N/A	N/A
Date strike price to be announced (if not available at this time)	N/A	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	N/A	
DRP strike price per financial product	N/A	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	N/A	

#### Section 5: Authority for this announcement

Name of person authorised to make this announcement	Stefan Knight, Finance Director (CFO)
Contact person for this announcement	Chante Mueller, Head of Investor Relations
Contact phone number	+64 (0) 27 469 3062
Contact email address	investor-info@spark.co.nz
Date of release through MAP	24 August 2022





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**Hello Tomorrow**  
Spark Annual Report 2022

**KO TE PAE ANAMATA**

**WHAKAMAUA**



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## Re-imagining a future that all New Zealanders can share.

We're on track to a re-imagined future that all New Zealanders can share.

The challenges of the pandemic, and our urgent need to transition to a low-carbon economy, have brought into sharp focus the role technology must play in enabling this change.

We're continuing to simplify ourselves, and hone our understanding of New Zealanders through data, to serve Kiwis better. And we're building the critical infrastructure and introducing new technologies that will enable and embolden New Zealanders to go after what inspires them, in life and in business.

As Aotearoa rapidly digitises, we are acutely aware of the responsibility we hold to help all New Zealanders thrive in a digital world – no matter who they are or where they're from.

We are here to help New Zealanders build the tomorrow they want.

**Ko Te Pae Anamata, Whakamaua. Hello tomorrow.**



# Highlights FY22

## Creating significant shareholder value

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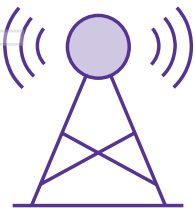
### #2 for total shareholder returns

Spark ranked #2 against international peers for Total Shareholder Returns (TSR), with a CAGR<sup>1</sup> of ~12% for three years<sup>2</sup>



### Guiding to FY23 dividend growth

Total FY22 dividend of 25.0 cents per share, 100% imputed, and guiding to a total FY23 dividend of 27.0 cents per share, 100% imputed - funded through earnings and free cash flow growth



### TowerCo transaction to deliver net proceeds of ~\$900 million<sup>4</sup>

Up to \$350 million will be returned to shareholders through an on-market share buy-back<sup>3</sup>, and a further \$350 million invested in future growth opportunities

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<sup>1</sup> CAGR - compound annual growth rate.

<sup>2</sup> For the three year period 1 July 2019 to 30 June 2022. Peer group is not exhaustive but is a selected group of primarily integrated telco operators that are deemed the closest peers to Spark in terms of market exposure.

<sup>3</sup> Subject to market conditions at the time. Spark may investigate alternative return options.

<sup>4</sup> Completion is conditional on Overseas Investment Office approval, which is anticipated to occur in H1 FY23.



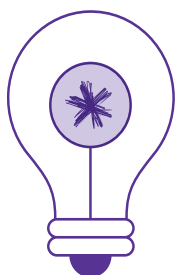
## Strategy execution driving market momentum

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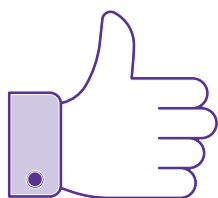
### Mobile growth outperforming the market

Mobile service revenue grew 5.5%, with Spark outperforming the market - supported by data-driven marketing and brand strength



### Future market growth accelerating

Spark IoT revenues increased 22% as connections grew 75% to 832,000 and Spark Health grew revenues 46%



### Better customer experiences

Strategic focus on simplification, deep customer insights, a smart, automated network, and a high-performance culture delivering improved customer outcomes - with iNPS<sup>1</sup> up 9 points to +29

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<sup>1</sup> Customer interaction net promoter score.

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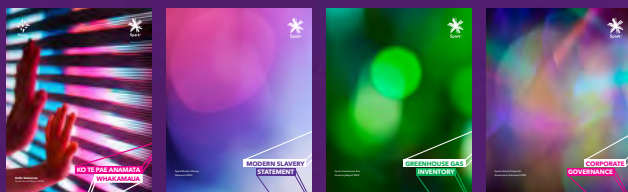
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# About this report

- This is an integrated report to share our financial, social, environmental and economic performance. To inform our approach we've applied the International <IR> Framework which considers 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.
- At the heart of this approach is the <IR> value creation model (laid out on page 8), which details the 'capitals' we draw upon, our strategy and business model, and the outputs and outcomes we deliver. We have a section of the report dedicated to each of these capitals. Our detailed financial report is covered in pages 78 - 123.
- In preparing the report we also use the Global Reporting Initiative (GRI) standards, the most widely used global sustainability reporting standard. This requires us to apply a materiality lens to identify and report against the sustainability issues most important to our business and our stakeholders. We have a dedicated sustainability appendix at the back of the report that includes our materiality matrix and our GRI index that directs to where we have covered specific sustainability topics in the report and elsewhere. See pages 139 - 146.
- This Annual Report is published alongside our FY22 Corporate Governance Statement, our FY22 Modern Slavery Statement, and our FY22 Greenhouse Gas Inventory Report. For the full suite of FY22 disclosures please visit [www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance)

## Key dates

Annual Meeting	04 November 2022
FY23 half-year results announcement	22 February 2023
FY23 year-end results announcement	18 August 2023



This report covers the activities of Spark New Zealand Limited and its subsidiaries for the period 1 July 2021 to 30 June 2022. It is dated 24 August 2022 and is signed on behalf of the Board of Spark New Zealand Limited by Justine Smyth, Chair and Charles Sitch, Chair Audit and Risk Management Committee.

**Justine Smyth, CNZM**  
Chair

**Charles Sitch**  
Chair Audit and Risk  
Management Committee



# Te Korowai Tupu

Our Māori strategy, Te Korowai Tupu (the cloak of growth), is about finding the shared space between te ao Māori and the corporate world. In this spirit of partnership, threads of Te Korowai Tupu have been woven throughout this report and highlighted using the Kora Aotearoa logo.



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**Relates to  
Te Korowai Tupu**



## Ko Te Pae Anamata, Whakamaua

### Grasp the future horizon

On the front page of this report you will see the words, **Hello Tomorrow**, and the accompanying Te Reo Māori kupu, **Ko Te Pae Anamata, Whakamaua**. Translated back into English, this means **Grasp the future horizon**.

When considering **Hello Tomorrow** from a te ao Māori perspective, we started at whakapapa (lineage) – knowing who we are and where we come from.

Our whakapapa allows us to see the past as mātauranga (wisdom) we have inherited as mokopuna (descendants) ourselves. With this understanding, the decisions we make in the present benefit from the ancestral knowledge of our past.

Embraced by Te Korowai Tupu, we aspire for Spark to create a meaningful impact on Te Ao Kikokiko (the ever-changing world around us) so that future generations can continue to grow and thrive in a digital world.

We know that pursuing future horizons was the motivation of our Tipuna (ancestors) when they discovered Aotearoa. Grounded in this intergenerational aspiration, we welcome the opportunities of what is yet to be known, yet to be done, and yet to be learned.

**Ko te pae anamata, Whakamaua - grasp the future horizon.**

# How we create value



## OUTPUTS FY22



- 2.5 million mobile connections
- 704,000 broadband connections
- Consumer and small business interaction score (iNPS) +29
- Growth of technology solutions to solve real-world business problems



- \$3,720 million operating revenues and other gains
- \$410 million net earnings
- 25 cents per share dividend



- 200% increase in mobile network capacity over past three years
- 12 additional 5G locations with 5G now live in 21 locations across New Zealand
- Investment in mobile core and Optical Transport Network 2.0 to build adaptability, resilience and capacity



- Employee Net Promoter Score (eNPS) +70
- 40:40:20 gender representation at Board, Leadership Squad, and senior leadership levels
- ~50% of employees sharing ethnicity data
- Mahi Tahi employee wellbeing strategy launched
- Investment in learning and development



- 18,299 tCO<sub>2</sub>e scope 1 and 2 emissions
- 545 tonnes of e-waste recovered
- 20,609 mobile phones collected for recycling
- Efficiencies enabled across other sectors



- Skinny Jump benefitting 23,323 households
- 586 connections to the Digital Marae Connectivity Programme
- Improved approach to supplier risk through Modern Slavery Framework
- Community investment through Spark Foundation

## OUTCOMES FY22

### Connected customers

Enabling our customers to realise the benefits of digital technology and enabling their own value creation

→ See page 20

### Capital for future investment

Enabling future investment in our business and providing market returns to grow financial capital for our shareholders

→ See page 16

### Connected and resilient New Zealand

Enabling a connected NZ and providing infrastructure to support innovation

→ See page 30

### Engaged and inclusive teams

Enabling the success of our business and our people and growing New Zealand's human capital

→ See page 40

### Reduced draw on natural capital

Enabling efficient use of natural capital across all sectors

→ See page 50

### Connected and empowered communities

Enabling all New Zealanders to benefit from the digital world and improving social outcomes across our value chain

→ See page 56

# Spark's operations

Spark is New Zealand's largest telecommunications and digital services company. Our customers range from consumers and households to small businesses, not-for-profits, government, and large enterprise clients. Across all our services – mobile, broadband, cloud services, digital services, and entertainment – we have relevance for almost every New Zealander.

## 98%

of New Zealanders reached by our 4G network

## 67

retail stores

## 24

regional business hubs

## ~1,500

mobile sites supporting more than 2.5 million mobile connections

## 99%

of the population reached by our Cat-M1 IoT network

## 704k

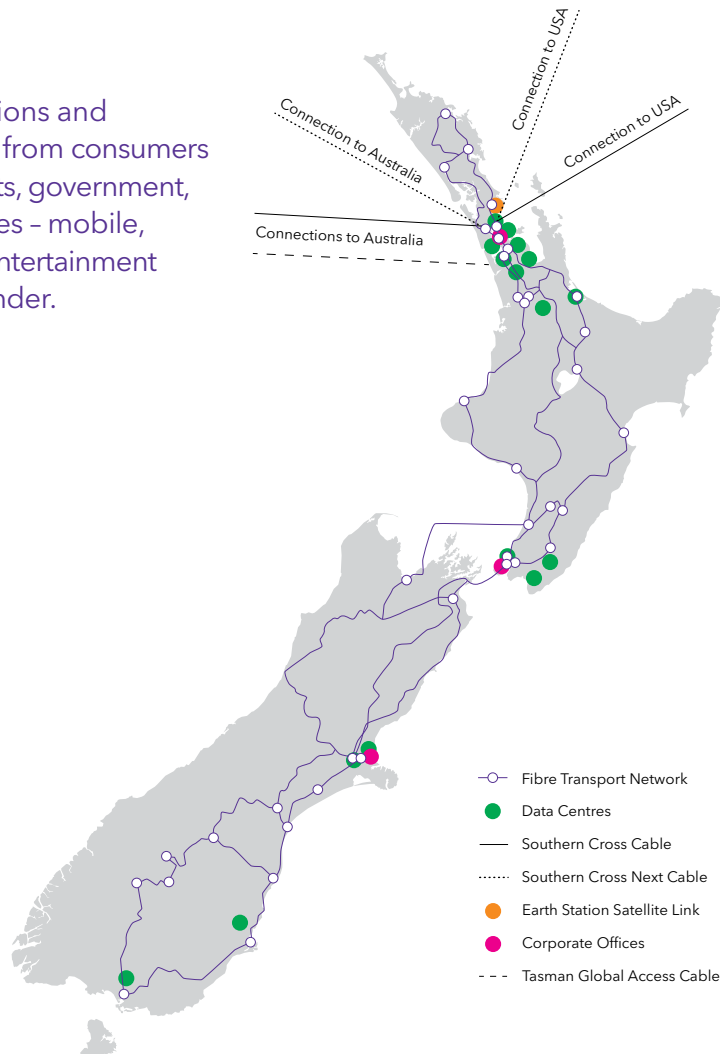
Broadband connections

## 16

data centres

## 5,144<sup>1</sup>

New Zealand employees



## We operate the following brands and businesses

### Consumer



### Business

Spark Business Group



Digital Island\*

Qrious

leaven.

### Community



### Growth markets



### Other brands



MATT R



<sup>1</sup> Total headcount including full-time, part-time and fixed-term employees.



# Spark performance snapshot FY22

Operating revenues and other gains

**\$3,720m** ▲ 3.5%

Net earnings

**\$410m** ▲ 7.6%<sup>2</sup>

Broadband revenue

**\$639m** ▼ 4.6%

Voice revenue

**\$285m** ▼ 7.5%

Consumer and small business iNPS<sup>4</sup>

**+29** ▲ 9 points<sup>5</sup>

Employee NPS<sup>6</sup>

**+70** ▼ 6 points

EBITDAI<sup>1</sup>

**\$1,150m** ▲ 2.8%<sup>2</sup>

Mobile revenue

**\$1,351m** ▲ 3.1%

Cloud security and service management revenue

**\$446m** ▲ 0.7%

Capital expenditure<sup>1</sup>

**\$410m** +17.5%<sup>2</sup>

Free cash flows<sup>3</sup>

**\$296m** ▼ 31.6%

1 Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) and capital expenditure are non-Generally Accepted Accounting Practice (non-GAAP) measures. These measures are defined and reconciled in note 2.5 of the financial statements.

2 Prior year EBITDAI and net earnings have been restated due to implementation of the IFRS Interpretations Committee (IFRIC) agenda decision. This required configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) cloud

computing arrangements to be expensed rather than capitalised as part of intangible assets.

3 Free cash flows is a non-GAAP measure and is calculated on page 9 of Spark's FY22 Detailed Financials.

4 Interaction Net Promoter Score, a measure of customer engagement.

5 FY21 iNPS has been restated to +20 as detailed on page 76.

6 Net Promoter Score, a measure of employee engagement.

Justine Smyth, Chair  
and Jolie Hodson, CEO

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# Ko Te Pae Anamata, Whakamaua

Tēnā koutou

**“While disruption remains the norm, we are optimistic about Aotearoa’s future, and well positioned for growth.”**

Over the past year Spark has made significant progress against our three-year strategy, we achieved market-leading growth in mobile, and we were pleased to be ranked #2 against our international peers for total shareholder returns, with a compound annual growth rate of ~12% for three years.

We have achieved this in a year of ongoing disruption. The first half saw prolonged Covid-19 lockdowns across the country, with Auckland in particular spending 107 days locked down. In the second half we have seen economic volatility stemming from the ongoing impacts of Covid-19 and the war in Ukraine, including high inflation, labour shortages, and supply chain constraints.

For Spark the most material impact continued to be our lower levels of mobile roaming revenue, as travel remained restricted for much of the year. As border restrictions ease and travel recommences, we are optimistic that we will see roaming revenue return.

Like all businesses we are operating in an incredibly tight labour market, and skills shortages in the technology sector are an ongoing challenge. We continue to work collaboratively across the sector to build a talent pipeline over the longer term, while increasing our focus on internal talent mobility in the short term. We also continue to tightly manage our supply chain, holding more stock on shore and working to longer lead times to mitigate the impact of delays.

The rising cost of living has brought the issue of digital equity back into the spotlight and made the inclusivity of our purpose, *to help all of New Zealand win big in a digital world*, all the more relevant. We continue to invest in community-led solutions to bridge the digital divide through Spark Foundation, and in the last year, we have grown our not-for-profit broadband service, Skinny Jump, by ~33% – supporting 23,323 households that would otherwise be excluded from the digital world.

While disruption remains the norm, we are optimistic about Aotearoa’s future, and well positioned for growth.

We have seen a rapid acceleration in digitisation and technology convergence, with 5G, multi-access edge compute (MAEC)<sup>1</sup>, data and artificial intelligence (AI), internet of things (IoT), and cloud computing combining to deliver powerful solutions. Our significant investments in the digital infrastructure underpinning these technologies will allow us to lead the development of new commercialisation opportunities in the years ahead.

## Maximising value for our shareholders

In these uncertain times, we know our shareholders are looking for consistent returns and to ensure that capital is deployed and used effectively.

Following the infrastructure review we conducted during the last financial year, we established TowerCo as a subsidiary company to improve the performance, utilisation, and efficiency of our passive mobile infrastructure assets (such as the towers and poles that the active components or ‘smarts’ of our network sit on), and to explore the introduction of third-party capital.

This culminated in the agreement to sell a 70% stake in TowerCo to the Ontario Teachers’ Pension Plan (OTPP) just after the close of FY22. OTPP is a high-calibre investor with a long-term partnering focus, net assets of C\$241.6 billion, and significant experience managing a portfolio of infrastructure investments globally.

The transaction is conditional only on Overseas Investment Office approval, which is anticipated to occur during the first half of FY23. It will deliver net proceeds of ~\$900 million and values the business at \$1.175 billion, representing an FY23 pro-forma EBITDA multiple of 33.8x<sup>2</sup>. As the anchor tenant, and by retaining a 30% stake, Spark remains a key strategic partner as the business grows.

The Board reviewed Spark’s Capital Management Policy and released a new Capital Management Framework, which is designed to grow long term shareholder value through disciplined investment, while returning excess capital to shareholders and maintaining financial strength and flexibility.

As we look to FY23, we have confidence in our ability to grow free cash flow to ~\$460 to \$500 million, to fund our ordinary dividend. This growth reflects the changes we have made to evolve from a traditional telecommunications business to a more diversified and higher growth digital services provider.

As a result, we are guiding to a total FY23 dividend of 27 cents, 100% imputed, funded through earnings and free cash flow growth. This is the first time the total dividend has increased since 2016 and reflects the confidence we have in Spark’s strategy and future growth potential.

In addition, following completion of the TowerCo transaction, up to \$350 million will be returned to our shareholders, which we intend to deliver through an on-market share buy-back. This is subject to market conditions at the time and we may investigate alternative return options.

A further \$350 million will be invested in future growth opportunities such as digital infrastructure, scaling Spark Health and Spark IoT, and accelerating the commercialisation of emerging technology, such as digital identity and verifiable data through our subsidiary MATTR.

The remaining funds will be used to offset debt headroom requirements resulting from the increased lease liability of our long term agreement with TowerCo to secure access to existing and new towers.

<sup>1</sup> MAEC – Multi-access Edge Computing (MAEC) extends the capabilities of cloud computing by bringing it to the edge of the network. While traditional cloud computing occurs on remote servers that are situated far from the customer and a device, MAEC allows this processing to take place much closer to the end customer – meaning data has to travel a shorter distance, decreasing latency and the amount of data sent across the network can be reduced, reducing congestion and delivering a better customer experience.

<sup>2</sup> Assumes FY23 EBITDA of NZ\$34.8 million as at 30 June 2023.

## Our FY22 performance

We were pleased FY22 delivered a return to growth, with revenue increasing 3.5% to \$3,720 million, driven by our out performance in mobile and Spark Health contract wins.

We achieved mobile service revenue growth of 5.5%, with Spark outperforming the market as data-driven marketing supported a ~13% increase in customers on Endless plans, and pay-monthly, pre-paid, and business connections grew steadily.

We redesigned our broadband plans to improve transparency, simplicity, and our competitiveness, stabilising our customer base at 704,000, in line with our strategy to maintain market leadership. While this drove a 4.6% revenue decline to \$639 million, continued wireless broadband connection growth of 16,000, helped offset this impact through avoided input costs. We now have ~28% of our broadband base on wireless and are on track to meet our FY23 target of ~30%.

Our cloud, security, and service management revenue grew modestly at 0.7% to \$446 million, falling short of our 5-8% target. Our performance was impacted by the extended lockdowns in the first half, which restricted access to customer sites, delays to transformation projects, and supply chain disruption. We also experienced execution challenges in some areas of the business, and we are now focussed on lifting performance through refreshed products and pricing and further growing our cloud specialist skills.

We continued to see strong momentum in our future growth markets. Spark Health delivered revenue growth of 46%, winning national health contracts, and launching its new cloud-based digital health platform, Kete Waioara. Spark IoT grew revenue 22% and connections 75% to 832,000 and took a significant stake in partner Adroit, to accelerate future growth in sustainable monitoring solutions.

Combining our top-line growth with our long-term focus on disciplined cost reduction, we delivered EBITDAI growth of 2.8% to \$1,150 million, towards the top end of our guidance range.

NPAT increased by 7.6% to \$410 million, driven by EBITDAI growth, with net financing, depreciation and amortisation, and tax stable.

Free cash flows were lower than aspiration at \$296 million, impacted by advanced purchasing of inventory and capital expenditure items to mitigate supply chain disruption risks and the related impact on working capital. We remain confident in achieving our FY23 free cash flow aspiration of ~\$460-\$500m.

We were pleased to confirm a total FY22 dividend of 25 cents per share, 100% imputed, for our shareholders, completing a strong result, with all guidance metrics achieved.

## Clear progress against our strategy

We continued to build the core capabilities that are differentiating Spark in a competitive market.

We are a simpler organisation with more intuitive, digital channels for our customers. We retired 102 legacy mobile and broadband plans during the year, while increasing digital journeys for sales and service by 23% - delivering a 17.5% reduction in customer care calls, and 18% growth in online revenue. We successfully completed the implementation of a new enterprise resource planning system, which will improve the efficiency of our internal operations, supporting better customer outcomes.

We continued to hone our data capability to better understand our customers' needs. Our data and AI-driven marketing capability continues to mature, and we can now better predict the needs of ~90% of Spark customer households and make recommendations for more than half of our small-medium business customers - increasing marketing campaign conversion by 19% year on year.

As we deliver simple, digital, and data-driven customer experiences, we are improving customer engagement - with our interaction net promoter score (iNPS) up 9 points from FY21 to +29.

We are building a smart, automated network at pace, to underpin Aotearoa's digital economy and our future growth.

The Covid-19 lockdowns that occurred in the first half delayed our build program, with Alert Level restrictions preventing us from undertaking builds for several months. Despite this challenge we have made strong progress towards our goal of 90% population coverage by the end of calendar year 2023 - expanding or launching new coverage in 12 locations during the year. At the end of FY22 we had 5G live in 21 locations across the country.

We were pleased to see the New Zealand Government and iwi come to an agreement on spectrum allocation, which recognises Māori interests. We believe this should pave the way for the C-band spectrum auction to proceed in a timely fashion. Any further delays to this process, or to the provision of 600 MHz spectrum, will impact our roll-out and ability to meet our coverage targets.

As our economy digitises at pace, we are boosting capacity and resilience. Our Takanini Data Centre expansion is on track for delivery in 2023 and over 85% contracted, while our Mayoral Drive Exchange upgrade is complete. The build of our Optical Transport Network 2.0<sup>1</sup> - the fibre backbone of our network - is also 87% complete, and we were pleased to welcome customers onto the new Southern Cross NEXT cable, which has almost doubled international capacity for New Zealand.

Investing in our people and culture is always a priority, and we were pleased to maintain high levels of people engagement despite Covid-19 disruptions, with our employee net promoter score (eNPS) at +70.

1 The Optical Transport Network (OTN) is the high speed backbone of Spark's network, stretching from the Far North to the bottom of the South Island. The OTN uses light signals through optical fibre cables to carry all of Spark's data traffic up and down the country through diverse paths, ensuring resilient, fast connectivity for all users.



**"We are building a smart, automated network at pace, to underpin Aotearoa's digital economy and our future growth."**

We delivered comprehensive and widely-available learning experiences for our people and launched a new wellbeing strategy, Mahi Tahi, to support mind health, connection and sustained performance.

Our FY23 40:40:20 gender diversity target has been achieved at the Board, Leadership Squad, and senior leadership levels, and we were pleased to see female representation increase from 42% to 47% in our senior leadership roles. We also made significant progress closing our median gender pay gap, which has reduced from 28% to 24%.

We still have some work ahead of us to achieve our 40:40:20 target Spark-wide, with women comprising 34% of our total workforce. Covid-19 made it more challenging to create opportunities for change over a number of years, and as such, while our ambition does not change, we believe we are more likely to reach our representation target in 2024, and our median gender pay gap target in 2025. To drive further progress we have created integrated workforce plans that lift gender participation team-by-team across the business and expect to see further movement during FY23.

We also improved our understanding of Spark's ethnic diversity, which is a key enabler of targeted action to improve representation. At the start of FY22 only 19% of Spark people had shared their ethnicities with us, and by the conclusion this had increased to ~50%.

## Supporting our transition to a low carbon economy

As we look to the future, we know the window to take meaningful action to prevent the worst impacts of climate change is closing fast and every business must act.

We have continued to mature our sustainability practices, establishing an emissions reduction and energy efficiency programme to drive action against our science-based target of reducing scope 1 and 2 emissions 56% by 2030, from an FY20 baseline. Over the past year we saw a 15% emissions reduction, through a combination of grid decarbonisation and energy efficiency improvements within Spark. We are pleased our underlying performance is laying the foundations for future emissions reductions and we are heading in the right direction, however we acknowledge our FY22 emissions are still higher than our FY20 baseline. To meet our science-based target we are exploring how we can decouple our growth from emissions by linking our energy procurement to new sources of renewable electricity.

We have linked our financing to our sustainability performance – with Spark Finance establishing three Sustainability-Linked Loans totalling NZ\$425 million and New Zealand's first Sustainability-Linked Bond of NZ\$100 million.

We signed up to the Climate Leaders Coalition's (CLC) higher statement of ambition – covering mitigation, adaptation, and transition – and Jolie stepped into the role of CLC Convenor, to work alongside CLC signatories and collectively raise the bar on what business leadership on climate action looks like.

We believe technology has an important role to play on this journey, enabling businesses across a range of sectors to decarbonise and improve environmental performance. We are already seeing this come to life in some parts of our business, with over half of our Spark IoT FY22 revenue linked to environmental solutions – from more efficient use of water on farm to enabling the deployment of electric car charging stations to more areas across the country.

As we harness the power of technology to digitise and adapt, we are acutely aware of the urgent need to address our digital divide. With 1 in 5 New Zealanders digitally excluded in some way, our long-term focus on lifting digital equity remains a strategic priority.

## Hello Tomorrow

The theme of this year's report is *Ko Te Pae Anamata, Whakamaaua - Hello Tomorrow*.

Over the coming months you will start to see us use these words in our marketing and across our business.

But *Hello Tomorrow* is more than just words on an advertisement. It brings to life the role we believe Spark can play as an enabler of change that helps move New Zealand forward and speaks to the mindset we are taking into the years to come. A mindset of innovation and optimism about what is possible.

## Thank you

We are both personally very proud of the results Spark has delivered, and the value created for shareholders in FY22.

None of this would have been possible without the mahi of our Spark whānau and the ongoing support of our customers, suppliers, partners, and shareholders – and for this, we thank you.

**Noho ora mai  
[be well]**

**Justine Smyth, CNZM**  
Chair

**Jolie Hodson**  
CEO

# Our performance

EBITDAI<sup>1</sup>

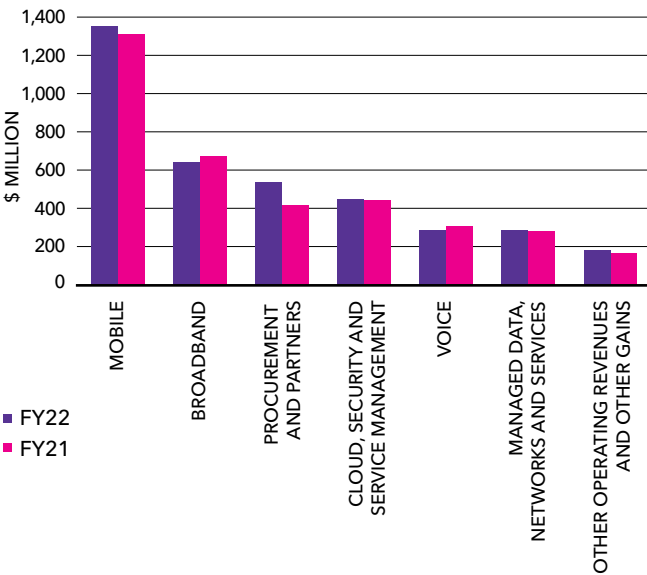
\$1,150m

▲ 2.8%<sup>2</sup>

## Operating revenues and other gains

- Mobile revenue growth of \$40 million, or 3.1%, has been driven by a growth of service revenue of \$47 million due to pre-paid, post-paid and business connections growth and existing customers transferring to our Endless plans<sup>3</sup>, and an increase in outbound roaming as travel restrictions eased. This was partially offset by a reduction in non-service revenue of \$7 million, or 1.5%, due to a reduction in handset revenue as lower numbers of units were sold in FY22 resulting from Covid-19 related supply constraints.
- Broadband revenues declined mainly due to customers migrating off legacy plans and being acquired on lower priced in-market plans.
- Procurement revenues increased by \$124 million, or 30.0%, mainly due to strong sales of both licensing software and procurement hardware, particularly in the health sector. Partner service sales also increased due to businesses investing in equipment for employees to work from home.
- Cloud, security and service management revenue growth slowed to \$3 million or 0.7% in FY22, with cloud growth reflecting a shift away from private cloud to lower-margin public cloud and lower annuity security revenues. Managed data and networks revenue growth of \$1 million was driven by increased collaboration revenue, particularly in call centre line volumes, largely offset by lower volumes of network project work due to completion of large projects in the prior year.
- Voice revenues declined due to a combination of continued connection losses as voice becomes a smaller part of the business and lower voice usage of existing customers. FY21 included non-recurring refunds of \$16 million for historic wire maintenance charges.
- Other operating revenues grew \$15 million, or 10.9%, due to growth in the Sport, Qrious, Health and IoT businesses.
- Other gains of \$26 million, down \$2 million from FY21, were mainly generated from the sale of mobile network equipment and gains on lease modifications and terminations.

\$3,720m ▲ 3.5% year-on-year



1 EBITDAI is a non-Generally Accepted Accounting Practice (non-GAAP) measure and is not comparable to the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) measures. This measure is defined in note 2.5 of the financial statements.

2 Prior year EBITDAI and net earnings have been restated due to implementation of the IFRIC agenda decision. This required configuration and customisation costs incurred in implementing SaaS cloud computing arrangements to be expensed rather than capitalised as part of intangible assets.

3 Endless plans are Spark's mobile plans with unlimited calling minutes, unlimited SMS and an allowance of data to use at the maximum available speed, after which they are able to continue using mobile data but at a reduced speed.

Net earnings

**\$410m**▲ 7.6%<sup>2</sup>

Earnings per share

**21.9 cents**▲ 6.3%<sup>2</sup>

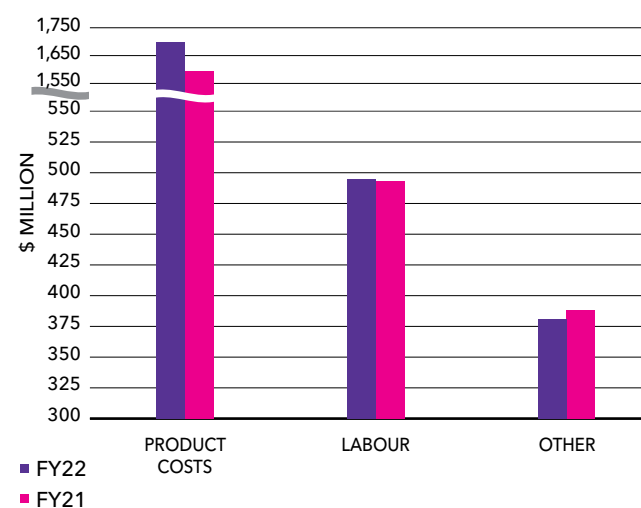
Dividends per share

**25.0 cents**

No change

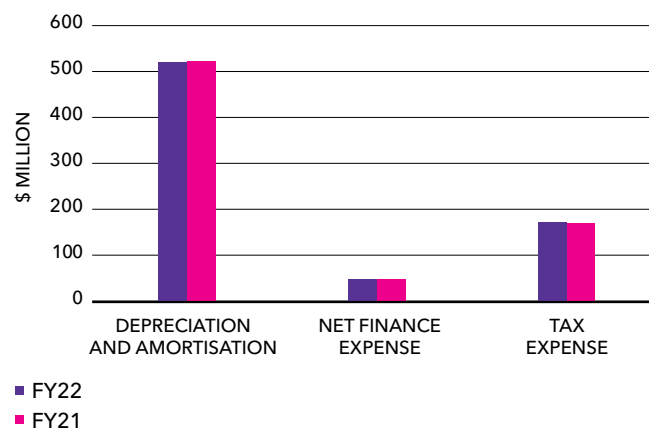
## Operating expenses

- Product costs increased by \$101 million, or 6.3%, broadly in line with revenues with the major drivers being increased costs of \$114 million in procurement that reflects the growth in revenue and sales, partially offset by a \$28 million reduction in mobile handset costs.
- Labour costs were broadly flat year on year with an increase of only \$2 million, or 0.4%.
- Other operating expenses decreased by \$7 million, or 1.8%, due to a reduction in network support costs of \$21 million, partially offset by an increase in bad debt expense of \$11 million as expenditure returned to normal levels following the FY21 release of Covid-19 expected loss provisions not required.

**\$2,570m** ▲ 3.9% year-on-year

## Other

- Total depreciation and amortisation was broadly flat. Depreciation and amortisation for property plant and equipment and intangibles was \$5 million lower due to an increase in asset lives and ceasing depreciation on assets held for sale. This was partly offset by higher depreciation on right-of-use assets and leased customer equipment.
- Net finance expense was relatively consistent, with both finance income and finance expense decreasing as a result of lower interest rates.
- Tax expense increased by \$2 million in line with the increased earnings before tax for the period, partly offset by an increase in non-taxable gains on the sale of mobile network equipment and lower foreign taxes.



## Cash flows

	2022	RESTATED <sup>1</sup> 2021
YEAR ENDED 30 JUNE	\$M	\$M
Net cash flows from operating activities	841	853
Net cash flows from investing activities	(492)	(376)
Net cash flows from financing activities	(350)	(458)
<b>Net cash flows</b>	<b>(1)</b>	<b>19</b>

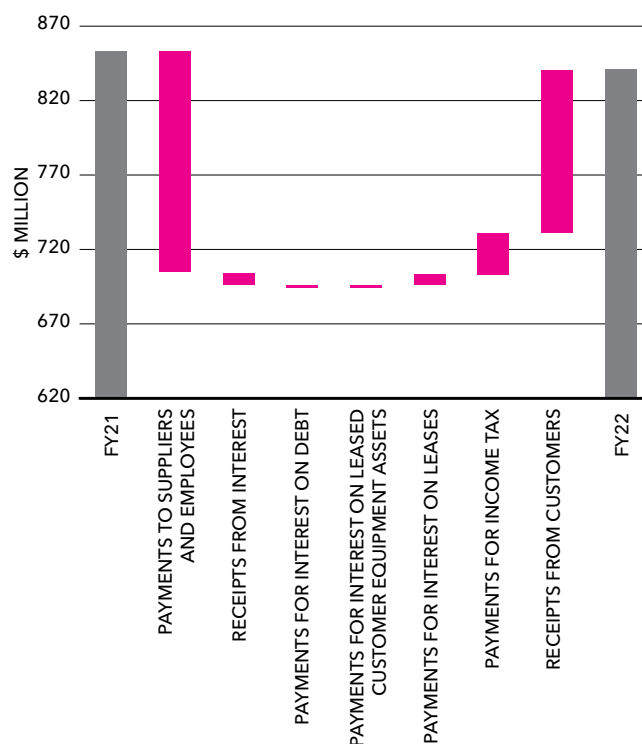
- Operating cash flows decreased by \$12 million with increased earnings and lower tax payments being more than offset by increased working capital due to higher inventory levels to reduce supply chain risk and timing of customer invoicing.
- Investing cash outflows were \$116 million higher than the prior year with increased payments for property, plant and equipment, intangibles and capacity, due to early capital purchases to reduce supply chain risk, combined with increased long-term investments (largely for Southern Cross). There were no spectrum purchases in FY22.
- Financing cash outflows decreased by \$108 million primarily due to net proceeds from debt in FY22, partially offset by higher payments for dividends resulting from reduced uptake of the dividend reinvestment plan.

	2022	RESTATED <sup>1</sup> 2021
YEAR ENDED 30 JUNE	\$M	\$M
<b>Free cash flows<sup>2</sup></b>	<b>296</b>	<b>433</b>

- Free cash flows were down \$137 million to \$296 million in FY22, with the primary drivers being advanced inventory and capital purchases to mitigate supply chain risk and timing of payables and receivables which has mostly unwound subsequent to balance date.

## Operating cash flows

**\$841m**  $\downarrow$  1.4%<sup>1</sup>



<sup>1</sup> Prior year cash flows have been restated by \$5 million due to implementation of the IFRIC agenda decision. This required configuration and customisation costs incurred in SaaS cloud computing arrangements to be expensed rather than capitalised as part of intangible assets.

<sup>2</sup> Free cash flows is a non-GAAP measure and is calculated on page 9 of Spark's FY22 Detailed Financials.



## Capital expenditure<sup>3</sup>

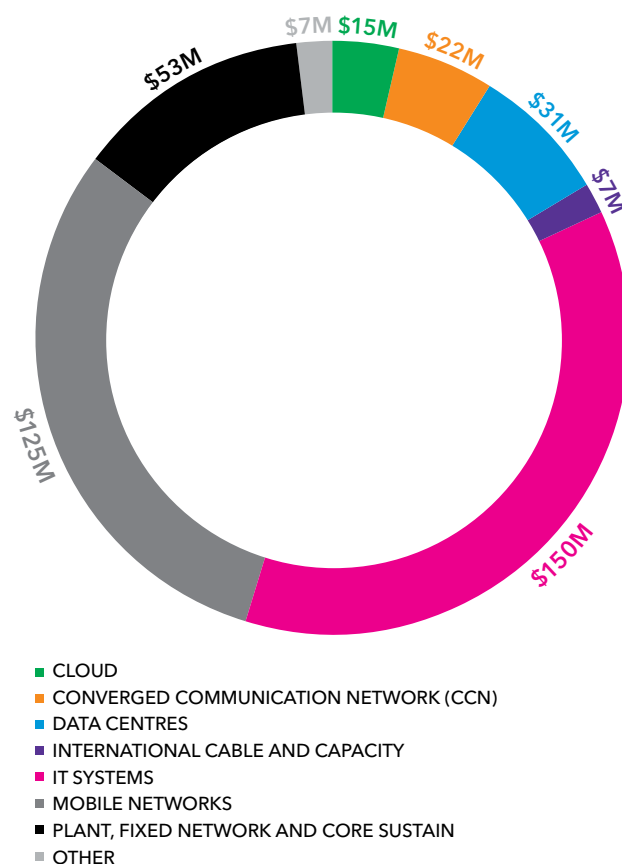
**\$410m**

Key capital expenditure projects for the year included:

- Continued investment in the converged communication network (CCN), advancing our exit strategy for the legacy PSTN network through ongoing fixed-line customer migration to IP-based voice services, and further investment in Spark's wider, multi-year core lifecycle and expansion initiative, which will progressively increase greater resilience into our core network.
- Investment in international cable construction and capacity purchases as Spark continued to invest in Southern Cross and Tasman Global Access international cable capacity to meet upward trends in customer demand for data.
- IT systems investment included lifecycle investment and licencing for internal IT systems, enhancements to products and IT systems to improve the customer experience and the completion of the first phase to implement a replacement ERP system and integrate this into Spark systems.
- Continued investment in Spark's mobile core and radio access network (RAN) delivering greater network capacity and coverage, plus an uplift in Spark's 5G investment to accelerate our roll out of this technology, creating the foundation for the emergence of new technology and experiences.
- Data centre spend includes the modernisation of the Mayoral Drive exchange and the commencement of the data centre expansion project at Takanini.
- Plant, fixed network and core sustain includes investment in the fibre build programme, new core network, fixed network broadband and carrier ethernet expansions to meet customer demand for services and traffic growth across the network.

## Capital expenditure to operating revenues

**11.0%** (FY21 9.7%)



<sup>3</sup> Capital expenditure is a non-GAAP measure and is defined in note 2.5 of the financial statements.

## Creating value for our customers

Supporting our customers' own business models and their value creation for New Zealand

Our customers range from consumers and households, to small businesses, not-for-profits, governments and enterprise clients. From mobile and broadband to cloud, IT, and managed services, as New Zealand's largest telecommunications and digital services company, we have relevance for almost every New Zealander.

As our country adapts to the realities of living with Covid-19, inflationary pressures, an uncertain global outlook, and the imperative of living more sustainably, we want to help our customers to win big in a digital world and become more productive and sustainable through technology.



### OUTCOMES FY22

**Connected customers**



## Customer experience

We have an enduring focus on improving the experiences of our customers at Spark, by making their interactions with us simple and effective. This work is showing up in customer feedback, with our measure of customer satisfaction, our interaction net promoter score (iNPS), up 9 points from FY21 to +29.

## Transparency and simplicity

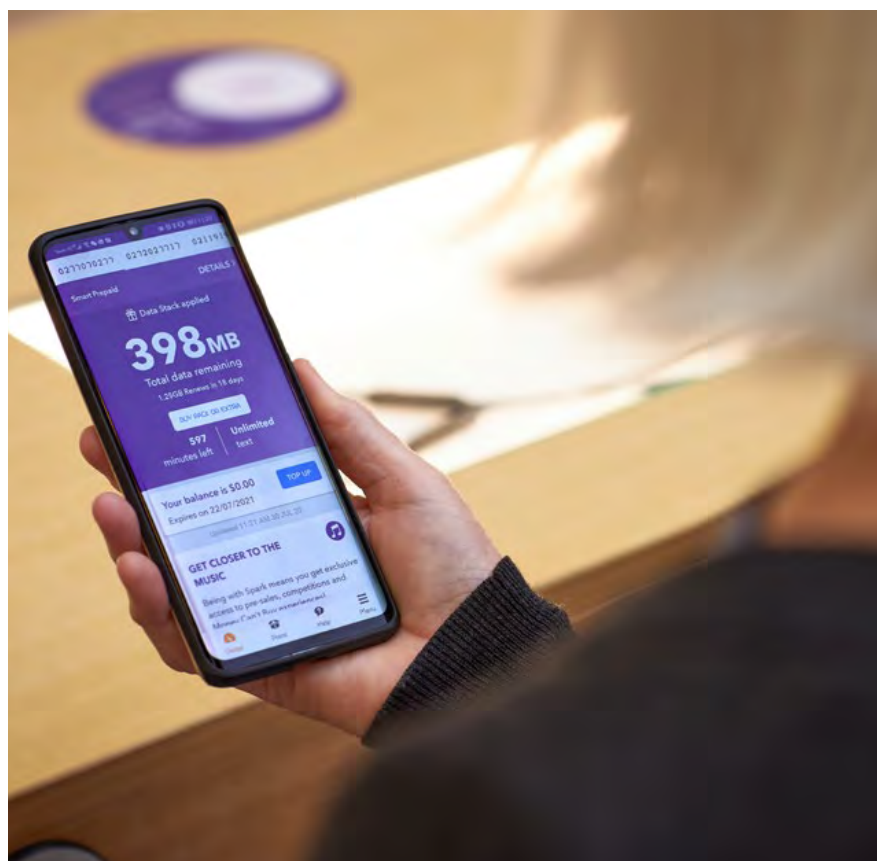
As a business that's been around for some time now, we have legacy (old) products and services that need to be retired as part of our efforts to simplify our systems and ensure our customers are getting the most of what we have to offer. We have a number of programmes under way to achieve this.

The Spark App and MySpark web portal now provide our customers with a rolling 12-month view of their mobile and broadband usage and spend, allowing them to compare this against their current plan's allowances and price at a glance.

During the year we trialled a right-planning programme called *Made for You* (consumer) and *Forward Report* (SME), which prompts broadband customers to check they are on the best plan for their needs through an email with a personalised view of their current usage and a recommendation on the best plan available. We aim to use the insights gained through this trial to extend the programme in FY23.

We are also removing legacy mobile and broadband plans from the market, with 102 plans removed during the year and 350,000 customers migrated onto modern plans.

In October 2021 we launched a new broadband line-up, to offer greater transparency, simplicity, and more value for less. This change was made in response to feedback from our customers – providing them with one set price each month, clear descriptions about the suitability of each plan for individual household needs, even better value, and the ability to 'pick and mix' our world-class entertainment services at a discounted rate. This new line-up has resonated strongly, with our broadband connections returning to growth during FY22.



## Making it easier for our customers to interact with Spark

This year we've continued to make it easier for our customers to interact with Spark. We've been further developing our 'Unified Frontline' model, which empowers our customer care and retail teams to move between different customer touchpoints (such as online chat, contact centres, or retail stores) depending on where the customer demand is at the time. This allows our customers to access skilled assistance through a channel that works best for them and builds the capabilities of our team members. The long running lockdowns in the first half of FY22 accelerated our progress in this space, allowing us to refocus retail team members into supporting customers via other channels, while we converted our stores into emergency distribution centres for contactless pick-up.

Our alternative way of contacting Spark, asynchronous messaging, continued to be popular with customers who enjoy the flexibility it provides. This allows a customer to message Spark in our app or on tools like Facebook Messenger or WhatsApp – removing the need to call and wait for a conversation in real time, as the chat window stays 'live' and alerts customers when someone is available to assist them. Our customers have rated this option four times higher for customer experience than voice calls.

We continued to build the functionality of the MySpark App with new tools such as App Shop and the ability to performance test and troubleshoot a broadband connection. The App now has around 1,400,000 unique users and in an average month sees over 800,000 interactions.

In FY22 we saw a 23% increase in customer journeys taken digitally for sales and service, which resulted in a 17.5% decline in customer care interactions and delivered an estimated \$4.5 million EBITDAI benefit, through reduced costs to serve and increased sales of core products and accessories.



## Using data to personalise customer interactions

Having a deep understanding of our customers and their needs allows us to create better experiences and more relevant offers.

We have been developing our data capability for a number of years now and through the use of artificial intelligence and machine learning we are now able to better predict the needs of our customers and deliver them the right product or service at the right time. This has delivered an uplift in data driven marketing campaign conversion of 19% year-on-year, while maintaining a 16% increase in marketing efficiency.

We have extended this capability into our Spark Business Hubs, that support our small to medium business (SME) customers. Our customer recommendation model now covers nearly 50% of our SME customers and helps our teams to better identify if our customers are on the right service and how Spark can best support their business.

When utilising this capability, we are guided by our AI Principles, which are published on our website: [www.sparknz.co.nz/about/governance](https://www.sparknz.co.nz/about/governance)

## Bringing New Zealanders the entertainment that moves them

Spark is focussed on bringing New Zealanders the best of entertainment, offering access to a range of entertainment services including Netflix, Spotify, Xbox, Neon and Spark Sport.

## Spark Sport

Spark Sport has delivered an action-packed year of sporting entertainment to fans, despite Covid-19 continuing to impact a number of codes.

Highlights of the year included a successful second season of cricket, with a brand-new commentary set-up that places the commentators in the thick of the action; elevating our cricket production and providing greater insights for fans; Spark Sport's sponsorship of Kiwi F2 rising star Liam Lawson's 2022 season; and significant improvements to platform functionality, including scheduling features, annual and six-month passes, and improved sign-up and payment journeys.

Spark Sport continued to broaden the sports available to subscribers, acquiring a number of new rights during the financial year including, US Open Tennis Championship, International Basketball Federation (FIBA), UEFA European Football Championships 2024 and 2028, Netball Australia, United Rugby Championship, Crankworx World Tour, UCI Mountain Bike World Cup, FIA World Rally Championship, and the Pacific Four Women's Rugby Series.

We continue to focus on accelerating strategic partnership opportunities to drive improved returns.



## Beyond Binary code: making the internet more gender inclusive

Data can play a valuable role in helping businesses to better serve the needs of their customers. But for Kiwis who are beyond the gender binary of male and female, when that data isn't collected or used correctly it can create deeply negative experiences on a daily basis.

This year, Spark launched Beyond Binary Code, an initiative co-created with OutLine Aotearoa and non-binary communities, that aims to stop non-binary communities feeling invisible online.

The Beyond Binary Code is a simple online tool that builds a 'copy and paste' HTML code, which amends online forms to include options specific to their use cases such as name and legal name, pronouns, prefixes, and a variety of

gender options that acknowledge gender diverse communities including non-binary and takatāpui as well as an open field for individuals to enter their own, or if they would rather not say. In addition, the code also helps businesses evaluate whether gender-related data needs to be captured at all, what to capture if it's required, and how they might do this in a way that enables people of all genders to be seen and heard online.

Alongside input from OutLine Aotearoa and non-binary communities, the recommendations generated by Beyond Binary Code are informed by Statistics New Zealand's updated standards on how data related to gender, sex and variations of sex characteristics should be collected, and best practices from a range of reputable sources including the New Zealand Human Rights Commission and Te Ngākau Kahukura.

The code provides businesses with a trusted source to improve their gender data collection practices and in turn helps them to build more inclusive, gender-friendly online experiences for their employees and customers.

<https://www.spark.co.nz/online/beyondbinarycode/>

## Partnering with New Zealand businesses, big and small

Spark supports businesses across the spectrum, from start-ups and local dairies, to New Zealand's most complex and innovative enterprise businesses and government.

### Supporting small-medium kiwi businesses

Spark supports over 110,000 small to medium businesses (SME) around New Zealand through our network of local Business Hubs. Our 'local like you' approach to supporting small, regionally based business is resonating, with a 20-point increase in our net promoter score over the last year.

During the year we expanded our Business Hub offering for customers, through partnerships with local IT providers, as well as the Internet of Things. These new services are supporting our SME customers as they seek productivity, efficiency, and sustainability solutions.

We continued to encourage small businesses more broadly to get their businesses online and adopt digital tools through our ongoing support of the Digital Boost Alliance, with our CEO Jolie Hodson taking on the role of Chair of the Governance Board for its first year. In support of the Alliance, Spark provides free Microsoft 365 or Google Workspace for a year with any small business phone/broadband package. More than 30,000 small businesses have participated in Digital Boost training so far.

### Inspiring small to medium businesses through Spark Lab

Spark Lab aims to inspire SME businesses with new perspectives, delivered through engaging virtual and in-person events. Over the past year, Spark Lab events have covered important topics such as emerging technology, designing healthy workplaces, being good custodians of data, and implementing financial and environmentally sustainable business practices.

In May 2022 Spark Lab partnered with the Sustainable Business Network and other leading New Zealand businesses on the Climate Action Toolbox, which provides support to businesses looking to start their carbon emission reduction journeys.

<https://www.tools.business.govt.nz/climate/spark>

## Partnering with Māori businesses

In partnership with the Whāriki Māori Business Network, we launched a series of four regional events in Tāmaki Makaurau, Whangārei, Te Whanganui-a-tara, and Ōtautahi, to upskill Pakihi Māori (Māori businesses) on digital tools and technology.

We also continued our support of the Kōkiri Māori Business Start-up Accelerator, run by Te Wānanga o Aotearoa, to ensure Māori business received the support and investment they need to flourish as they pitch for seed funding.







### Supporting New Zealand's larger enterprise businesses

We provide business-to-business services to our larger enterprise customers through Spark Business Group, which brings together best-in-class expertise and capabilities to connect, enable, and transform New Zealand businesses. Spark Business Group can provide end-to-end support to customers across the full spectrum of digital services including collaboration, connectivity, customer experience, data and AI, cloud, IT sourcing, IoT, modern workplace, security, transformation, and innovation.

During the year Spark supported Total Property Group in its shift to a cloud-managed network service, guided Contact Energy as it adopted Genesys PureCloud for its contact centre, and helped the Department of Conservation shift to a cloud hosted, digital workspace platform.

Spark was also re-appointed as a Managed Services outsource supplier for the Department of Corrections.

CCL is Spark's hybrid cloud provider. Over the past year, CCL delivered a number of transformational projects, including a significant cloud migration for Dunedin City Council, and a computer vision and machine-learning solution for a leading infrastructure customer, enabling it to identify, locate, and classify road defects.

CCL published the State of New Zealand Cloud Transformation report during the year, which surveyed more than 400 of New Zealand's technology decision-makers and business leaders on their approaches to cloud adoption and transformation. The research highlights that there is no 'one-size-fits-all' approach to cloud adoption, with organisations embracing public, private, and hybrid cloud deployments - demonstrating that many

organisations need to take a progressive approach to moving to and embracing the cloud.

Leaven is Spark's cloud consulting business. It helped a number of organisations embrace public cloud during the year - including Metro Performance Glass' move from on-premise infrastructure to the cloud, and the migration of the Southern District Health Board's 100 servers to Microsoft Azure.

Digital Island, Spark's cloud communication and collaboration business, saw strong interest in cloud-based contact centre solutions as businesses continued to negotiate the challenges of remote and hybrid working. It supported a range of customers including Red Cross, LANtech, and CBG Health to implement and realise the benefits of Amazon Connect for their contact centres.

Qrious is Spark's data analytics and artificial intelligence (AI) business. The past year saw businesses further embrace data and AI, a trend that was corroborated by the State of AI in New Zealand 2021 Report that Qrious released in October in partnership with Spark, the AI Forum, and the Ministry of Business, Innovation and Employment.

Over the past year, Qrious helped Auckland DHB understand bed occupancy, patient care needs and staffing requirements and was selected as Oranga Tamariki's enterprise data and analytics partner.

While each of the businesses within Spark Business Group offer compelling services individually, we are excited about the opportunities to bring these capabilities together in end-to-end converged technology solutions that solve real-world business problems.

During the year Spark Business Group was thrilled to be appointed prime supplier by the Ministry for Primary Industries (MPI) to manage the roll-out, training, and support for the installation of on-board cameras on New Zealand in-shore fishing vessels. This project combines on-board cameras with IoT, artificial intelligence and machine learning, cloud computing, and data and analytics to provide clearer, independent data to help inform policy decisions, scientific research, and fisheries management - and leverages expertise from across Spark, Spark IoT, Qrious, CCL, Leaven, and Entelar.

Spark Business Group is also supporting KiwiRail with a fuel optimisation project to help the Interislander ferry service run more efficiently. By combining weather data and machine learning to predict fuel consumption, and adopting data-driven sailing techniques, the project aims to reduce fuel costs and carbon emissions. Spark Business Group is supporting the initiative with connectivity, IoT devices, dashboards, modelling, analytics, and reporting, bringing together capability from across Spark, Spark IoT, and Qrious.

### Supporting the digitisation of the health sector

The health sector is preparing for a period of significant change as it shifts away from regional District Health Boards to three national health services: Te Whatu Ora (Health New Zealand), Te Aka Whai Ora (Māori Health Authority) and the Public Health Agency. This change is occurring during a time of unprecedented challenge as the sector supports New Zealanders through Covid-19.

Developing data and digital capability has been identified within the health system review as a critical enabler of its transformation, requiring partners with deep sector experience, who can create solutions that deliver improved health outcomes.

Digital health is a future growth market in Spark's three-year strategy and Spark Health grew strongly during the year, winning national contracts for digital

services under the newly established Te Whatu Ora. Under these contracts Spark Health will provide Microsoft, Non-Microsoft, and Azure Software and IT services to the Ministry of Health, Te Whatu Ora, Te Aka Whai Ora, the Public Health Agency, and other health entities like ACC and Pharmac.

Spark Health also delivered a cloud-based digital health platform, that aims to support a digital health ecosystem. Kete Waiora (the basket of health and wellness) is powered by Spark Health partner Get Real Health and enables healthcare and disability providers to create digital customer experiences via a personal health record, while also helping to provide a unified view of their patients.

### Wholesale

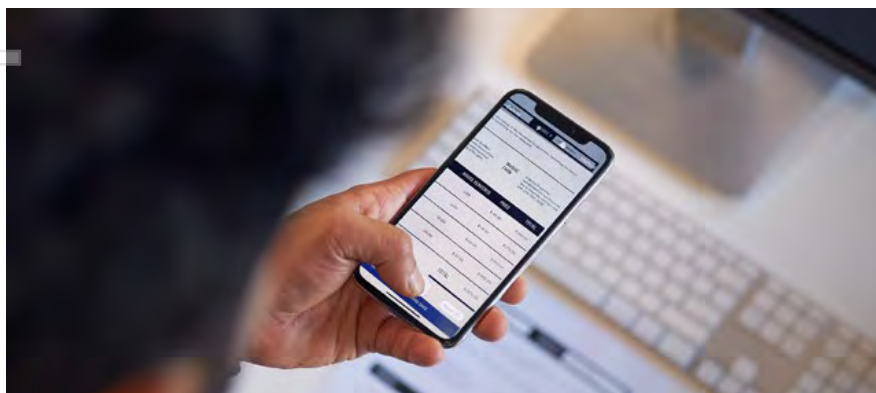
Spark Wholesale supports New Zealand and international services providers with Mobile Virtual Network Operator (MVNO), data transport national backhaul, international connectivity, cloud, internet and satellite services.

In the past year, the Wholesale business continued to grow Spark's data centre and connectivity portfolios locally and supported Content Delivery Networks (CDNs) and global cloud partners with their growth plans within New Zealand.

When the devastating volcano and tsunami in Tonga affected connectivity to the region in early 2022, Spark Wholesale worked with local telecommunications provider, Digicel Tonga, and other Tongan-based organisations, to procure emergency satellite equipment to connect Tonga to Fiji and provide voice and data connectivity. This equipment was delivered to Tonga by New Zealand Defence Force aircraft and provided temporary connectivity until full services could be restored.

### Connect 8

In January Spark took full ownership of Connect 8 - an infrastructure and civil engineering provider to the telecommunications, water, and power sectors. Prior to this, Spark owned 50% of the business, but decided to bring Connect 8 back into the Spark group to support the acceleration of its 5G roll-out.



## Developing new services for our customers with emerging technology

### MATTR

Spark subsidiary MATTR contributes to the development of technology standards and creates software that allows data to be verified in a digital environment, safely and securely. This helps to remove the challenges of digital security, privacy, and data verification, supporting trusted online interactions – a critical enabler of an increasingly digital economy.

MATTR's flagship platform product, MATTR VII, provides general-purpose building blocks and products that are simple, accessible, and easy to use, with pre-built extensions that make it possible to plug the platform into a customer's existing applications.

MATTR reached the stage of commercialisation during the year, working in partnership with early adopters in New Zealand and overseas – with MATTR solutions now available in Australia, the United States, Canada and shortly in Europe.

In New Zealand MATTR supported the creation of the New Zealand Ministry of Health's international and domestic vaccination certificates as part of its Covid-19 response. An example of MATTR's work offshore includes its pilot of privacy-respecting micro-credentials for Canadian learners created for the Association of Registrars of the Universities and Colleges of Canada (ARUCC). This solution allows students to hold and share their verifiable credentials when seeking employment or signing up for new learning journeys.

MATTR also continues to engage in the US Department of Homeland Security's Silicon Valley Innovation Program and received an award from the US National Science Foundation Convergence Accelerator in a collaboration with Washington University and iProov (a UK based genuine presence testing company).



## Cyber security, customer safety and privacy

Spark puts cyber security, customer safety, and privacy at the forefront of everything we do. We work hard to ensure the security of our own networks and also support our corporate and enterprise customers with their security needs. We offer customers a breadth of capability to monitor and detect attacks across their networks and information architecture, reduce business security risk, and improve their security profile.

### Cyber security

The annual National Cyber Security Centre (NCSC) Cyber Threat Report shows that serious cyber threats targeting Aotearoa continue to grow, with an increase in the frequency and sophistication of incidents recorded in the past year. Spark takes this threat seriously and works hard to ensure the safety and security of both our own and our customers' networks.

Our Chief Information Security Officer (CISO) has responsibility for Spark's cyber security, while all members of the Spark Board's Audit and Risk Management Committee have governance responsibility. We govern our security programme using the industry's best practice frameworks, including ISO27001 and NIST CSF (National Institute of Standards and Technology Cyber Security Framework). All Spark services and networks are built with multiple checks in place during the

'design', 'build' and 'operate' phases, to ensure that they are deployed with industry leading levels of security. We work to ensure we operate at an incredibly high standard using continuous assessment and measurement of our cyber security maturity level. Our security roadmap includes initiatives that will enhance our wider cyber security capabilities.

People play a critical role in helping to detect and defend against potential cyber security threats. For that reason, everyone at Spark is required to undertake a cyber security training module, to equip them in identifying and preventing any attacks.

We have one of the largest security operation centres in the country with over 100 security subject matter experts. We have processes in place to ensure that appropriate ownership, oversight, and ongoing risk management is applied to our customers' and Spark's IT systems and data, with our cyber security subject matter experts providing oversight. Our processes are independently assured by our risk and internal audit functions and are often externally validated by qualified cyber security consultants or auditors. In FY22, our CISO, Josh Bahlman was awarded the 'Best Security Leader Award' at New Zealand's Annual Information Security Awards.

We have a Spark cyber security incident response plan which governs how we respond to any cyber security threats. We have invested heavily in building our



threat intelligence platform and adopting industry best practice frameworks, such as MITRE ATT&CK (a curated knowledge base and model for cyber adversary behaviour), to ensure we continue to evolve our ability to protect and detect potential threats.

We have also invested in security automation, orchestration, and machine learning, to stay ahead of ever evolving security threats.

### Customer safety

Spark has an important role to play in helping prevent New Zealanders falling victim to increasingly sophisticated scams, both by blocking scams when possible, and raising awareness with our customers.

In the last twelve months, we saw a significant increase in text message scams with the arrival of the 'Flubot' malware in New Zealand. The sophisticated malware disguised itself as an application or update, which if downloaded on an Android mobile, would gain access to functions such as online banking and contact lists. Once the malware was downloaded on someone's device, they became an 'infector', sending bulk scam texts from

the phone number without the customer's knowledge, including to international numbers which meant customers incurred charges.

To help mitigate the impact of this scam, Spark worked with the Department of Internal Affairs to identify infected mobile phones and send communications to impacted customers, urging them to perform a factory reset and remove the malware. Where unusually high levels of international messages were being sent, we removed the charges and temporarily blocked the ability to send text messages until a factory reset was performed. The Flubot malware infrastructure has since been disrupted by the Dutch Police, rendering it inactive.

As in previous years, we work to limit the number of scam calls our customers receive by monitoring unusual calling activity and blocking offending numbers. We work closely with the broader New Zealand telecommunications industry via the NZ Telecommunications Forum (TCF) to share information so that numbers can then be blocked across all networks.

We also block access to URLs featured in scam texts to prevent customers inadvertently clicking on the links. Where possible, our security and fraud teams work with law enforcement to identify and shut down scamming operations, but this is challenging when they are located offshore.

Because we cannot stop scamming from occurring, we are focussed on empowering our customers to be vigilant when it comes to scams to help prevent them falling victim. We regularly educate and alert customers on fraudulent activity, including through direct customer communications, regular updates on our scam alert website, sharing alerts about widespread scams on our social media channels, partnering with Netsafe on its educational scam call brochure, and ensuring our customer service teams are equipped to assist with scam call inquiries.

We also sell a landline product called Call Screen, which contains technology that can effectively help users protect themselves from scam calls.



## Customer privacy

Protecting our customers' personal information is a responsibility we take seriously. We're committed to keeping customers' personal information safe and managing it in ways that align with customer expectations and applicable laws, including the Privacy Act 2020 and the Telecommunications Information Privacy Code 2020.

In FY22 we launched a set of actionable privacy values. Protection, transparency and autonomy, fairness, innovation, empathy, and tikanga represent what Spark believes to be at the heart of customer privacy. These guide and underpin the decisions Spark people make.

In FY22 we piloted a new distributed Privacy Ambassador programme, which empowers trained Spark people to conduct privacy risk assessments. The framework leverages the business, technology, and product expertise of our people, combining it with privacy knowledge and the support of an automated decision-making tool. New data ideas are assessed by a privacy ambassador and, if required, passed to Spark's Digital Trust (privacy) and Legal teams for more advice. This model was piloted successfully within three areas of the business and will be rolled out across Spark in FY23.

### Our broader privacy programme

Spark's Digital Trust team runs Spark's privacy programme and supports Spark people with tools and training to help ensure everyone follows our Privacy Policy. Spark's privacy programme includes:

**Processes and controls:** to safeguard customer information throughout business activities. For example:

- *Privacy in products and services:* new products and services are assessed with a privacy lens to highlight any key risks and design requirements. New cloud vendors are screened to ensure privacy will be managed appropriately.

- *Transparency:* Spark reports on government requests for personal information in our Spark transparency reports ([www.spark.co.nz/help/other/about-your-privacy-with-spark](http://www.spark.co.nz/help/other/about-your-privacy-with-spark)).
- *Data breach reporting:* we work hard to foster a culture where Spark people feel safe reporting any possible privacy issues or data breaches. We have a dedicated Data Breach reporting tool, enabling breaches to be reported and managed in a customer focussed way, in compliance with the New Zealand Privacy Act 2020. We also have an Honesty Box where any privacy issues can be reported anonymously.

**Training Spark people:** all Spark people must complete privacy training when they join Spark and annually thereafter. This ensures everyone understands Spark's legal obligations under the Privacy Act 2020, our Privacy Policy, and the privacy values underpinning the decisions we make.

Spark's internal website, Privacy at Spark, is a central online space where our people can access key information, such as our privacy values and privacy behaviours. They can also access guidance and training, report data breaches and request privacy assessments.

Spark's Policy Playbook includes a section dedicated to data and privacy, showing how to apply privacy considerations to everyday activities.

**Supporting Spark customers:** we offer a range of tools and services to help customers stay safe and manage their privacy and security. These are available on our website at [www.spark.co.nz/privacy](http://www.spark.co.nz/privacy) and include security tools, resources to help customers protect their information online, and ways for customers to contact us with privacy-related questions or concerns.

### Privacy compliance and reporting

In FY22 Spark people reported 123 potential data breaches for investigation, using the internal data breach reporting tool. Most data breaches were caused by human error. As a result, we were able to focus internal training and resources on preventing and managing these breaches. For example, in FY22 we launched a series of mini-learning modules for our people, which are mandatory for teams who manage customer data. We also made process changes to support our people in withstanding phishing attempts.

In FY22 there were five incidents that met the criteria for data breach notification under the Privacy Act 2020. Spark notified impacted customers and the Office of the



Privacy Commissioner (OPC) of these incidents. We also notified impacted customers and the Office of the Privacy Commissioner of unauthorised access to some MySpark and Xtra Mail accounts, which occurred because Spark customers had used their Spark or Xtra Mail login credentials (email and password combination) on other platforms – and when these other platforms were compromised, their credentials were harvested. Unfortunately, these credential harvesting attacks are commonplace on digital platforms but we continue to educate our customers around best practice password management to help protect against this scenario.

In FY22 Spark received 22 substantiated privacy complaints from customers (some of these complaints related to the data breaches reported above) and one substantiated privacy complaint via the OPC.

### Marketing and legal compliance

Under our Code of Ethics all Spark people are responsible for ensuring we behave ethically and comply fully with all applicable laws and regulations. Spark's Legal and Compliance Policy sets out the specific accountabilities that our people have for complying with the law. Spark's people leaders make sure their teams have the information and training necessary to meet these standards, and our Legal and Digital Trust teams support our people with comprehensive frameworks, tools, training, and advice. Every employee is required to complete online training modules on the Code of Ethics and how to apply it, and we reinforce this training through regular one-on-one and broader internal communication across the business. See: [www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance)

During FY22, there were no Advertising Standards Authority decisions upheld against Spark Group.

Spark continues to engage constructively with the Commerce Commission as appropriate, both proactively and reactively, on a case-by-case basis to ensure we are complying with all applicable laws and regulations. Spark did not receive any formal sanction by the Commerce Commission in FY22.



In early August 2022 the Commerce Commission issued a warning letter to Spark concerning the historic sale of Spark's wire maintenance service to wireless and fibre customers. Wire maintenance is a service available to customers with in-home wiring – it was created when customers were predominately using copper-based services, which require maintenance at times. When we introduced fibre products they were originally bundled with landlines, which also used copper wiring, and so the service was extended to fibre customers as well.

While some fibre customers benefited from the service, it was not applicable for the majority. So, in 2020 we stopped offering wire maintenance on fibre connections and began proactively removing the service on current fibre connections. We've since refunded all eligible existing Spark customers and have worked hard to contact eligible former customers advising them of their available refund to claim.

To date approximately 95% of eligible former customers have claimed their refund.

We also identified a small number of wireless broadband customers who were charged for the wire maintenance service as a result of separate historical system errors. We have communicated to, and processed refunds for, all wireless customers who were charged in error.

We recognise this falls short of the high standards of product management our fibre and wireless customers both expect and deserve, and we have apologised to anyone impacted. We are committed to improving our systems and processes to ensure this does not happen again.



## Creating value through our network and technology

### Manufactured + intellectual capital

Our extensive networks and valuable portfolio of digital infrastructure assets underpin Aotearoa's digital economy and support New Zealanders to work, learn, and connect in the digital world.

Our portfolio includes:

- ~1,500 mobile cell sites throughout New Zealand
- A 1,320km national fibre backhaul network
- Partnerships with local fibre networks and Chorus to access the UFB and national copper networks
- 16 data centres and 35 major network sites (exchanges)
- A purpose-built Satellite Earth Station (SES) in Warkworth
- ~41% shareholding in Southern Cross Cable Network, which owns the Southern Cross and the Southern Cross Next international submarine cables.



### OUTCOMES FY22

**Connected and resilient New Zealand**

## Creating value from our infrastructure assets

Following the infrastructure review we conducted during the last financial year, in FY22 we established TowerCo as a subsidiary company to improve the performance, utilisation, and efficiency of our passive mobile infrastructure assets, and to explore the introduction of third-party capital.

Our passive mobile assets include the towers and light-poles that house our active assets, such as our radio equipment and spectrum. Now that mobile operators have largely homogenous network coverage, our passive mobile assets are no longer a point of competitive advantage – it is our active assets, or the 'smarts' of our network, that drive our differentiation in the market.

As such, it made sense to explore how we could better realise the value of our passive mobile assets, to maximise value for shareholders and enable us to invest in future growth opportunities.

TowerCo will also enable us to deliver better outcomes and service experience for our customers and Aotearoa through faster, more efficient deployment of digital infrastructure.

The infrastructure build programmes needed to support New Zealand's increasing data needs and new technologies like 5G, and potentially 6G in the future, will be very different from the build programmes of today – requiring many more, smaller sites, closer to the end customer, and greater overall densification. A specialist towers business will be better placed to deliver build programmes of this scale and complexity, while improving co-location rates, reducing costs, and increasing speed to market.

TowerCo became operational on 1 July 2022, and on 12 July 2022 we confirmed we had reached agreement for the Ontario Teachers' Pension Plan Board to acquire a 70% stake in the TowerCo business.

The transaction is conditional only on Overseas Investment Office approval, which is anticipated to occur during the first half of FY23.

The transaction will deliver net proceeds of ~\$900 million and values the business at \$1.175 billion, representing a FY23 pro-forma EBITDA multiple of 33.8x<sup>1</sup>.

Under the terms of the deal, we have entered into a long term agreement with TowerCo (plus rights of renewal) to secure access to existing and new towers, with a build commitment of 670 sites over the next 10 years.

Spark is the anchor tenant and retains a 30% stake in TowerCo, ensuring we are a key strategic partner as the business grows.

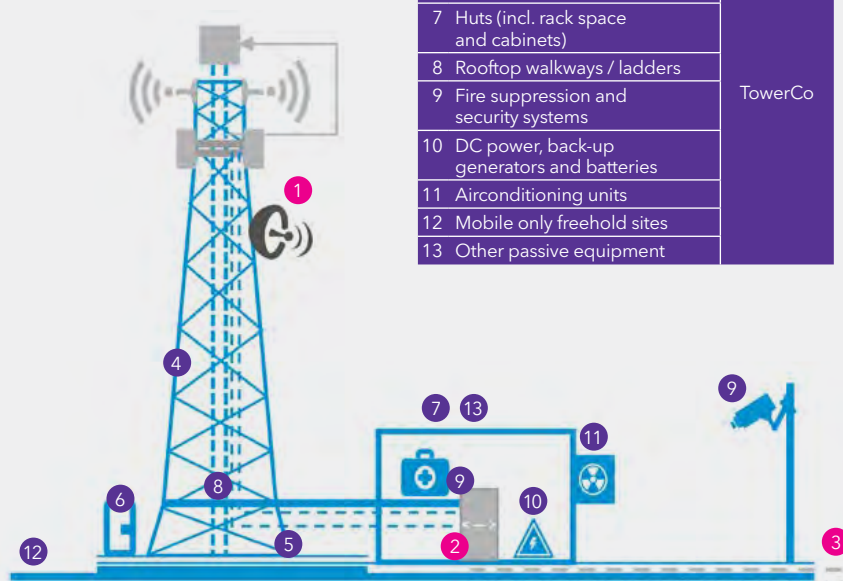
## Smart, automated networks

Building a smart, automated network is one of the core capabilities we identified in our three-year strategy to FY23.

Our ambition is to deliver unconstrained core network capacity that allows us to deliver the products and services our customers need, when they need them, with 5G and IoT deployed nationwide.

We continue to make significant investments in resilience, building a virtualised core with automated management, while retiring legacy technologies that are reaching end-of-life.

### SPARK / TOWERCO ASSET SPLIT ON A TYPICAL MACRO TOWER



Standard configuration of a Macro tower

<sup>1</sup> Assumes FY23 EBITDA of NZ\$34.8 million as at 30 June 2023.



## Networks of the future

### Building 5G for New Zealand at pace

A year ago we announced an acceleration of our 5G roll-out, investing \$125 million in mobile connectivity during FY22 with the aim of delivering 5G coverage to approximately 85% of Spark's sites and 90% of the New Zealand population by the end of calendar year 2023 (assuming the necessary spectrum is made available by the Government).

The Covid-19 lockdowns that occurred in the first half of FY22 delayed our build program, with Alert Level restrictions preventing us from undertaking builds for several months. Despite this challenge we have made strong progress towards our goal, with coverage expanded or launched in 12 additional locations. By the end of FY22 we had 5G live in 21 locations in total, including Auckland, Hamilton, New Plymouth, Palmerston North, Gisborne, Whangarei, Christchurch, Wellington, Dunedin, and Invercargill.

We continue to be reliant on the allocation of spectrum by the New Zealand Government to meet our coverage targets. We were pleased to see the Government and Iwi come to an agreement on spectrum allocation during the year, which recognises Māori interests in radio spectrum. Our hope is that this paves the way for the C-band spectrum auction to proceed in a timely fashion. The provision of 600 MHz spectrum is also critical to our ability to deliver 5G coverage far and wide.

As we've deployed 5G we have also been able to upgrade 4G capacity at the same time. This has created significant additional capacity for customers using our mobile networks, with a ~200% increase in network capacity over the last three years.

In recent months, as 5G technology has matured, Spark has started developing its 'standalone' 5G capability, which will unlock even more benefits such as multi access edge compute (MAEC) and network slicing<sup>1</sup>. We have also conducted trials using mmWave<sup>2</sup> spectrum to test long-range, high-speed coverage.



### Hira Bhana mixes generational knowledge with tech solutions to safeguard family business

Spark worked with Adroit to support specialist market gardener, Hira Bhana, to install highly accurate sensors at multiple locations around his family's market gardens to measure soil temperature, moisture, and electrical conductivity. Data from these sensors is transmitted in real-time to a visual dashboard for employees to make decisions on watering, fertilising, and harvesting.

The solution provides workers with easily accessible real-time data through an app which shows reporting and analytics to improve decision making on the farm. This solution allows the Bhana team to set parameters that enable automation of farming processes, resulting in consistent, high-quality decision making, and ultimately delicious, high-quality produce.

1 Network slicing allows the operator to 'slice' its network to support different types of services through each 'slice'. Multiple slices can be tuned independently to meet different quality of service parameters. For example, one slice may simply need a standard speed connection to enable office email, another might be tuned to support very low data IoT devices, while another slice may need high reliability and ultra-low latency to support robotics.

2 Millimetre waves, also known as extremely high frequency (EHF), is a band of radio frequencies that has wavelengths between 1 mm and 10 mm. These frequencies can carry massive amounts of data at very high speeds. That makes them ideal for accommodating the massive increase in data demanded from new 5G use cases such as augmented/virtual reality, cloud gaming, video analytics and other cloud-compute capabilities.



## 5G experimentation

### Spark's first 5G Multi Access Edge Compute (MEC) pilot with EnviroNZ

Spark and Qrious have developed an AI-powered computer vision pilot for EnviroNZ and enhanced it with 5G connectivity and local AWS edge computing.

The computer vision system helps solve a key business issue for EnviroNZ – identifying health and safety risks at its waste transfer station. The solution is a hazard detection system that uses AI to detect if people are too close to excavators working in the waste disposal area. Using computer vision and IoT (Internet of Things) video cameras, it identifies and tracks people and excavators within a specified detection zone and calculates distances between them. The Qrious system can trigger alerts when a person is identified as being too close to an excavator.

To help explore the potential of Mobile Edge Compute within this pilot, the EnviroNZ video feed has been transitioned from a fibre connection to a 5G connection and is demonstrating the benefits of lower latency and faster processing that 5G brings.



### Developing standalone 5G with AWS and Mavenir

Telecommunication companies in New Zealand are currently implementing 'non-standalone' 5G – which means that while networks have been updated to 5G, data centres and network cores are still running on legacy, non-5G systems, which are dependent on 4G infrastructure.

To lay the groundwork for Spark to roll out standalone 5G at scale in future, and validate the anticipated benefits of 5G, Spark has created and run two proof-of-concepts for standalone 5G with technology partners Nokia (cell site infrastructure), OPPO (5G devices), Mavenir (5G standalone cloud-native core solution) and AWS (multi access edge computing and 5G optimised cloud solutions).

A standalone 5G network enables low-latency access to multi access edge compute solutions, allowing customers to deploy solutions that can compute capacity from the network core right to the customer's office, factory or workplace.

To test these benefits Spark has deployed a Mavenir 5G cloud-native core solution on AWS Snowball Edge, a physically rugged device that provides edge computing and data transfer services. This is Mavenir's first global edge deployment on AWS Snowball Edge. Using an AWS Snowball Edge device allowed Spark to create a highly portable edge solution (that is literally contained in a suitcase) to process and store data close to where it's generated, enabling low-latency and real time responsiveness.

Since Spark launched 5G, our initial use case has been to increase both speed and capacity in Spark's wireless broadband and mobile products. But we were curious to see how our wireless broadband service would further benefit from operating on a 5G standalone network.

As a test, Spark has deployed a Mavenir 5G standalone cloud-native core solution on AWS Outpost, a fully managed service delivering AWS infrastructure and services to virtually any on-premise or edge location. This is the first New Zealand mobile network deployment on AWS Outposts.

Testing a wireless broadband service on this proof-of-concept showed faster download speeds and reduced latency when compared to pre-deployment results.

For customers, this provides a better experience and supports applications such as instant video streaming, cloud hosted gaming, and the reaction times required for driverless vehicles. The 5G standalone network opens the door on capacity and low latency to help accelerate IoT trends, such as connected cars, smart cities, and IoT in the home and office.

### Spark explores future connectivity options using 5G mmWave

Spark has conducted New Zealand's first rural trial of 5G millimetre wave (mmWave) technology, achieving a peak speed of 2.4 Gbps at a range of 3 km and 1.4 Gbps at extended range of 7 km. Spark is exploring 5G technology operating in mmWave spectrum to showcase the potential benefits of fibre-like data speeds using 5G connectivity.

A 5G mmWave test site has been set up in Mouse Point, North Canterbury by Spark and its technology partner Nokia, with spectrum loaned from the Ministry of Business, Innovation & Employment (MBIE).

Agricultural supply business PGG Wrightson has a store in nearby Culverden, 6km south from the test site. They are participating in the trial of the 5G mmWave service, which will allow them to run their rural operations over 5G, fibre-like connectivity.

## Hawke's Bay District Health Board (DHB) keep vaccines and medications at the right temperature

The traditional way of monitoring refrigerated medication is manual and time intensive, and if a fridge door isn't fully shut, all the medication in the fridge may be rendered unusable.

Spark and the DHB team devised a much smarter, end-to-end solution. Temperature, humidity, and open/close sensors were installed around the hospital's fridges that send information to the Spark IoT Bridge platform. Because the DHB's concrete-dense buildings aren't conducive to good network coverage, technical difficulties were overcome thanks to the installation of LoRaWAN indoor gateways.

Live temperature information is now transmitted to the Spark IoT Bridge dashboard and users around the hospital know immediately if a threshold is breached and can take timely action.

## The power of the Internet of Things

The Internet of Things (IoT) is a future growth market in Spark's three-year strategy. We see significant opportunities for us to support New Zealand businesses across all sectors as they transition to future ways of working and pursue productivity, efficiency, and sustainability improvements.

To realise the benefit of an IoT solution, three components are required: a network to connect devices to; the connected devices themselves (the hardware); and a platform to collate and analyse the data you are collecting (the software).

### IoT networks

The range of ways that IoT devices are now being used means that different networks are required, depending on where the devices are located, how much data they are transmitting, and their level of power consumption.

Spark currently provides IoT over a range of different network types on common infrastructure:

1. **Our 3G, 4G and 5G mobile networks:** suitable for IoT devices that need to transmit greater quantities of data at high speeds - for example security video monitoring. As 5G rolls out, it will unlock many more advanced use cases for IoT in the future.

2. **Our Cat-M1 network:** suitable for lower-powered, energy efficient devices, that need to operate for a long time without being replaced, for example smart building monitors or fleet trackers. The Spark Cat-M1 network is activated on all Spark 4G cell sites and on all Rural Connectivity Group (RCG) sites, reaching over 99% of the population.

3. **NB-IoT network:** suitable for cost-effective devices that need to send small amounts of data over multi-year time periods, for example water metering and gas metering. Spark has now rolled out NB-IoT coverage to nearly 60% of Spark 4G towers and all RCG towers, providing connectivity to 75% to 832,000.

4. **Our LoRaWAN network:** similar to NB-IoT, suitable for cost-effective devices that need to send small amounts of data over multi-year time periods. LoRaWAN is particularly effective in locations where coverage or cost of cellular applications are not feasible - for example water or soil sensors. The Spark LoRaWAN network is deployed to 185 sites providing approximately 70% population coverage. Spark also deploys low-cost coverage in a box (CIAB) solutions where coverage is not available.





### IoT devices

A specialist IoT device is required to record and capture the data you want to track. Spark partners to offer our customers a wide range of devices that work across a wide range of use cases. In the past year, Spark grew the number of IoT devices connected to the Spark network by 75% to 832,000.

### IoT platforms

To make sense of the data collected, an IoT platform is required to collate and analyse the data and, in some cases, create recommendations or automate responses to certain events. This creates business value by ensuring the business can act on what they are measuring.

In the past year, Spark has worked with Qrious to develop the Spark IoT Bridge Platform. Built in Microsoft Azure, it amalgamates a variety of IoT monitoring solutions into one central dashboard, providing customers timely access to the data they need for informed decision-making, wherever they are.

Napier Port are using Spark IoT Bridge to create a centralised operational view of temperature and energy use monitoring of their substations as well as open/close detection of their Tsunami gates, helping to manage and reduce their organisational risk.

### Spark NZ takes significant shareholding in Adroit

Spark has partnered with leading environmental IoT provider Adroit to support customers with innovative IoT solutions, taking a significant holding in the environmental IoT technology business. Adroit has developed solutions for key sectors including aquaculture, agriculture, construction, manufacturing, and environmental compliance.

There is significant demand from New Zealand businesses for IoT environmental monitoring and this investment strengthens our already successful partnership and helps us accelerate the adoption of sustainable monitoring solutions to enable healthier, more environmentally friendly communities through the power of IoT.

Spark and Adroit have already implemented IoT solutions for a range of customers, including a real-time water quality monitoring solution for Mercury New Zealand's New Zealand's Waikato River catchment.

### Investing in our Data Centres

At the start of the year, we announced that we would upgrade our Mayoral Drive Exchange to host significantly more wholesale and cloud data centre services and invest in a significant expansion of our Takanini Data Centre campus. We have made significant progress in both these programmes of work and despite significant inflationary and supply chain challenges, the build cost has been well managed.

The first stage of the Mayoral Exchange upgrade was completed in August, and will give Spark a modern, centralised network and cloud hub with capability and resilience that is attractive to international wholesale customers.

The first stage of expansion at the Takanini Data Centre Campus – an 8MW data hall – is on track for delivery in 2023, with foundations complete and groundwork now underway. Over 85% of capacity has now been contracted.

### Network resilience

Our customers rely on us to provide networks and technology that is highly reliable and available in the face of unpredictable events – from unexpectedly high levels of usage during lockdowns, to extreme weather events.

To deliver on these expectations, we are focussed on building highly resilient, 'self-healing' networks, that have built-in and automated redundancy options when things go wrong.

We are also playing our part to ensure that our industry is contributing towards planning for the climate change risks of the future. This year we provided feedback on the draft National Adaptation Plan, which brings together the Government's efforts to plan and prepare to deal with climate change risks. The plan prioritises managing risk to lifeline utilities including telecommunications and digital services. We have also analysed potential risk from future climate impacts on our infrastructure as part of our TCFD-aligned climate risk report. See page 72 for more information.

### Additional third core network for mobile

In FY22 we added a third core network to our existing 3G mobile network core. This adds operational flexibility to our mobile networks and creates additional resilience for the South Island. With increasing migration of services towards 4G/5G mobile, and away from PSTN towards new IP voice communications, the addition of this third core network will be extended to IP voice services to provide the stability and diversity needed for New Zealand's future connectivity needs.

## Optical Transport Network 2.0

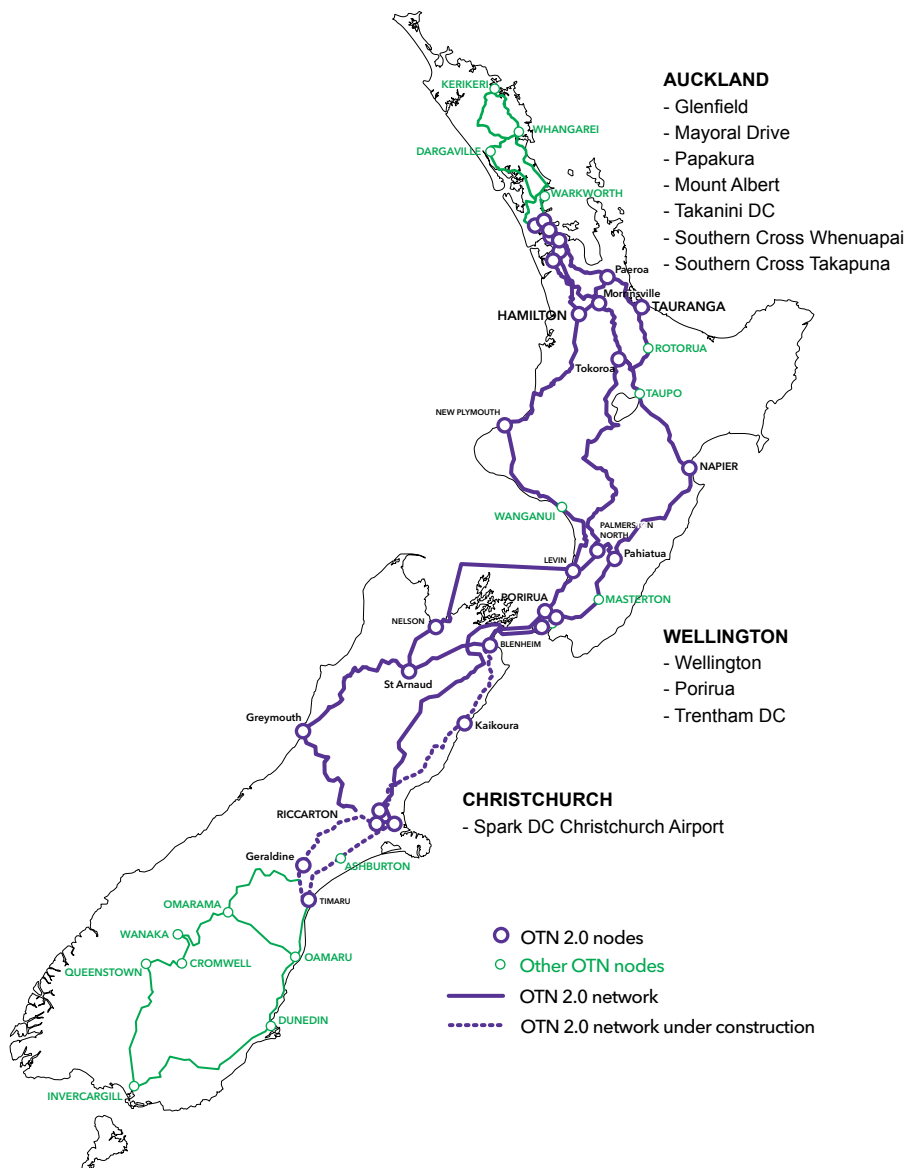
In FY22, we made significant progress in the build of our next generation Optical Transport Network or OTN2.0, which is now 87% complete and which will strengthen our network resilience and capacity. The OTN is the existing fibre backbone of our network, providing core connectivity between the main cities in New Zealand, transporting all our customers' mobile, broadband, landline, and business traffic, and connecting Spark's network with other service providers and with international cable networks.

The new OTN2.0, which is an addition to the existing transport network and will replace the OTN over time, has 'self-healing' capabilities. This allows the light signals that carry the data to automatically change their path after a fibre cut, automatically restoring services where it is possible to do so. OTN2.0 has five times the data capacity of the OTN, which will support Spark's 5G roll-out and give our fixed and mobile networks enough capacity to meet ongoing growth in data consumption.

The OTN2.0 roll-out is a two-year project, which started in Auckland, and expanded towards Hamilton, Wellington, and Christchurch - with completion expected in FY23.

OTN2.0 is now complete across the North Island from Auckland heading south through the centre, east, and west coasts of the North Island and across existing and one new Cook Strait cable crossing.

The roll-out of OTN2.0 across the South Island is progressing quickly, with two routes to Christchurch completed and a third route via the Kaikoura coast currently under construction. Customers are already using the completed parts of OTN2.0. Initially the new OTN2.0 equipment will overlay the existing transport network, however it will be gradually replaced over time.



## Mobile access and aggregation

As we move towards our ambition of a wireless future, enabled by unconstrained capacity in our core network, Spark is upgrading its Access and Aggregation (A&A) network to support our future 5G ambitions with fit-for-purpose backhaul with significant capacity uplift, network automation and improved resilience.

The three-year Access and Aggregation programme will allow Spark to establish its own national fibre backhaul network for its mobile networks and managed data customers. Over the past year, Spark has completed design and commenced roll-out, successfully commissioning its first set of A&A nodes through an automation-first approach and migrating its first cluster of 10 cell sites to this next generation network. During FY23, Spark will build out the A&A network across New Zealand.



## Connecting rural New Zealand

While our mobile and broadband networks serve the vast majority of New Zealanders, the geography of New Zealand and the economics of connecting dispersed rural communities mean that it is challenging to reach those people who are not connected today.

To help address this challenge, the Rural Connectivity Group (RCG) – a joint venture between Spark, Vodafone, and 2degrees – has been contracted by Crown Infrastructure Partners to deliver the Government's Rural Broadband Initiative Phase 2 (RBI2) and Mobile Blackspot Fund programmes. This partnership helps bridge the digital divide for rural communities, ensuring the rural sector can remain competitive internationally.

During the financial year RCG has built more than 120 sites, bringing the total build to more than 360 sites across Aotearoa. The programme delivers 4G wireless broadband coverage to ~30,200 homes and businesses and provides mobile coverage to over 830 kilometres of state highways.

The RCG model has attracted global interest and is believed to be one of the first in the world where three mobile operators share spectrum, radio, and backhaul. It uses a 4G Multi Operator Core Network to deliver broadband and mobile services, which helps make the most efficient use of the radio spectrum available, and lower network integration costs.

Outside our participation in RCG, we continued to expand our own mobile network into smaller towns and provincial areas, building new sites in the Coromandel and Hastings during the year, while upgrading our existing 4G network to ensure we can continue to provide the capacity our customers need.

These capacity investments in our rural mobile sites have enabled us to extend the availability of our unlimited broadband plans to an additional 30,000 rural households during the year, reducing costs for customers in certain areas by up to \$71 a month. Customers in eligible areas can move to our Everyday Wireless plan which is \$60 per month for unlimited data.



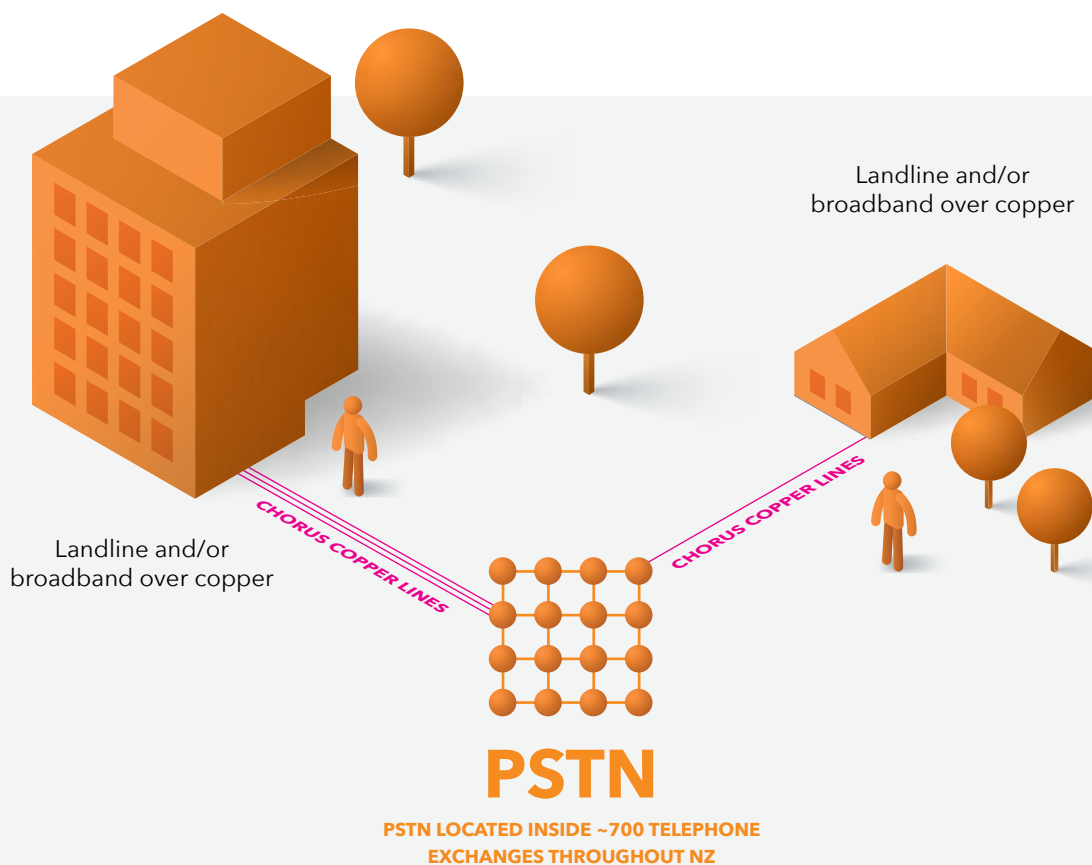
## Marae Digital Connectivity Programme

The Marae Digital Connectivity Programme aims to improve digital access in provincial and rural Aotearoa by connecting marae to reliable internet and providing iwi, hapū and whānau with access to technology including cloud storage, digital security networks and state of the art hardware. Spark is the key delivery partner alongside the Ministry of Business, Innovation and Employment and Te Puni Kōkiri.

One of the immediate benefits has been enabling whānau who lived elsewhere to stay connected to their hapū and join hui or wānanga virtually. The technology will also help marae to work with their young people to support new skills development, while supporting local communities to innovate and create new business opportunities – such as hosting wānanga or conferences and collaborating virtually.

Comprehensive training on how to use the technology was rolled out around the country by Te Wānanga o Aotearoa as part of the initiative and a total of 586 marae have been connected through the programme at the end of FY22.





## Migrating customers off legacy technology onto future-proof alternatives

We continue to migrate customers off end-of-life technology, and onto modern alternatives already used by the majority of Kiwis across the country – including our retirement of the Public Switched Telephone Network (PSTN).

The Spark operated PSTN – the traditional way of providing landline services – was built in the 1980s and is rapidly reaching end-of-life. The network's components have not been manufactured since 2003 and the people with the skills needed to maintain it are getting harder to find. The majority of New Zealanders have already made the switch to fibre or wireless proactively. In 2017 we had over a million

customers on the PSTN – by the end of June 2022 we had 186,000 with around 7,000 customers on average migrating off this technology every month. As customers move off the PSTN, Spark is also able to decommission legacy PSTN equipment. In the last year, we have removed 49 NEAX switches which has resulted in a significant decrease in Spark's power usage over the last year.

In a separate programme to Spark's PSTN shutdown, Chorus is gradually withdrawing its copper network as it also reaches end-of-life. The copper network includes the physical lines carrying calls and data.

Spark is taking an area-by-area approach to our PSTN shut down programme, focusing on areas where the vast majority of customers have access to alternative technologies. In cases where customers

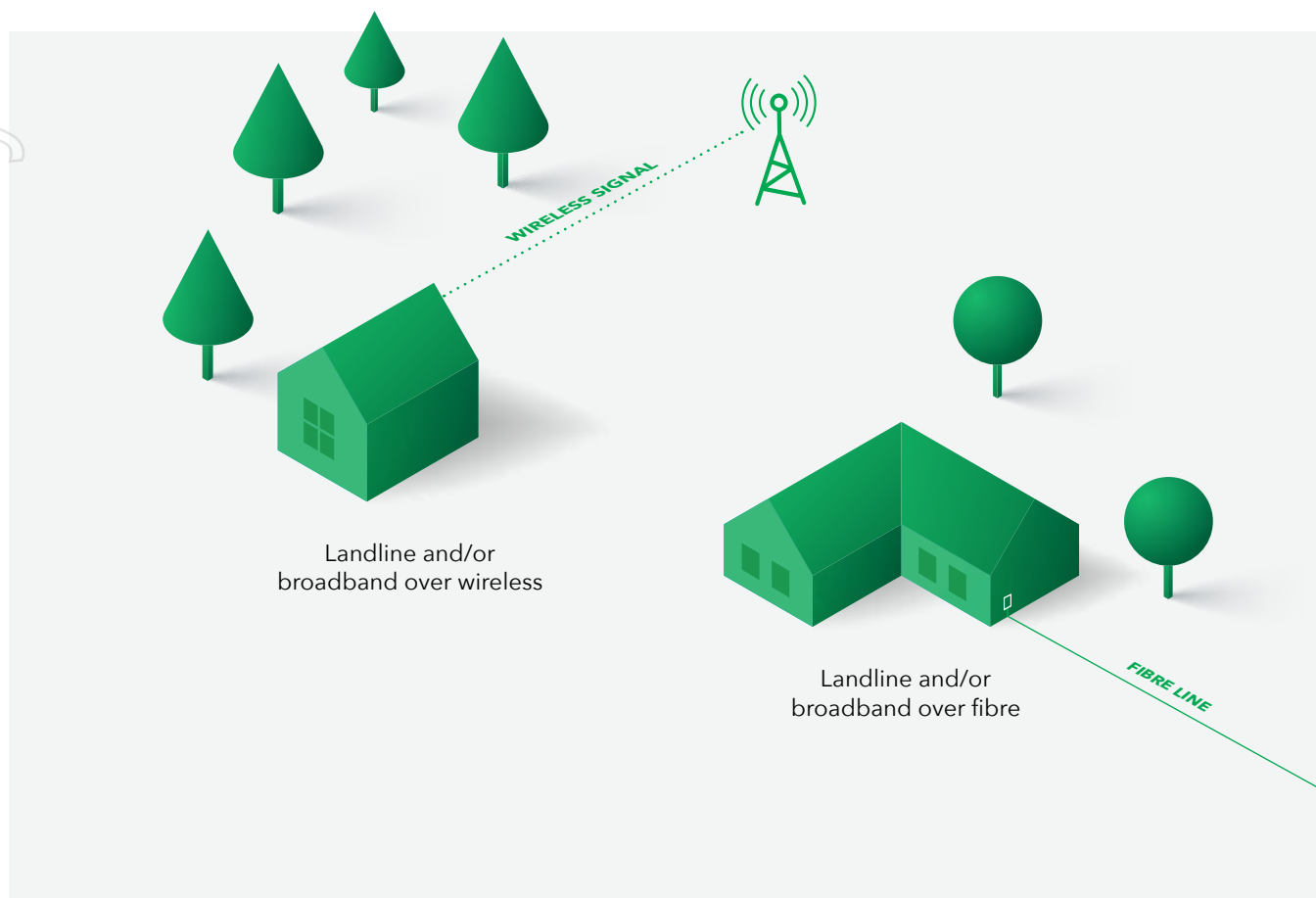
have no alternative, we are working with them on a case-by-case basis to ensure they stay connected.

We have a dedicated customer service team for customers going through either a PSTN or copper migration and offer free in-home visits where required.

## Evolving New Zealand's public phone booth network

The gradual retirement of the copper and PSTN networks has also prompted Spark to evolve its approach to managing New Zealand's network of public phone booths, as these are reliant on both legacy technologies.

In May, Spark announced it was exploring options to invest in more modern technology and capability for phone booths in high foot traffic areas, while



gradually withdrawing poorly utilised booths as their hardware reaches end-of-life over a number of years.

Call volumes on the fixed-line phone booth network have declined by nearly 70% over the last four years, and approximately 90% of them are being used for an average of less than 3 minutes per day. The use of our WiFi hot spotting has followed a similar downward trajectory.

The withdrawal of low-use phone booths started with a small number in Auckland's North Shore, East Auckland, and Wellington South in June - in line with the gradual retirement of Spark's PSTN and Chorus's copper network.

## Connecting New Zealand with the world

### Southern Cross NEXT cable

Southern Cross Cable Limited (SCCL) has celebrated the completion of the Southern Cross NEXT cable between Australia, New Zealand, the United States and Pacific Islands Fiji, Tokelau, and Kiribati. The new cable expands New Zealand's global connectivity by an additional 72 terabits per second - almost doubling total international capacity.

The Southern Cross submarine cable was already the shortest routes between Auckland and Los Angeles, and Auckland and Sydney and now also has the shortest route between Sydney and Los Angeles, providing diversity in the Southern Pacific (all other existing cables pass through Hawaii).

The launch of the Southern Cross NEXT cable provides long term certainty and capacity for Spark and its wholesale customers for decades to come.

### Tasman Global Access Network (TGA) cable

The third upgrade of the TGA cable system was undertaken in FY22. Capacity on the cable has increased to over 5.1 terabytes across the three system owners, more than four times the original cable system capacity.



## Creating value for our people

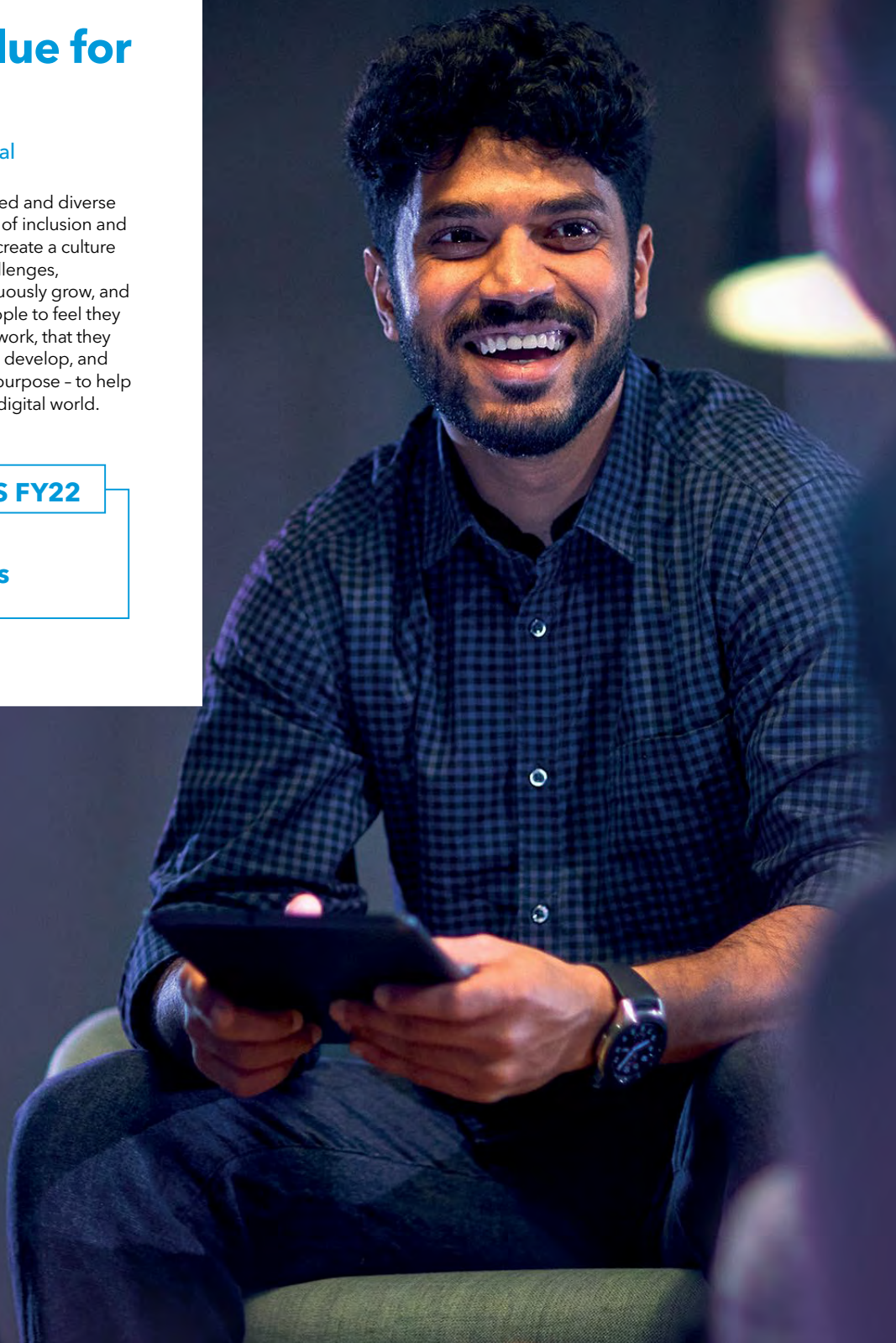
### Human + intellectual capital

Our success relies on our talented and diverse team of people and our culture of inclusion and high performance. We want to create a culture where our people lean into challenges, champion the customer, continuously grow, and adapt at pace. We want our people to feel they can bring their whole selves to work, that they have opportunities to grow and develop, and that they are connected to our purpose – to help all of New Zealand win big in a digital world.



### OUTCOMES FY22

**Engaged and  
inclusive teams**





Feedback from our people during FY22 has been strong – with our Employee Net Promoter score (eNPS), a key measure of engagement, tracking at +70. This matches our FY23 target of +70, however is down 6 points from our FY21 score of +76.

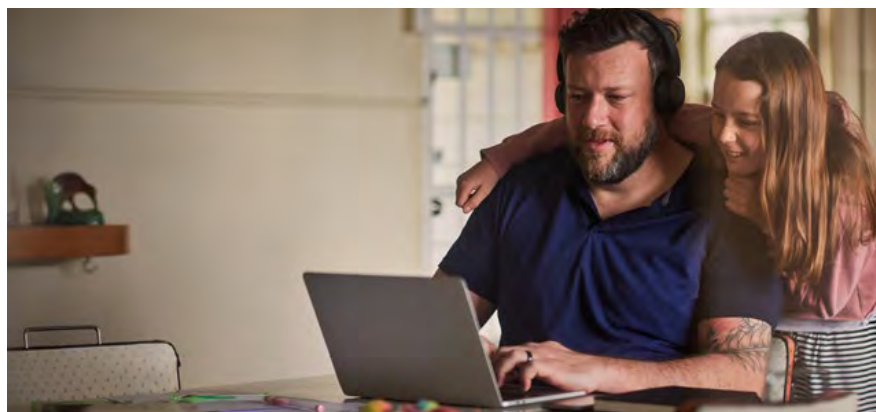
We know that connection is key to maintaining our culture of belonging and inclusion, which wasn't as easy to achieve during FY22, due to the prolonged Covid-19 lockdowns during the first half of the year. We use our eNPS insights to continuously improve our employee experience and maintain high levels of engagement over time.

Spark has continued to grow its employment brand reputation in the external market, being recognised as a great place to work through a number of awards in FY22, including the 'D&I Champion Award' at the Reseller Women in Tech ICT Awards, the '5-Star Employer of Choice Award' from HRD New Zealand, and by being named as one of the top 5 places to work in New Zealand by LinkedIn.

## Our agile maturity

Lifting our agile maturity and continuing to integrate agile best practice throughout the business remains a key focus. We evaluate this using a measure called the 'Agile Maturity Assessment', or AMA, which rates the maturity of best practice on a scale of one to five. We have seen further uplift in our maturity during FY22 and now have 66% of squads (teams) with an AMA of greater than 3.75 out of 5 (compared with 33% in FY21).

Spark also delivers certified agile programmes to further embed relevant agile practices into our own business and externally for customers or partners. These courses have been adapted for online facilitation and over the past year, 125 people completed and were certified for these courses.



## Future of work

The last few years of border closures, combined with the accelerated pace of digital transformation within New Zealand businesses, has meant that demand for highly skilled technology talent far exceeds availability. The technology sector is set for exponential growth over the next few years which will further exacerbate this skills shortage.

This has reinforced the need to widen the talent pool by creating pathways for New Zealanders of all backgrounds into the technology sector, and we want to actively play our part in this change.

We have established several partnerships with tertiary institutions designed to help identify, upskill, and recruit future talent with the skills we need, while also building diversity in our teams.

We also continued to establish and maintain our partnerships with organisations focussed on encouraging more young women, Māori, and Pasifika into the industry. In FY22, we worked with:

- AWS re/Start, which focuses on developing cloud computing skills and offering on the job training to program graduates with a specific focus on Māori and Pasifika
- Girl Boss NZ, which encourages more young Kiwi women to study and consider STEM (through which we offer internships and mentorship)
- Pūhoro STEM Academy, a kaupapa Māori programme that supports rangatahi transition from secondary school to tertiary education, internships, industry opportunities, and employment in the technology sector

- P-Tech, a three-way partnership that brings the tech industry, high school and tertiary organisations together to help students transition from getting an education to starting a career through mentoring, worksite visits, and paid internships.

## Investing in continuous learning and development

We are focussed on the growth of our people and developing the skills and cultural conditions needed for creative confidence and experimentation, which drive innovation. Our Learning and Development Strategy is focussed on providing opportunities for progression through broad access to learning environments and experiences that align to our strategy. We pride ourselves on offering great 'on the job' learning experiences, which we know make up over two-thirds of skill and career development.

We delivered our Gold Standard Leader Programme to 55 potential and new leaders in FY22, with a specific focus on continuing to mature our agility. We have used this experience to build our new Leadership Development programme for entry to mid-level leaders.

We continued to deliver our flagship Agile Leaders Programme, which aims to create the conditions for innovation and adaptivity across Spark. The programme is a significant investment in the capability of our people in key leadership roles and those identified for development and progression. It runs over six months with a focus on building environments for people to thrive, leading innovation through design thinking, using leadership empathy for connection and belonging, and coaching for sustainable high performance.

In FY22, 6 cohorts, and a total of 85 leaders, have either started or completed the programme, which will continue to be delivered throughout FY23.

Over the course of the year Spark has also improved the accessibility of learning enterprise-wide, with an additional 383 people taking part in targeted learning experiences, and more than 1,500 gaining access to learning modules. These learning experiences included our Accelerated Leaders Programme, Thought Leadership training with Gabrielle Dolan, Communications Grit training, Presenting with Impact, and our Beyond Binary training module.

### Compliance and mandatory training

There is a requirement for all Spark employees and contractors, to complete mandatory modules when they commence working at Spark, to ensure proficiency in core foundational areas such as health and safety, legal and privacy, policy, reporting and security.

Completion of these modules is monitored by people leaders and reported more formally on a quarterly basis.

As part of our ISO27001 accreditation there are additional modules required for completion prior to gaining access to systems and sensitive information, to maintain high quality standards when dealing with information, customer data, and security. These are closely monitored and audited to ensure compliance and the necessary governance. We have recently been recertified for this ISO standard in July 2022.

### Spark Gigs

In May we launched Spark Gigs - an online platform that allows Spark employees to build a profile of their skills, experience, passions and aspirations, and then using AI, matches these existing skills and future ambitions with available opportunities within the business. Those opportunities could be in the shape of an informal opportunity to put their skills to use to help achieve something outside of their day-to-day role, or it could be in the form of a mentoring opportunity, helping them to learn from someone else.



People within Spark can make use of Spark Gigs' skills-matching AI technology to locate people with specific skills, or those wanting to learn those new skills, and get them to help with a project or initiative. Likewise, those who want to guide and support others can put themselves forward as mentors, and Spark Gigs locates potential mentees.

Spark Gigs gives all our people a chance to learn new skills to help them to make a move into a different part of the business, and at the same time creates an internal 'ready' talent pipeline of people who can move to where the need is within Spark. In the future this platform will allow us to link our learning and development frameworks with gigs and career areas of interest for our people.

### Spark's Wellbeing Strategy - Mahi Tahi

Covid-19 provided a moment in time for us to review our wellbeing strategy, and to understand what really matters to our people to support their life and work experiences.

Spark undertook a wellbeing survey, and through this data we could see that 10% of our workforce needed more support for mental health challenges, while 70% were seeking tools and information to support their overall wellbeing. So, we took the time to reconsider our approach and created a new strategy known as Mahi Tahi.

Mahi Tahi (partnership) recognises that we work in partnership with our people to support how their holistic goals at work and in life are sustainably achieved which is a key part of building an inclusive work environment for everyone. With four pillars of wellbeing, this framework is closely aligned with Te Whare Tapa Wha (the four cornerstones of Māori health).

1. **Healthy work environment** - providing our people with a place to work that looks after more than just physical safety but also mental and social wellbeing.
2. **Connection, collaboration, and community** - ensuring we have meaningful activities in place so our people can foster strong connections with those they work with and care about.
3. **Mind health** - supporting strong mental health capacity and confidence and fostering growth mindset muscle.
4. **Energy** - building a culture where we help our people keep their batteries charged, so they can perform at their best.

We launched Mahi Tahi in September 2021 and went on to establish an online Wellbeing Hub for all our people to connect with our expert partners, including Sarah Laurie, Founder of Take a Breath, (a science-based breathing app and learning platform) and our two resident Spark specialist mental health experts, Mandy Maoate and Tiare Tolks. We have since onboarded our Pride partners, OutLine, to further support our whānau with specialist counselling support and reviewed our overall EAP services approach.

The Mahi Tahi Wellbeing Hub was designed to increase access for our people at Spark to the tools and support available, while allowing those experiencing acute distress to book timely one-on-one sessions with one of our experts.

The access to these tools and specialist support is actively complemented by virtual and in person wellbeing upskilling forums.

We also knew that while external specialist support and channels are critical to great wellbeing experiences at work the research also showed us that having credible, trained, and trusted people embedded within a business is one of the top ways to support employees' wellbeing needs.

To achieve this we selected, educated, and 'Spark certified' 25 of our own people to become what we call Mahi-Tahi Coaches. This network of trusted and credible peers were trained, and continuously supervised, by our partner psychologists to offer frontline support and guidance to our people. These coaches have three hours dedicated time each week to support our wellbeing culture through coaching or promoting wellbeing practices. Over FY23 these coaches will continue to embed their proactive and reactive services through our teams and people.

## Health and Safety

Spark has a well-established health and safety management system, focussed on continuous improvement. Our Health, Safety and Wellbeing Strategy is built around the four pillars of our Gold Standard:

- a strong health and safety management framework
- a proactive 'owners' approach to health and safety and the management of critical hazards and associated risks
- a culture of empowerment at every level
- a commitment by the business to ensuring the resources and capabilities are in place to deliver the health and safety strategy

No Spark employees or contractors suffered serious injury or death over the year, and our TRIFR (Total Recordable Incident Frequency Rate) was 2.15 for FY22, compared to 3.69 in FY21. The reasons for this decline in our TRIFR year-on-year were due to extended Covid-19 lockdowns in the first half of FY22, and an increase in uptake of our hybrid ways of working post-covid, with many of our people working from home a few days each week. Our target for FY22 was to reduce our TRIFR to 3.0. No notifiable events were reported under current NZ Health and Safety legislation, or health and safety prosecutions or notices issued to Spark by WorkSafe (NZ Regulator) during the same period.

In FY22 we continued to work with our Wider Leadership Group to further foster health and safety employee empowerment and participation as part of our Tribe, Unit, and Centre of Excellence (CoE) meetings and routine events. We continued our work with our wholly owned subsidiaries to identify the areas of greatest priority to support the development, application, and monitoring of a health and safety continuous improvement framework.

Spark's health and safety system and injury management programme was reviewed by the Accident Compensation Commission (ACC) under the Employers Accredited Programme (AEP) in June 2021. The audit outcome was positive with Spark retaining its tertiary status and remaining accredited in the same programme for another 12 months.

## Covid-19

Managing our health and safety risks in relation to preventing and limiting the transmission of Covid-19 within our sites remained a key priority in FY22. Through our dedicated Covid-19 Response Squad, we maintained our enhanced health and safety protocols including encouraging our people to get vaccinated and stay home when sick, the use of masks in high transit areas, Rapid Antigen Testing, social distancing, robust cleaning practices across sites, and of course the application of our Mahi Tahi wellbeing services.

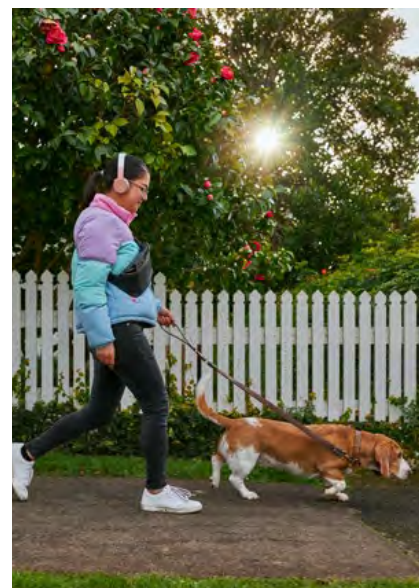
In October, following the Government announcement on Covid-19 vaccination mandates for employees in certain businesses, Spark undertook a Health and Safety Risk Assessment (HSRA) to identify and assess Covid related risks within our work environments. Spark committed to its people to continuously review and adapt its HSRA in line with changes in the external environment and within our business to ensure the safety and wellbeing of our people, customers, and stakeholders.

This identified the need for Spark employees and suppliers working in high-risk roles to be fully vaccinated. We later widened this requirement so that all people working at a Spark site needed proof-of-vaccination to enter the building.

This was consistent with advice from the Government and Ministry of Health at the time.

In March, when the vaccination requirements from Government were lifted, we reviewed our HSRA, and the My Vaccine Pass requirement for access to our corporate buildings and key sites was removed. Our HSRA was subsequently reviewed again in May, which saw the removal of My Vaccine Pass requirements for roles previously identified as high-risk that were not covered under the Government's Public Health Vaccination Order. Roles that remain covered under that Order continue to operate with this vaccination requirement in place.

Our priority has always been to protect the health, safety and wellbeing of our people, partners, and customers, while fulfilling our role as an essential services provider. Our focus on upholding our Gold Standards and the ongoing review of both our HSRA and our business risks, ensures we are equipped to manage Covid-19 and any future pandemic or epidemic conditions effectively across our teams and sites and in line with the latest advice from the Ministry of Health.





## Diversity, Equity, and Inclusion

Our ambition is for diversity, equity and inclusion to be part of “how things are done at Spark” – embedded into our day-to-day activities, standards, and business practices.

We want to create a world class, purpose-fuelled employee experience, enabled by an inclusive culture that fosters authentic belonging for our people. Our focus on diversity, equity and inclusion, symbolised by our Blue Heart, has helped us create an environment where all our people can feel comfortable bringing their whole selves to work, regardless of gender, ethnicity, orientation, age, experience, neurodivergence or ability.

### Spark's Blue Heart Kaupapa in action

Our Blue Heart Kaupapa sets the standards of behaviour and the values we stand for, creating a culture of belonging. It is a visible icon of our heart-led approach to diversity and inclusion.

Cultural celebrations and mental health awareness events remain an important part of bringing our people together.

With the extended Covid-19 lockdowns across the country, many of our Blue Heart celebrations had to be shifted online, however, we continued to celebrate the wide range of cultures and communities that make up the Spark whānau over the course of FY22.

This included key moments such as International Women's Day (IWD) – when we ran a number of events and workshops focussed on this year's theme, “break the bias” – Lunar New Year, Diwali, and Eid celebrations, and Matariki events celebrated at our offices throughout the country.



### Whole Hearted

In order to create meaningful movement and change around ethnic diversity we need access to quality data to provide us with a benchmark of what our organisation currently looks like, and greater insight into the changes that we need to make to improve representation. However, at the start of FY22, only 19% of Spark employees had shared their ethnicities with us.

To encourage a greater level of ethnicity and cultural sharing across the business we created an internal campaign called ‘Whole Hearted’ to encourage our people to feel comfortable in sharing the ethnicities they most identify with. We were open and transparent with our people in explaining how this data would be used and how it would enable Spark to create change – giving us greater clarity on our ethnic make-up, providing insights on how best to serve our people from different backgrounds, and allowing us to co-create bespoke experiences and solutions with our diverse communities.

Our goal was to increase the number of Spark people who have let us know their ethnic identity to 50% by the end of FY22 and 80% by the end of FY23. At the end of FY22, ~50% of our people (excluding employees in wholly-owned subsidiaries) have shared their ethnicity data with us, and this remains a focus for the year ahead.

Our focus in FY23 is to reach out to our people armed with a greater understanding of who we are, to create experiences, support and initiatives that reflect our increased cultural intelligence across our business. We hope this will flow into the attraction of new talent, progression of diverse talent through the business, and further our people's sense of connection and belonging.



### Te Korowai Tupu

Our Māori business strategy, Te Korowai Tupu (the cloak of growth), continues to be weaved through the business to give our people a wider understanding of te ao Māori and to ensure our business is reflective of Aotearoa today – a multi-cultural society that respects the indigenous people of the land.

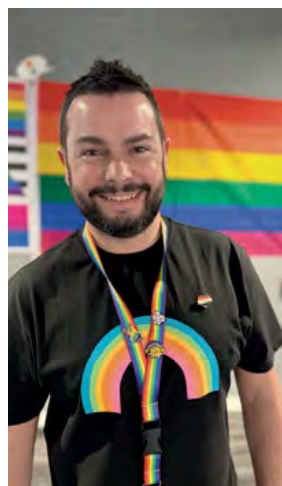
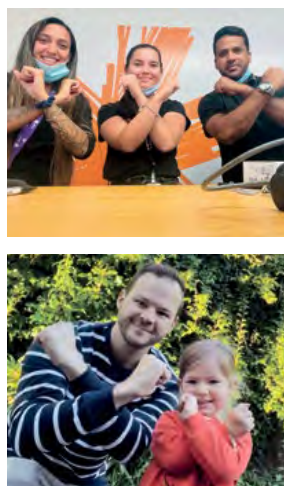
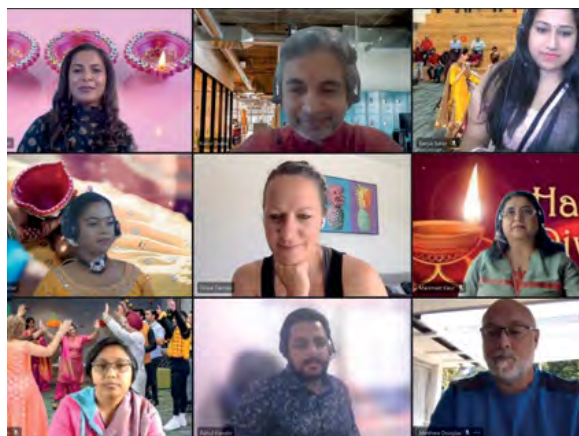
In FY22 we continued to promote our people's understanding of te ao Māori by delivering cultural responsiveness modules, and Te Ara Reo, our Māori language pathway strategy which currently has over 150 of our people learning te reo Māori at beginner and intermediate levels.

We continued to work in partnership to bring our strategy to life, and over the last 12 months we have added to our existing stable of key partners of Te Wānanga o Aotearoa, Whāriki, Kōkiri, Arataki Systems, Kiwa Digital, Te Taura Whiri and Te Ipukarea and welcomed Education Perfect and Te Pūtahitanga o te Waipounamu.

Through our new partnership with Hapai Tūhono we committed to building our future Māori leadership talent by supporting their development pathways.

In June we also celebrated Matariki across our corporate offices with a range of activities including performances, demonstrations, lots of kai, and a waiata sing-off challenge.





## Pride

Spark has been a long-time supporter of the Rainbow Community, and in March we once again engaged in the Auckland Pride and Spark Empowerment Initiative. In June we supported International Pride Month through a series of events at our corporate offices across the country.

We are committed to our continued support of OUTLine NZ, a national charity that offers a free support line for members of the LGBTQIA+ community and family and friends. In FY22, this included the co-creation and launch of the Beyond Binary Code (see page 22 for more information) and our ongoing support with equipment, software and tech support to keep OUTLine's support line and online chat support service running.

Alongside the Beyond Binary Code launch, we launched a training module to help our people to understand key concepts of diversity, equity, and inclusion with a focus on gender, sexuality, and gender fluidity. The training module includes general definitions and distinctions as well as basic information on how to support an inclusive workplace that respects and values those from diverse gender backgrounds.

OUTLine NZ has also been included in our Mahi Tahi suite of specialist support offerings, providing our people with specialist rainbow affirming counselling.

## Our diversity performance

Over the past year we have continued to focus on improving female representation across the group and reducing our gender pay gap. We set a FY23 ambition two years ago to achieve 40:40:20 representation Spark-wide, which refers to 40% men, 40% women, and 20% of any gender (as well as gender diverse representatives), and to reduce our median gender pay gap by 10 percentage points to 18%.

Although we have remained focussed on this commitment throughout the last two years and worked with all areas of our business to bring about the change we want to see, as we close out FY22, we know that we will need longer to reach these goals.

Covid-19 made it more challenging for us to create opportunities for change, and wow that improving gender diversity in the technology industry, which is predominantly male, is challenging to start with. Within this new context, we've decided to reset our timelines to reach our goals. We're not planning on resetting our ambition, only our timeline to get there. We believe that working towards 2024 for our 40% female representation target and 2025 for our 18% pay gap reduction target best reflects our market context and will continue our momentum, while also ensuring that this ambition is prioritised across the business. And we will continue to set ambitious goals on diversity and inclusion in our next strategy, which will be outlined next year.

Overall, across the group we saw female representation remain broadly flat at 34% compared to 35% in FY21. Within the core Spark business the figure is higher at 36%, while in our wholly-owned subsidiaries representation is currently significantly lower at 23%.

After a challenging period of lockdowns and managing Covid-19, our in-year tracking identified a lack of movement in the first half of FY22, so we initiated new activity to get greater traction heading into FY23. This involved reviewing and resetting targets for each business area - including overall representation targets and

guidance on the starter and leaver gender mix that we would need to see to achieve these. In FY22 females represented only 33% of our starters, but 35% of our leavers.

Our People & Culture Partners have been upskilled further with tools to close the gender pay gap and recruit for diversity. We have also educated our senior leaders across the Group with these tools. Each area now has an action plan to achieve its representation goals in addition to maintaining recruitment standards such as 40:40:20 shortlists. We therefore expect to see further progress towards our ambition in FY23.

Within our Board, Leadership Squad (LS) and Wider Leadership Group (senior roles outside Board and LS) we continue to maintain a 40:40:20 representation, which is fundamental to reaching our broader

diversity ambitions. We were pleased to see the proportion of females in our Wider Leadership Group increase from 42% to 47%.

Our Board is 43% female and 57% male, with three female directors (including our CEO) and four male directors. One new female and one new male director joined our Board with effect from 1 August 2022 and one male director has signalled that he will retire from our Board at the Annual General Meeting in November 2022. If the composition of our Board remains unchanged at that date, at the conclusion of the Annual General Meeting our Board will be 50% female and 50% male.

Over the past year our Leadership Squad has added a new female leader, increasing the female to male ratio to a 60% female and 40% male split.





Spark implemented Contribution Models when it flipped to agile, which are designed to ensure equal pay for work of equal value within each chapter of the business and pay gaps within each 'step' of the model are reviewed annually as part of our salary review process. Our ambition is to reduce our overall median gender pay gap - which is a measure that compares the pay of all female employees to that of all male employees, and therefore reflects differences in the occupations that men and women do within Spark. It is not to be confused with a measure of equal pay for equal work. Committing to reducing our median gender pay gap means we must focus not only on getting more women into our business, but also ensuring that they are proportionately represented in higher paid roles.

Our median gender pay gap, which presents the difference between the median pay of our female and male employees as a percentage of male pay, has reduced from 28% in FY21 to 24%. While our FY23 target is focussed on the gap between median rates of pay, we also monitor the difference in mean (average) pay, which fell from 16% to 13%. Achieving our pay gap ambitions is closely linked to our approach to improving representation and it is essential that we continue to support a New Zealand-wide pipeline of females in technology careers given industry wide challenges - including through Women in Technology scholarships, collaboration with influencers such as our work with GirlBoss, and partnerships with external technology educators.

Our Diversity and Inclusion Policy sets out our framework in this area:  
[www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance)



## Gender pay ratio

Category	Number of employees in category	Pay Ratio: Mean <sup>1</sup> (Year-on-year change)	Pay Ratio: Median <sup>2</sup> (Year-on-year change)
<b>Leadership:</b> Spark's wider leadership group, including the Leadership Squad	FY22: 70 FY21: 69	FY22: -1% (-6%) FY21: 5%	FY22: -12% (-8%) FY21: -4%
<b>Network, Infrastructure &amp; Security:</b> Employees that work in technology focussed areas of the business	FY22: 2,338 FY21: 2,256	FY22: -9% (+6%) FY21: -15%	FY22: -20% (+1%) FY21: -21%
<b>Customer Channels:</b> People primarily employed within our contact centres and retail operations	FY22: 971 FY21: 1,137	FY22: -1% (+1%) FY21: -2%	FY22: 0% (No change) FY21: 0%
<b>Rest of Spark:</b> including corporate, product, data, automation, marketing and customer units	FY22: 1,765 FY21: 1,621	FY22: -15% (+2%) FY21: -17%	FY22: -17% (+8%) FY21: -25%
<b>Total</b>	<b>5,144</b>	FY22: -13% (+3%) FY21: -16%	FY22: -24% (+3%) FY21: -28%

1 Pay Ratio = (mean female salary - mean male salary) / mean male salary

2 Pay Ratio = (median female salary - median male salary) / median male salary

Calculated using hourly On Target Earnings or Total Base Remuneration plus Short Term Incentive Target values as at 30 June 2022. Negative pay gap values indicate that women earn less on average than men. Note the median pay ratio shifted by 3.4 percentage points from 27.8% in FY21 (rounded 28%) to 24.4% in FY22 (rounded 24%).



## Parental leave

Spark provides a parental leave policy for eligible employees, regardless of gender, sexuality, age or whether the employee is giving birth or adopting a child. If an employee has been employed by Spark for a minimum of 12 months, then Spark will top up the Government's parental leave payments, so the employee receives 80% of their salary for 26 weeks. As a guaranteed minimum Spark ensures that the total amount someone receives, less any Government paid primary carer's payments, will not be less than the equivalent of six weeks of ordinary salary.

Eligibility for Parental Leave is in accordance with Government legislation.

<b>FY22 Parental leave numbers</b>	<b>Female</b>	<b>Male<sup>1</sup></b>
Employees who took parental leave	73	1
Employees who returned to work after taking parental leave	62	1
Employees who returned to work after taking parental leave that remain employed 12 months after their return to work	48	0
Return to work rate <sup>2</sup>	87%	100%
Retention rate <sup>3</sup>	74%	NA

1 Males that took fewer than 30 days paternity leave have been excluded.

2 Return to work rate = Total number of employees who returned to work after parental leave, divided by the total number of employees due to return to work after taking parental leave.

3 Retention rate = Total number of employees retained 12 months after returning to work following a period of parental leave, divided by the total number of employees returning from parental leave in the prior reporting period.

## Demographics of our workforce

Including permanent and fixed-term employees of Spark and its directors, as at 30 June 2022.

	Number of people	Gender <sup>1</sup>				Age		
		Female %	Male %	Female #	Male #	Under 30 years old	30 - 50 years old	Over 50 years old
Directors	7	43%	57%	FY22: 3	FY22: 4	0%	14%	86%
	No change	-14%	+14%	FY21: 4	FY21: 3	No change	No change	No change
Leadership Squad <sup>2</sup>	10	60%	40%	FY22: 6	FY22: 4	0%	100%	0%
	+1	+5%	-5%	FY21: 5	FY21: 4	No change	No change	No change
Other leadership roles <sup>3</sup>	60	47%	53%	FY22: 28	FY22: 32	2%	77%	22%
	+1	+5%	-5%	FY21: 25	FY21: 34	-1%	+2%	+1%
Permanent starters	1255	33%	67%	FY21: 413	FY21: 840	39%	53%	8%
	540	-6%	+6%	FY20: 281	FY20: 434	+9%	-7%	+2%
Permanent leavers	1361	35%	65%	FY21: 472	FY21: 888	28%	60%	12%
	+362	+4%	-4%	FY20: 325	FY20: 674	-3%	-7%	-3%
Total <sup>4</sup>	5,151	34%	66%	FY22: 1,729	FY22: 3,413	20%	58%	22%
	+55	-1%	+1%	FY21: 1,770	FY21: 3,319	+4%	+2%	+2%

1 For the purposes of NZX Listing Rule 3.8.1(c) no Directors or members of the Leadership Squad self-identify as gender diverse.

2 Includes the CEO who is also included as a Director in the line above - the FY21 figure has been restated as it excluded the CEO. The Leadership Squad is considered 'senior managers' for the purposes of the Financial Markets Conduct Act 2013 and 'senior executives' for the purposes of the ASX Corporate Governance Council's Principles and Recommendations.

3 Substantive roles that report directly to members of the Leadership Squad.

4 Includes non-executive directors. Spark's employee headcount, including our CEO, is reported as 5,144. Total reflects addition of Connect 8 headcount which are not recorded as starters for the purposes of this table.

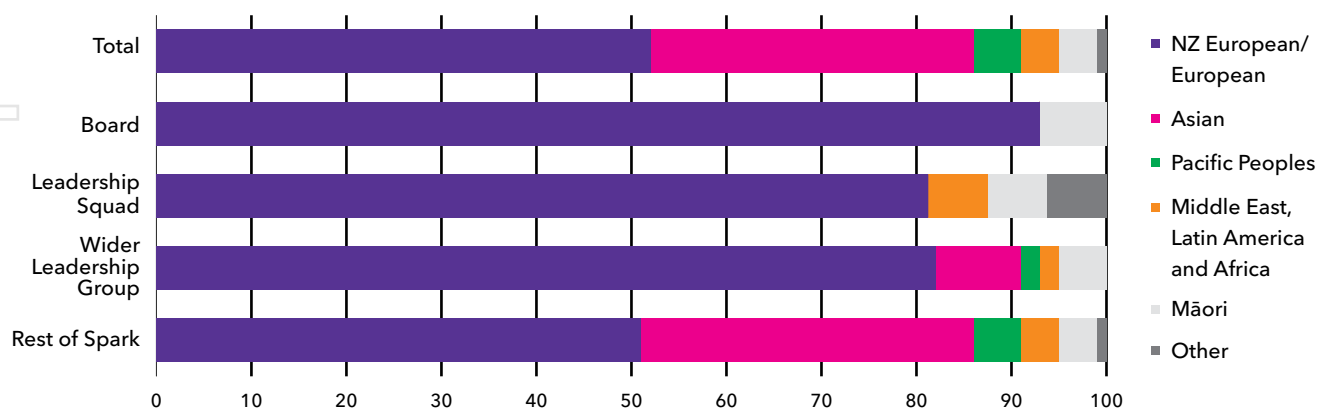


## Ethnicity

As a result of our Whole Hearted campaign (see page 44) we are reporting on the ethnic composition of Spark employees for the first time in this Annual Report. As at 30 June 2022, the available data on our people shows that 52% come from NZ European or European ethnic backgrounds with 35% reporting a diverse range of Asian ethnicities, with the largest groups being Indian (14% overall), Chinese (6%) and Filipino (5%). Just over 4% of our people are Māori and 5% report Pacific ethnicities, most commonly Samoan.

Our senior levels have a higher proportion of people from NZ European / European ethnicities with 82% of our people in leadership roles (Leadership Squad and Wider Leadership Group) included in this grouping. We will continue to improve our data collection in FY23 to cover a higher proportion of the organisation and use this information to gain insights on how we can attract, retain, and progress a diverse range of people across our organisation.

Percentages based on permanent and fixed-term employees at Spark employees as at 30 June 2022 that had provided ethnicity data (n=1869). NZ European / European includes all European ethnicities (e.g. British, German) and Australian European. Excludes employees in Spark's wholly-owned subsidiaries. Spark collects information on main and other ethnicity where an individual identifies with more than one ethnicity. Consistent with the Champions for Change methodology, where an individual reports two ethnicities, each is counted as 0.5.



## Creating value for our environment

### Natural capital

With a network distributed across New Zealand, and technology sourced from materials around the world, we are reliant on natural capital to make our business run.

We are also conscious of our own impact on the environment, and the opportunity to use our technology and expertise to support others to use natural capital efficiently and responsibly.

We are committed to playing our part in reducing our direct environmental impacts and engaging with our suppliers to address impacts in our supply chain.



### OUTCOMES FY22

**Reduced draw on natural capital**





A key pillar of our sustainability framework is to help New Zealand transform to a high productivity, low carbon economy. We contribute to this through our investment in infrastructure and innovation. But we recognise we also have a role to play to build awareness of the opportunities to use digital technology to overcome sustainability challenges. As New Zealand's largest telecommunications and digital services company, it's important that we show leadership in realising the potential benefits of technology.

## Our approach to environmental management

Spark has long-standing processes to manage many of our environmental impacts. However, these processes were not aligned under a common policy or governance framework. Over the past two years we have been focussed on maturing our approach to environmental management.

Our Environmental Policy, which is available at: [www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance), sets out our expectations for our people to consider environmental impacts when making decisions at work, including examining our business practices, understanding their impacts, and taking reasonable steps to reduce Spark's environmental footprint. The policy was introduced in FY21, alongside our roll-out of the Future Fit programme to engage our employees around environmental choices. For the year ahead we are rolling out a sustainability training module for all employees, which includes education on the Environmental Policy and what it means for our people when making decisions.

Over the past year our focus has been on embedding our science-based emissions reduction target into the business through an emissions reduction and energy efficiency programme. This is supported by strengthened internal reporting capabilities to provide a quarterly view of our emissions and broader sustainability performance. We have established quarterly reporting to our Leadership Squad, who act as a steering committee for Sustainability across

Spark through a standing quarterly agenda item at Leadership Squad meetings. We have decided that sustainability is relevant to all areas of the business, so key updates and decisions are participated in by all members of our leadership team. We have also established a quarterly dashboard of performance against key KPIs, including our emissions, which is included in quarterly updates to our Board, and shared with all employees.

Our Leadership Squad and Board have also been engaged in our evaluation of climate-related risks. We report these risks using the TCFD (Taskforce on Climate-related Financial Disclosure) framework. Please see pages 71-72.

## Spark's SBTi-verified science-based emissions reduction target

The Science Based Targets initiative (SBTi) is established as the global standard for corporate emissions reduction targets. Over 1400 organisations have set verified emissions reduction targets since it launched in 2015. In New Zealand 14 companies have set targets, with a further six committed to set targets within two years.

### SPARK'S SBTi-VERIFIED EMISSIONS REDUCTION TARGET

# 56%

Spark New Zealand commits to **reduce absolute Scope 1 and 2 GHG emissions 56% by 2030** from a FY2020 base year.

# 70%

Spark New Zealand commits that **70% of its suppliers by spend** covering purchased goods and services and capital goods, **will have SBTi-aligned targets in place by 2026**.

All SBTi targets must have a strict absolute reduction target for scope 1 and 2 emissions, and also include a separate scope 3 target if these emissions are greater than 40% of the total footprint.

- **Scope 1:** Direct emissions from sources owned or controlled by Spark
- **Scope 2:** Indirect emissions from purchased electricity
- **Scope 3:** Indirect emissions from other sources in the value chain – e.g., production of purchased materials, transportation, business travel and use of sold products

SBTi targets are set against sector-specific emissions trajectories. The ICT sector pathways were developed with the International Telecommunications Union (ITU) based on projected growth and efficiency gains, giving Spark a reduction target of 56% over the next decade.

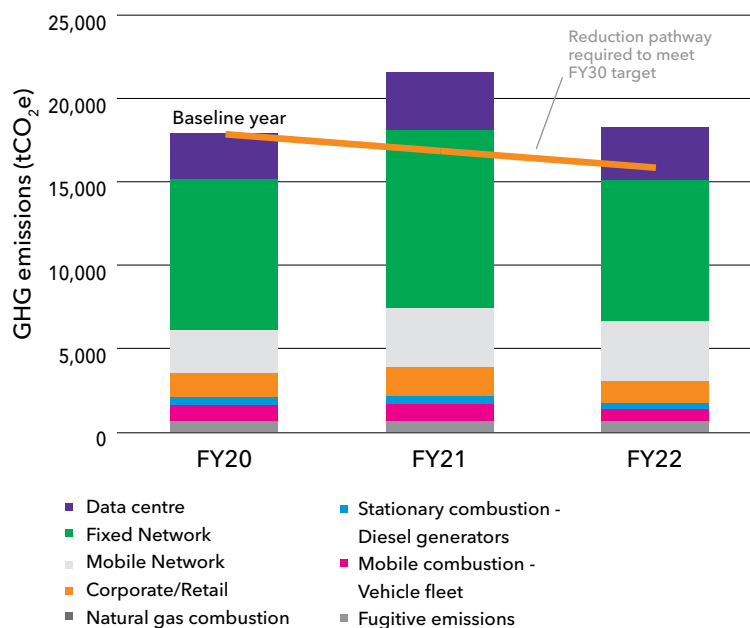
The SBTi also sets rules for recalculating targets for organisations that have significant changes to their structure or operations to ensure targets maintain a consistent level of ambition. Changes related to the planned sale of 70% of TowerCo and the investment to take full ownership of Connect 8 will mean that we will assess any need to adjust or re-baseline our emissions target in FY23.

## Linking our financing to our sustainability goals

In November 2021, Spark Finance established three Sustainability-Linked Loans totalling \$NZ425 million tied to our environmental and diversity performance. In March 2022, Spark Finance issued a NZ\$100m Sustainability-Linked Bond and established a Sustainable Finance Framework, which outlines Spark's sustainable financing focus areas and is aligned to our Sustainability Framework.

## Our emissions

### Greenhouse gas emissions



In FY21 we saw a significant increase in emissions against our FY20 baseline. This was due to dry hydrological conditions increasing the emissions intensity of the electricity we consumed off the grid. In FY22 this trend was reversed, with a cleaner electricity mix and underlying reductions in energy use delivering a 15.2% emissions reduction.

Despite this our FY22 emissions are still above our FY20 baseline, and we are not yet reducing our emissions against a pathway aligned to our science-based target of a 56% reduction by FY30.

Positively, over a third of the emissions reduction we delivered in FY22 was driven by reduced fuel and electricity

consumption, factors within our direct control. Over the past year we formed a new squad that has established an emissions reduction and energy efficiency programme to maintain this momentum.

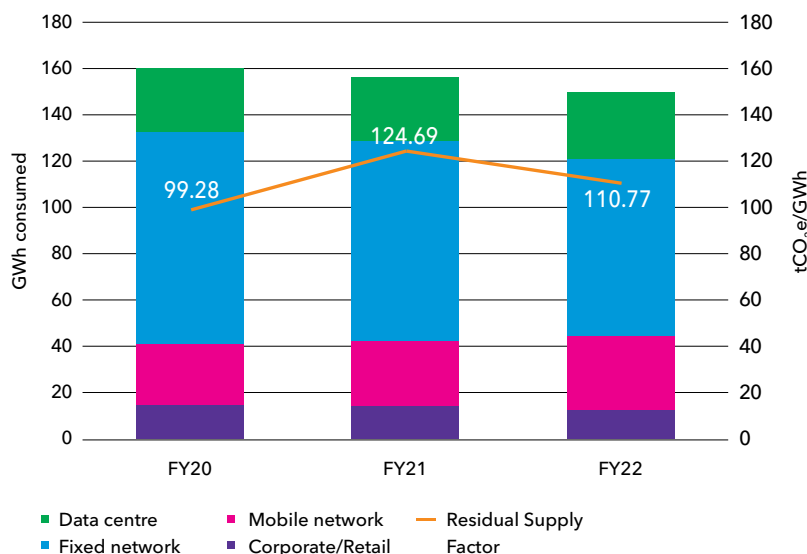
The main source of our emissions, and the focus of the programme, is our network infrastructure, which includes our exchange sites, mobile towers, and data centres. The programme also addresses emissions from offices, retail, and fleet and business travel. We are tracking emissions for each part of the business against our SBTi reduction pathway, with a target to reduce emissions 5.6% each year in line with our 10-year 56% reduction target. We have also established efficiency targets to ensure we are focussed on improving underlying efficiency.

### Greenhouse Gas Inventory Report

We publish a stand-alone Greenhouse Gas Inventory Report alongside our Annual Report. The report is independently assured and is prepared in accordance with The Greenhouse Gas Protocol. It includes detailed reporting on our emissions and energy use. See <https://www.sparknz.co.nz/sustainability/environment/> for more information.



## Electricity consumption



Electricity accounts for over 80% of our scope 1 and 2 emissions. Over the past year our electricity use reduced by 3.9%. This was driven by our programme of network simplification, including the decommissioning of legacy equipment such as the public switched telephone network (PSTN).

Although we can continue to reduce electricity consumption through a focus on energy efficiency and removing old, inefficient equipment, we are also investing in new infrastructure as traffic grows across our network. This is important to support innovation to drive emissions reductions and productivity across all sectors. This includes the roll-out of 5G, and investment to expand our data centres. Although energy efficiency is a focus in our rollout of new infrastructure and in the construction of new data centre space, we expect our electricity usage to slowly increase over time.

In New Zealand we benefit from a high share of renewable generation on the national grid. This means our emissions from the electricity we use is relatively low compared to organisations operating in other markets. However, to achieve our SBTi target, we need to further reduce the emissions intensity of our electricity.

It is projected that the New Zealand grid will continue to decarbonise over the next decade, aligned with New Zealand's national emissions reduction budgets and plans. In addition to expected national improvements, Spark is actively pursuing options to link our electricity purchasing to new renewable electricity generation capacity. In FY22 we reviewed our electricity supply contracts, with sustainability a key selection criterion in this process and a deciding factor in our purchasing decision. Our new energy partnership includes a commitment from

our energy provider to work with Spark to achieve its SBTi target, through partnership in creating an emissions reduction plan, and through endeavours to link Spark's electricity use to new renewable energy generation assets.

## Business travel

We saw a 12% decrease in emissions from business travel in the past year. This reduction was expected due to Covid-19 restrictions on air travel. We want to maintain some of the discipline and practices imposed by these restrictions to limit future flying where it makes sense and ensure we do not return to previous levels. Compared to FY20 our business travel emissions are down 81%, saving around 2,600 tonnes CO<sub>2</sub>e of scope 3 emissions against previous levels.



## Spark's Corporate Fleet Journey

Since 2019, we have been actively changing how our Fleet looks, by choosing vehicles that reflect the Spark sustainability story. We've moved away from a hybrid model of part owned/part leased, to a full leased and managed fleet, with a mix of pool (shared) and assigned vehicles.



### FY19

Spark commitment to **30%** of Fleet being Electric by end of 2019, met with Mini PHEVs.



### FY20

Converted **98%** of the fleet to Hybrid as a minimum, with the rollout of the Toyota RAV4 Hybrid.



### FY21

Introduced full EV Pool Vehicles in Spark City with the rollout of **5** Nissan Leaf EVs.

## Our fleet

Spark's fleet is responsible for around 4% of our reported emissions. As the electricity powering our networks becomes cleaner its impact will grow in importance as we work towards our SBTi target.

In previous years we transitioned much of our fleet to Plug-in Hybrid Electric Vehicles (PHEVs). PHEVs should be regularly plugged-in and charged to achieve the best efficiency. Usage data from our fleet shows these vehicles haven't achieved their potential efficiency due to a combination of available infrastructure and driver behaviour. Over the past two years the majority of the PHEVs in our fleet have been replaced by newer non-plugin hybrids, such as the Toyota RAV4, which are achieving better real-world efficiency.

We are in the process of transitioning all shared pool vehicles to EVs (fully Electric Vehicles), including installing dedicated charging infrastructure. This work has been completed at our Auckland Spark City office and will be completed at our Hamilton, Wellington, and Christchurch offices in FY23.

In FY23 we will pilot an 'Electric First' policy for the broader Spark Corporate Fleet, including individually-assigned vehicles, with the intent for all vehicles due for renewal (approximately 20 cars) to be EV. We will use the results of the pilot to inform a full transition of our fleet to EVs from FY24 onwards. We will also engage with our subsidiaries and Spark Business Hubs to share our findings and support change in the broader fleet.

In the year ahead we are also participating in a hydrogen car-sharing scheme with Toyota New Zealand and seven other Auckland-based companies. We believe emerging technologies will play an important role in helping to solve Aotearoa's environmental challenges, and working in partnership with other businesses to explore these opportunities is one of the ways we can support progress.

At the end of FY22 we had only eight pure petrol or diesel vehicles remaining in our core fleet of 236 vehicles. We had 11 full electric vehicles, 36 PHEVs and 181 hybrids. We have a further 69 vehicles assigned to our subsidiaries CCL and Digital Island, the majority of which were petrol powered.

## Performance against our scope 3 supplier engagement target

Over the past year the percentage of our spend with suppliers with SBTi-aligned targets in place has increased 5% to around 30%, the majority of which have been verified by the SBTi. Two of our key local suppliers have formally committed to setting an SBTi-verified target in the next two years, including our largest supplier by spend. Around 35% of our FY22 spend is with suppliers formally committed to setting a science-based target via the SBTi, up around 10% year-on-year. We will investigate options for a combined local industry approach to share learnings on the SBTi process.



## FY22

Spark City pool went **100%** electric with the incorporation of **3** Kia Niro EVs.



## FY23+

Spark Corporate Fleet to move to **"EV first"** model.

We have a strategy to engage our suppliers to encourage them to set science-based emissions reduction targets. Our new SAP Ariba supplier management platform has provided an opportunity to gather more data on supplier environmental commitments, including emissions reduction targets and alignment and validation against SBTi methodology. For local suppliers, membership of the New Zealand Climate Leaders Coalition is a step we may encourage, which as a membership requirement stipulates businesses work towards implementing a science-based target.

For global suppliers, our new membership of the global industry group, the Joint Audit Cooperation (JAC), offers a chance to engage suppliers alongside other telecommunications companies with similar SBTi-verified supplier engagement targets. For more information on JAC and how we are developing our approach to engaging suppliers on sustainability and ESG matters, please see the Our Suppliers section on page 73.

## E-waste and network recycling

Spark has a comprehensive programme for managing end-of-life network equipment and technology. This is separated into different waste streams – such as mobile phones, printed circuit boards, copper cables, lead batteries, and all types of metals. The different items are sorted, processed by our recycling partners and then some components are sent overseas for recycling, reselling, or reusing.

In FY22 we recovered a total of 545 tonnes of e-waste, down from 638 tonnes or 15% on FY21. Of this, 151 tonnes was network e-waste (up 14% on FY21), and 394 tonnes was metals, cables, and batteries (down 22%). We continue to improve our recycling collections focusing on education within Spark and working with some of our larger customers to support them to responsibly recycle their surplus equipment.

In the past year this included partnering with KiwiRail, which consumes close to 1400 items of computer hardware each year. Spark Business Group partnered with KiwiRail to establish a nationwide programme of e-waste recycling starting in Wellington, Auckland, and Christchurch.

## Mobile phone recycling

In FY22 Spark received 20,609 mobile devices for recycling, down from 28,715 in FY21. As mobile devices are becoming more advanced and robust their lifecycles have extended, meaning customers are replacing their devices less frequently and we are experiencing a lower volume of recycling as a result.

Spark is a member of the Telecommunication Forum's (TCF) RE:MOBILE product stewardship scheme. The scheme takes unused mobile phones, and either refurbishes and on-sells them in overseas markets or recycles them. Profit from the scheme is donated to the charity Sustainable Coastlines.

Electrical and electronic products have been designated as Priority Products under the Waste Minimisation Act 2008. Designation as a priority product means that an accredited Product Stewardship Scheme must be implemented to manage waste streams associated with the product categories.

The RE:MOBILE scheme was one of the first industry schemes voluntarily accredited by the Ministry for the Environment (MfE) under the provisions of the Act. Since the Priority Product designation, the Product Stewardship Scheme accreditation lapsed in April 2021. The TCF is working closely with MfE to work through the new accreditation process. In the meantime, MfE has confirmed that it will continue to support and recognise the scheme whilst reaccreditation is being worked through. We are working with our industry partners and the TCF to boost the awareness of the scheme and to overcome the barriers consumers experience in recycling their devices.

Alongside the Spark Foundation, we also support the Recycle A Device (RAD) scheme to collect and refurbish used laptops for students and others in need of a device. See page 58 for more information.

## Creating value for our communities

### Social + human capital

We work alongside New Zealand communities to harness the power of technology and create a positive digital future for all.

Our products and services help our communities to stay connected and enable the provision of community services. Beyond the direct impacts of our products, we want to play a bigger role in building healthy, connected, and equitable communities.



### OUTCOMES FY22

**Connected and empowered communities**



## Digital Equity

It is estimated that 1 in 5 people in New Zealand currently experience some form of digital exclusion<sup>1</sup>. We want to create a positive digital future where everyone in Aotearoa has an opportunity to participate in the digital world. Our commitment to digital equity is clearly outlined in our three-year strategy with a bold target to connect 35,000 households in need by the end of FY23.

Our efforts to bridge the digital divide extend beyond affordable access and are guided by the Government's Digital Inclusion Blueprint, which identified four elements of digital inclusion: motivation, access, skills, and trust.

### Skinny Jump

Skinny Jump is Spark's not-for-profit wireless broadband service for people who find cost a barrier to having an internet connection at home. The service is entirely prepaid, so there are no long-term contracts or credit checks needed, and all it takes to get set up is registering through a community partner and plugging in the modem.

Jump is delivered by a dedicated squad of Spark people alongside a community partner network, which is overseen by Digital Inclusion Alliance Aotearoa (DIAA) and includes over 300 local organisations nationwide, spanning community libraries and community hubs amongst others.

Since its relaunch in March 2020, when the eligibility criteria were extended just as Aotearoa was entering its first Covid-19 lockdown, the number of households benefiting from Jump has increased from around 5,000 to 23,323.

In June, Jump announced a boost to its data allocation for customers, to keep digitally excluded households across Aotearoa connected as data usage and cost-of-living pressures continue to rise. Skinny Jump now provides 35GB of data for just \$5, with the first 15GB of data each month free. Additionally, customers have the option to purchase up to six top-ups a month. All together this means Jump customers can access 225GB for just \$30 a month.

To ensure we continue to improve our service and make it accessible to as many people in need as possible, in FY22 the Skinny Jump squad worked with Digital Inclusion Alliance Aotearoa (DIAA) to survey existing customers and learn more about their experiences. This research reinforced that access is only a first step, and for many families other barriers such as a lack of digital skills and trust in technology can also reinforce the digital divide.

These insights led to the implementation of a number of new initiatives such as an online safety brochure with all new Jump modems, internal training modules for the Skinny Care team (who are often the first port-of-call for Jump customers who are having issues with their connections), Jump sign-up and help videos in multiple languages, including te reo Māori, and an update of the Skinny Jump app, to make it more user friendly and easier for customers who are unfamiliar with digital technology.

In FY22 Skinny Jump continued its key partnerships – the 'Ciena Jump for Students Fund', which gives eligible students in low decile schools a free Skinny Jump connection until the end of the school year; and 'Awahi Matihiko: Red Cross Digital Settlement Package,' a collaboration with New Zealand Red Cross, Internet NZ, and Digital Inclusion Alliance Aotearoa that gives new refugees a free Skinny Jump connection (for 12 months), a laptop, and digital skills training. There are now over 210 students using the Ciena Jump for Students Fund and 45 households using the Awahi Matihiko: Red Cross Digital Settlement Package.



1 <https://www.digital.govt.nz/dmsdocument/174~digital-inclusion-action-plan-20202021/html>



## Spark's investment into the community

Spark invests in the community through financial donations, subsidised broadband services, and the volunteering time of its people.

Spark invests \$1.7 million in the Spark Foundation annually, with \$1.2 million of this being distributed to community partners, and the remaining funding operating costs. This includes the Spark Give and Spark Volunteer programmes, which match employee charitable donations (up to a total pool of \$250,000 per annual year) and provides all Spark people with one day leave a year to commit to volunteering.

Spark's subsidised broadband service Skinny Jump has been designed to operate on a not-for-profit basis - with the revenue generated covering the costs of the free modems, community partner network, product development, and customer care and education. The commercial value of the data provided to households in need through Skinny Jump totalled over \$4.5 million in FY22.

## Spark Foundation

Spark Foundation leads Spark's work in the community. The Foundation has a single-minded focus on digital equity, and its vision is that no New Zealander is left behind in a digital world. It has focussed its strategy on the areas it can make the biggest difference - **digital access, digital skills and pathways, and digital wellbeing.**

Spark Foundation allocates funding for programmes through a strategic partnership approach, working with organisations whose objectives are aligned to improving digital equity for Aotearoa. Most partnerships focus on empowering and equipping the next generation, especially Māori, Pasifika, and women.

Some of the Foundation's key partnerships include:

### Digital Access

#### Recycle A Device

Recycle A Device (RAD) is a Spark Foundation funded programme that takes second-hand laptops donated by businesses and households; teaches local high school students to refurbish them; and then gets them into the hands of those who need them the most.

The result is an end-to-end process of device collection, refurbishment, distribution, and disposal that enhances digital equity at every level - providing highly sought-after tools, access, and skills to high school students, while also offering the added environmental benefit of diverting e-waste from landfill by giving these laptops a second life. Once devices have been refurbished, they are transferred to students within the school community itself, or to other community organisations for distribution to people in need. As well as Spark Foundation funding, Entelar - Spark's ICT and logistics business - has partnered with RAD providing all logistics support. During FY22 RAD was awarded the 'Sustainability Through Technology' Award at the NZ CIO Awards, and through the programme 976 laptops were refurbished and 696 were redistributed to those in need. In addition, RAD now has 16 high schools training students, and three Pasifika community groups training their local communities across Aotearoa as part of its refurbishment training programme.





## Digital Skills and Pathways

- **P-Tech:** A public education model designed by educators and the technology sector to address New Zealand's STEM skills gap. Participating schools collaborate with private companies that provide students with mentorships, worksite visits, and paid internships. On completing the programme, students will have both their NCEA qualifications, and a New Zealand Diploma aligned to industry needs. In addition, successful graduates typically earn first-in-line consideration at affiliated industry partners when applying for jobs. In FY22, 59 Spark people provided mentoring as part of this programme.
- **Pūhoro:** Spark Foundation and Auckland Unlimited have collaborated with Pūhoro to co-fund 'Te Au Hangarau - Accelerating Māori Participation in tech' research that explores the barriers and contributing factors that limit Māori participation and success in New Zealand's tech industry. The research will be launched in FY23, and will inform further action across the community, education, and industry sectors.
- **Hihiko Te Rawa Auahau:** Delivered by Toi Kai Rawa, the Bay of Plenty's Māori economic development agency, innovation hubs will be embedded into 30 Māori communities across the wider Bay of Plenty over the next few years.
- **Digital Future Aotearoa:** Digital Future delivers a range of programmes including Code Club (a nationwide network of over 400 coding clubs for tamariki), alongside Professional Learning Development (PLD) for teachers of the digital technology curriculum, and Recycle A Device (RAD). In FY22 Foundation funding supported Digital Future to explore a governance and delivery model that better serves and supports Māori aspirations.



- **Take2:** A programme that aims to break the cycle of crime through technology. Take2 teaches incarcerated individuals to code, enabling meaningful employment opportunities once they are released. During FY22 Spark supported the Take2 team by providing training through our Agile Academy, and a design thinking workshop with our People & Culture team. Our team are working with Take2 to explore future internship opportunities within Spark. We want to ensure that we can design a programme with appropriate wrap-around services in place to support graduates as they transition into a working environment.
- **Ngā Rauhangā ā Maui scholarships:** To recognise and support Rangatahi Māori who are undertaking study, training or are passionate about the future of technology and innovation in Aotearoa, Spark Foundation and Spark's Māori Strategy team have funded two Ngā Rauhangā ā Maui scholarships. These will be drawn in October following the final summit in Hamilton, and Spark Foundation and Spark will host the scholarship recipients in Auckland.

## Digital Wellbeing

- **Te Iwi Matihiko:** Designed and delivered by Digital Natives Academy, Te Iwi Matihiko is a values-based approach to digital wellbeing that draws from the Te Whare Tapa Whā model of health but designed for today's youth. The programme aims to introduce tamariki (9-11 yrs), rangatahi (12yrs+), and pakeke (adults) to the key tools they will need to safely navigate social media and online gaming.
- **The Light Project:** This is a pilot project that aims to help youth, their whānau, schools and wider communities to navigate the challenges presented by online pornography. It addresses one of the biggest barriers to digital equity amongst some New Zealand families - a fear that the internet might cause harm to tamariki and rangatahi.
- **Digital Discipline:** A new partnership in FY22, Digital Discipline is a programme that offers support to young people dealing with social media addiction through education, awareness, and strategies to balance the online world with the real world. Digital Discipline is currently focussed on South and West Auckland communities with collaborations in Rotorua, Porirua and Ōtautahi / Christchurch.



## Digital Equity Coalition Aotearoa

Spark Foundation is an establishment funder of the Digital Equity Coalition Aotearoa (DECA), which brings together over 100 community organisations who have a focus on digital inclusion and equity. DECA shines a light on digital inclusion initiatives, identifies gaps, advocates, and offers space for innovation and cross-sector collaboration.

In addition to these multi-year partnerships, Spark Foundation made smaller, one-off grants to a range of digital equity initiatives including 3BagsFull, Digital Warriors, Te Matarau – The Māori Tech Association, Tech Voyagers, House of Science, and Ko Māui Hangarau.

## Connecting our people to our communities

Spark encourages our people to give back to the community through our Spark Give and Spark Volunteer programmes.

Unfortunately, participation in Spark Give and Spark Volunteer has been steadily declining. There are many reasons for this, including Covid-19, which has made it a lot harder for charities to fundraise or run volunteering events over the last couple of years.

To reinvigorate both programmes, Spark Foundation conducted a review, gathering feedback from our people, the community sector, and experts like Volunteering New Zealand.

What we learned is that our approach to payroll matching was spread too thinly across a large number of charities and focussing on a smaller group of charities would create a bigger impact and contribute to more meaningful social progress across Aotearoa

To identify a smaller group of key partners for our Spark Give and Spark Volunteer programmes, in FY22 we engaged our people to vote for their top charities under four pre-selected categories – Digital Equity, Environment, Tamariki (children), and Humanitarian. As part of this, our people chose the following charities as our official partners:

- Digital Equity – Skinny Jump (Ciena Jump for Students Fund)
- Environment – Sustainable Coastlines
- Tamariki (children) – Starship Foundation
- Humanitarian – St John

From FY23, Spark will match donations towards these partners through Spark Give dollar-for-dollar (up to a cap of \$200,000 per year), and work with our four charity partners to present more volunteering and fundraising opportunities for our people throughout the year.

In addition, our people also have the option to donate to their personal causes, and Spark will continue to match most registered charities dollar for dollar (up to \$500 per person per year, up to a maximum cap of \$50,000 per year).





### Spark Volunteer

Spark employees can take one volunteer day each year, and Spark Foundation encourages skills and mission-based volunteering. Skill-based volunteering means our people focus on opportunities that take advantage of their specialised skills and talents to assist not-for-profits. Mission-based volunteering means volunteering with organisations whose work aligns with the purpose of Spark - to help all of New Zealand win big in a digital world.

Spark Foundation works with our people to help them find an appropriate skill or mission-based volunteering opportunities. Some of the organisations that our people volunteered for over the year include Lifeline, Summer of Tech, Shadow Tech, Hatch, GirlBoss NZ, P-Tech, Trees that Count and Take2.

#### Volunteer leave days used in FY22

Total staff eligible for Volunteering:	4,220 (2021: 4,358)
Total employee participation:	246.5 (2021: 440 days)
% of Employee participation:	6% (2021: 10%)

### Spark Give

Our payroll giving programme, Spark Give, enables our people to donate to schools and charities via their pay. In FY22, Spark Foundation matched the amount employees donate dollar-for-dollar up to \$500 per employee per annual year.

#### Spark Give results for the year

Employee Donations:	\$433,433 (FY21: \$466,022)
Spark's Matching:	\$157,775 (FY21: \$179,486)
Number of employees participating:	452 (FY21: 486)



# Our Board



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## 1. Justine Smyth, CNZM Chair

Justine joined the Board of Spark New Zealand in December 2011 and became Chair in 2017. She has extensive experience in governance, mergers and acquisitions, taxation, and the financial performance of large corporate enterprises as well as small and medium enterprises (SMEs). Her background is in finance and business management, having been a Partner with Deloitte and Group Finance Director at Lion Nathan. Justine is currently Chair of The Breast Cancer Foundation New Zealand and a former director of Auckland International Airport Limited. Justine has a Bachelor of Commerce from the University of Auckland and is a Fellow

of Chartered Accountants of Australia and New Zealand and a Chartered Fellow of the Institute of Directors. In 2020 Justine was appointed a Companion of the New Zealand Order of Merit for services to governance and women.

## 2. Alison Barrass Non-executive Director

Alison joined the Board in September 2016. She brings a broad range of skills, including knowledge and expertise in the fast-moving consumer goods (FMCG) sector and in governance, leadership and marketing-led innovation. Her background includes 30 years experience at major international FMCG companies, including PepsiCo, Kimberley-Clark, Goodman

Fielder and Griffins Foods. She is currently a director with GWA Group, Rockit Global, Zespri and is Chair of Tom & Luke and Babich Wines. Alison has a Bachelor of Science from the University of Southampton and a Business Diploma in Marketing from the University of Auckland.

## 3. Paul Berriman Non-executive Director

Paul joined the Board in December 2011, bringing over 35 years of international experience in telecommunications, media and convergence. Until January 2021 he was Group Chief Technology Officer of the HKT Trust, where he was responsible for leading the group's product and technology roadmap and strategic



development. Prior to this he was Managing Director of management consultancy Arthur D. Little in Hong Kong and he has held roles in Reuters and several major Hong Kong service providers. In 2009 Paul was recognised by the IPTV World Forum with its Special Merit Award for Outstanding Industry Contribution and in 2008 he was listed as one of the Global Telecoms Business Magazine's top 100 "most influential persons in telecoms". He is a Chartered Engineer who holds a Bachelor of Science in electro-acoustics from the University of Salford (UK) and a Masters in Business Administration from the University of Hong Kong. Paul is a director of Rain Networks in South Africa, and a former director of the global Next Generation Mobile Networks Alliance of mobile network operators.

#### **4. Warwick Bray** **Non-executive Director**

Warwick joined the Board in September 2019. He brings over four decades of experience in the international telecommunications, technology and media sectors, most recently in senior executive roles at Telstra. During his nine years at Telstra up until 2018, Warwick's executive roles comprised Chief Financial Officer, Group Managing Director Product, Executive Director Mobile and Head of Corporate Strategy. Earlier in his career, he was a managing director at JP Morgan (London) and Dresdner Kleinwort Wasserstein (London) in telecommunications equity research. He also worked at McKinsey & Company in Europe, advising telecommunications companies on strategy, regulation and operational improvement, and as a network systems engineer at Hewlett Packard. Warwick has served on the GSMA strategy committee, the boards of Hong Kong mobile business CSL and Australian pay TV operator Foxtel and as Chairman of the Australian Mobile Telecommunications Association. He holds a Bachelor of Science (Hons) and a Masters in Business Administration from the University of Melbourne.

#### **5. Sheridan Broadbent\*** **Non-executive Director**

Sheridan joined the Spark Board in August 2022 with an executive and governance career spanning telecommunications, ICT, infrastructure, and energy. Her governance experience includes her roles as Independent Director for Manawa Energy, Cloudsource Holding (Safer Me), Chair-elect of Pipeline and Civil Group, and member of the Government's Cyber Security Advisory Committee. Previous governance experience includes her roles as Chair of Kordia and Director of Transpower. Sheridan holds a Bachelor of Commerce from the University of Auckland, is a Chartered Member of the Institute of Directors, and is a graduate member of the Australian Institute of Company Directors.

#### **6. David Havercroft** **Non-executive Director**

David joined the Board in October 2021, bringing skills and experience from a career in the technology industry that has spanned more than 35 years. He held a number of leadership roles at Spark New Zealand from 2009-2017, including Chief Operating Officer and Chief Technology Officer. Prior to this he held executive and management positions in IBM Asia Pacific, Cable & Wireless, and BT. David is currently a director of Westpac and Kiwi Wealth, and was formerly a director of Kordia, Connect 8 and Southern Cross Cable Network.

#### **7. Jolie Hodson** **Chief Executive and Executive Director**

Jolie joined the Board in September 2019. As Chief Executive Officer Jolie is responsible for ensuring Spark has a sound strategy and applies her leadership to delivering on that strategy, while building a leadership team around her and a business that is able to adapt to the fast-changing world of digital services. Jolie joined Spark in 2013 as CFO and held the roles of CEO Spark Digital and Customer Director before being appointed CEO on 1 July 2019. Since joining the company, Jolie has played a pivotal role in transforming Spark from a legacy telco to a growing digital services

company. Prior to joining Spark Jolie worked for 20 years in a range of senior roles for the Lion Group and Deloitte. She has a Bachelor of Commerce from the University of Auckland and is a Fellow of Chartered Accountants of Australia and New Zealand.

#### **8. Gordon MacLeod\*** **Non-executive Director**

Gordon joined the Board in August 2022. He is a highly credentialed business leader, who held a range of senior executive roles over a 15-year tenure at Ryman Healthcare Group, where he most recently served as CEO. Prior to this Gordon was a Corporate Finance and Advisory Partner with PwC and was also the Finance Director of a Hi-Tech UK listed company based on the Cambridge Science Park in England. Gordon is an independent Director of NZX listed Delecta Group and is also a trustee of Breast Cancer Foundation NZ. He holds a Bachelor of Commerce from the University of Canterbury, is a Chartered Accountant Fellow, and a Member of the Institute of Directors.

#### **9. Charles Stitch** **Non-executive Director**

Charles joined the Board in December 2011. He has more than 20 years' experience in driving business strategy, having worked for McKinsey & Company from 1987, where he became senior director in 2010, primarily working with CEOs and boards on strategy and operations turnarounds, before retiring in 2010. Since 2006 he has been involved in various new business ventures. Charles was previously Chairman of the Board of Trinity College at the University of Melbourne. He holds a Masters in Business Administration from Columbia Business School and a Bachelor of Laws and a Bachelor of Commerce from Melbourne University. He is also a Graduate of the Australian Institute of Company Directors.

\*Joined the Board after FY22.

## Strategic role of the Board

Spark's Board plays a critical role in helping to guide and test company strategy, by engaging in an ongoing conversation with the Leadership Squad around key strategic decisions. These decisions are in relation to the long-term strategic planning and direction of the business, including non-financial performance and our ability to create value in the medium and long term. This includes customer experience, governance and sustainability measures, with the Board approving the business strategy and sustainability framework and reviewing climate change and modern slavery risks.

As the body elected by shareholders to protect and enhance the value of Spark's assets, the Board has oversight of Spark's financials and the annual and three-year planning processes. Board members engage in robust discussions with management around the strategic direction of the business to test and ensure investment is going towards the things that will deliver the best outcomes for the company and shareholders. This flows through to Spark's remuneration policies where there is Board involvement in setting targets and hurdles for short-term and long-term incentives.

## Board changes

Pip Greenwood resigned as a non-executive director with effect from 5 November 2021. The Board thanks Pip for the valuable contribution she made during her tenure. In FY22, the Spark Board also announced the appointment of David Havercroft (effective 1 October 2021) as a non-independent, non-executive director, and Gordon MacLeod and Sheridan Broadbent (both effective 1 August 2022) as independent, non-executive directors.

In June 2022, Paul Berriman announced that he will retire at the next Annual General Meeting in November 2022. The Board thanks Paul for his huge contribution during his tenure of over ten years, including playing a key role from the time of the demerger of Chorus and throughout Spark's transformation from a legacy telco to New Zealand's largest telecommunications and digital services provider.

## Future Director

Spark supports the Future Directors programme and appointed its third Future Director, Sylvia Ding, effective 1 February 2022 for an initial period of 12 months. The appointment has been extended until 31 May 2023. Ms Ding replaced outgoing Future Director, Ana Wight, whose term came to an end on 31 December 2021. The Spark Board thanks Ana for her valuable contribution during her time as a Future Director.

## Board succession

Spark's Board has an appropriate mix of tenure, skills, diversity, and experience.

The Board skills matrix on the following page outlines the qualifications, capabilities, geographical location, tenure and gender of each member of the Board. In line with our company-wide focus on improving our understanding of the ethnic diversity of our people, this is the first year that we are providing information about the ethnicity of our Board at an aggregate level. This information is available on page 49 of this report.

There is an ongoing Board succession programme, which is focussed on finding new directors with relevant skills and experience that complement the diverse perspectives already represented around the table. As Spark continues to transition to a digital services future, the recent appointment of Gordon MacLeod and Sheridan Broadbent broadens the existing skills and capabilities of the Board.



## Board skills matrix

	Justine Smyth	Alison Barrass	Paul Berriman	Warwick Bray	David Havercroft	Charles Sitch	Jolie Hodson	Sheridan Broadbent	Gordon MacLeod
<b>Qualifications</b>	BCOM, FCA, CFINS	BSC, DIP BUS, MARKETING	MBA, BSC, CENG	BSC, MBA	BA	MBA, LLB, BCOM	BCOM, FCA	BCOM	BCOM, FCA
<b>Capability</b>									
Strategic knowledge for scale telco/ technology businesses	○		●	●	●	●	●	○	
Financial / commercial	●			●	○	●	●		●
Risk management / regulatory and/or sustainability			●		●				
Customer insight / retail / brand		●	○				○	○	
People leadership and culture		○			○		○	●	●
Listed company governance	●	●				○			○
Capital markets / capital structure	○			○					○
Digital / data / media / new markets		○	○	○		○		●	
<b>Geographical location</b>	NZ	NZ	Hong Kong	Australia	NZ	Australia	NZ	NZ	NZ
<b>Tenure (years)</b>	10.7	5.9	10.7	2.9	0.9	10.7	2.9	Appointment effective 1 August 2022	Appointment effective 1 August 2022
<b>Gender</b>	F	F	M	M	M	M	F	F	M

The Board skills matrix identifies the predominant skills of each Director. The Board has specifically limited high capability and medium capability to both having a maximum of two areas for each Director.

KEY: ● High capability ○ Medium capability

### Definitions of categories of capability:

**Strategic knowledge for scale telco/ technology businesses:** experience as a senior executive in, or as a strategy professional advisor to, large telco/ technology businesses

**Financial / commercial:** a strong accounting and finance background, most likely being a chartered accountant, having held the position of CFO in a significant publicly listed company, or leadership position in professional services/advisory firm

**Risk management / regulatory and/or sustainability:** experience in identifying and mitigating both financial and non-financial risks / experience with influencing public and regulatory policy decisions and outcomes / experience in the design and application of sustainability frameworks

### Customer insight / retail / brand:

experience as a senior executive responsible for driving customer experience including by effectively using insights, optimising customer journeys and building brand experience for customers

**People leadership and culture:** experience as a CEO of a significant publicly listed company or large private stand-alone company. Leadership skills including the ability to set appropriate organisation culture.

**Listed company governance:** listed company Board experience other than Spark. Experience with sophisticated governance structures

**Capital markets / capital structure:** strong knowledge of debt and equity capital markets, and experience with mergers and acquisitions / experience dealing with a range of funding sources and capital structuring models.

**Digital / data / new markets:** experience as a senior executive in, or as a professional advisor to, digital and/or data business, or businesses in emerging new markets. Experience in the use of digital channels and the latest innovative and digital technologies.



# Our Leadership Squad



## 1. Melissa Anastasiou General Counsel

As General Counsel, Melissa leads Spark's legal and compliance functions, providing Spark with strategic legal and commercial guidance, ensuring the business acts lawfully and with the utmost integrity. She has also played a pivotal role in leading out Spark's diversity and inclusion programme. Melissa joined Spark in 2009 and undertook a range of legal roles across the organisation before being appointed as Group General Counsel in 2012.

Prior to joining Spark Melissa spent a number of years as a Senior Legal Counsel for UK mobile provider Telefonica O2. She also has extensive experience working for leading corporate law firms in Auckland and the UK. Melissa has a Bachelor of Laws from Victoria University of Wellington.

## 2. Matt Bain Marketing Director

As Marketing Director Matt brings his outstanding digital marketing and customer experience skills to place the customer right at the centre of Spark's thinking and actions. Matt joined Spark in 2018 and was previously based in

Amsterdam as European Managing Director for agency AKQA - one of the world's leading innovation and brand experience agencies, with responsibility for 500+ employees across five countries.

Over a 20-year career Matt has built an impeccable international reputation with some of the world's greatest brands - Nike, Heineken, Mini, Rolls Royce, Siemens, EA Sports, Audi, Phillips, Tommy Hilfiger and KLM amongst others. He has extensive experience using data and technologies like Artificial intelligence (AI) to enable organisations to better understand and predict their customers' needs more accurately. Matt holds a Master of Commerce from the University of Auckland.

### 3. Aliza Beckett

#### Strategy Director

Aliza joined Spark in June 2022 and brings more than 20 years' experience in strategy and corporate development, with a career spanning multiple international markets and a track record for delivering growth.

As Strategy Director, Aliza is responsible for driving Spark's growth strategies to accelerate the transition from traditional telecommunications services to a broader range of digital services that capitalise on the significant investments the business is making in emerging technologies.

She was most recently Vice President of Strategy and Corporate Development at Liberty Global, a telecommunications company based in the UK. Prior to this she has held a variety of senior roles at Amazon (Prime Video), Google (YouTube), and McKinsey. Aliza holds a Bachelor of Arts degree in History and Political Science from the University of California, Berkeley.

### 4. Mark Beder

#### Chief Operating Officer

As Chief Operating Officer Mark leads the significant investments Spark makes in digital infrastructure that underpins Aotearoa's digital economy and ensures Spark offers customers the best data connectivity experience possible. This includes Spark's fixed and mobile networks, data centre investments, IT infrastructure, and the development of emerging technologies such as the Internet of Things, 5G, and Edge compute.

Mark joined Spark in 2003 and held several senior technology roles across the business, before joining the leadership team in 2016. In 2022 his title was changed from Technology Director to Chief Operating Officer, recognising the breadth and depth of his role in leading Spark's operations and assets.

Mark has successfully led major technology change programmes and digital innovation, including Spark's mobile network evolution, the decommissioning of legacy technology, and the demerger from Chorus.

Before joining Spark Mark worked as a Senior Manager for Ernst & Young Consulting in Auckland. He has a Bachelor of Commerce from the University of Auckland.

### 5. Leela Gantman

#### Corporate Relations and Sustainability Director

Leela joined Spark as Corporate Relations and Sustainability Director in January 2020, bringing with her close to 20 years' experience in corporate and agency roles in New Zealand and Australia.

Prior to joining Spark Leela was Head of Communications at Fletcher Building, and before this External Relations Director at beverages group Lion in Australia.

As Spark's Corporate Relations and Sustainability Director Leela is responsible for reputation management, internal communications, government, industry, and community engagement, the Company's sustainability strategy, and the charitable activities of the Spark Foundation. She also serves as a Trustee on the Spark Foundation Board. Leela holds a Bachelor of Arts in Communications from the University of Technology Sydney.

### 6. Stefan Knight

#### Finance Director

Stefan was appointed Finance Director in December 2019. Stefan has been with Spark since 2003 and has worked across a range of finance and business performance related roles. He played a key role over recent years in important Spark initiatives, including the Turnaround and Quantum business improvement programmes and, more recently, was part of the leadership group that helped shape the organisation's move to an Agile way of working.

Stefan is a Chartered Accountant and began his career at Deloitte working across both Audit and Corporate Finance. Stefan has a Bachelor of Commerce in Accounting and Finance from the University of Auckland.

### 7. Grant McBeath

#### Customer Director

As Customer Director at Spark New Zealand, Grant leads the customer facing teams and is focussed on developing clear insight into what customers value and helping the teams deliver it.

Grant joined Spark in 2013 as General Manager of Sales for the Spark Consumer and SMB business. The role grew and he picked up the Consumer and SME Sales, Service and Operations teams, and he had a period of six months as acting CEO for Spark Home, Mobile and Business in 2018 prior to Spark transitioning to Agile ways of working.

Prior to working for Spark, Grant held a number of global roles at Nokia throughout Asia, and other global roles with Chevron Texaco, Coca-Cola and Cadbury in NZ. Grant completed a BCom at the University of Auckland, and also completed his MBA from the Helsinki School of Economics.

### 8. Heather Polglase

#### People and Culture Director

Heather was appointed People and Culture Director in September 2019. She joined Spark in 2013 and has over 20 years international experience as an HR professional, with a proven track record for business transformation, talent management, leadership development, and succession planning across a range of industries including FMCG, retail, hospitality, technology, and telecommunications.

At Spark, Heather has held various senior HR positions and delivered a number of critical initiatives, including being a key architect of Spark's leadership and development programme to build high-performing teams and leaders.

Prior to joining Spark, Heather was a senior HR leader for almost a decade within Progressive Enterprises then spent two years in Australia leading HR, Strategy & Change Management at Dan Murphy's. She has a Bachelor of Business Studies Degree (Hospitality Management) from Auckland University of Technology.

### 9. Tessa Tierney

#### Product Director

As Product Director Tessa is responsible for designing and delivering products and service experiences that customers value. Tessa is also responsible for shaping Spark's investments and maturing capability in digital, IT, data, and experience design to deliver on future business needs.

Tessa joined Spark in November 2015 as the Manager of Brand, Communications and Events for Spark Digital before moving on to become Business Manager. In 2017, Tessa joined the team that was responsible for successfully transitioning Spark into an Agile organisation and is regarded as one of New Zealand's leading Agile and product development practitioners.

Tessa brings to the role more than 16 years of experience in information and communication technologies, having previously held a variety of roles at Vodafone New Zealand. She has a Diploma in Communications Studies from Manukau Institute of Technology.

# Our governance and risk management

To achieve our purpose, Spark must successfully execute our business strategy while maintaining high standards of operational performance and corporate governance.

## 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 has complied with the recommendations of the NZX Corporate Governance Code and substantially complied with the principles and recommendations of the ASX Corporate Governance Councils Principles and Recommendations (4th Edition) for the FY22 reporting period. You can read about how we have complied with these recommendations and principles in Spark's Annual Corporate Governance Statement 2022 at [www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance)

Copies of, and details about, Spark's corporate governance policies, practices and processes can be found on our website at: [www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance)

## ESG governance and reporting

Spark is committed to the continuous improvement of our environmental, social, and governance (ESG) performance. We seek to present a clear and transparent assessment of our ESG performance by considering the GRI Standards and Integrated Reporting International <IR> Framework in our annual reporting.

Over the past year we have strengthened our governance of ESG and sustainability. Rather than establish a stand-alone steering committee, our sustainability governance structure helps us ensure sustainability is overseen at the highest levels of our organisation and embedded throughout our everyday operations. Our Board and Leadership Squad (LS) have

oversight of our sustainability performance. Sustainability and ESG are standing items at regular Leadership Squad meetings, with quarterly updates on performance against key KPIs, discussion of material topics and updates on external context, and decisions on key issues. The Board has overall governance responsibility for sustainability and is updated on sustainability performance against key KPIs on a quarterly basis. The Board also approves the sustainability framework, and reviews and approves all policies related to ESG.

For day-to-day management our ESG Squad is a cross-functional group accountable for ESG performance, reporting, and risk management. The Squad is led by Spark's Sustainability Lead, and includes representatives from Spark's financial, risk, legal, investor relations, supply chain, regulatory affairs, and corporate relations functions. Our Sustainability Governance Framework can be found on page 141.

In the past year we have continued to embed ESG best-practice across the organisation and benchmark our performance using a number of international frameworks. These include the Corporate Sustainability Assessment (CSA). The CSA is a comprehensive benchmark of our ESG maturity against our peers, with good coverage against our material sustainability issues. The CSA is now a part of S&P Global and is the assessment framework behind inclusion in the Dow Jones Sustainability Index (DJSI) global series. We also participate in the Carbon Disclosure Project (CDP), and the Benchmarking Alliance's Digital Inclusion Benchmark.

We publish a summary of our approach to sustainability at Spark on our website: [www.sparknz.co.nz/sustainability](http://www.sparknz.co.nz/sustainability)

## Spark Human Rights Policy

Spark has a number of existing policies and processes to protect and uphold human rights. For example, our Supplier Code of Conduct sets clear requirements for our suppliers, and our Privacy Policy and principles outline clear expectations around the protection of our customers' rights around their personal data.

In the past year we established a dedicated Human Rights Policy, making an explicit commitment to respect all internationally recognised human rights and setting clear expectations on how we will address human rights issues across our value chain. In developing the policy we engaged internal and external stakeholders and reviewed our approach against our global peers. We identified a number of human rights topics that were relevant to our broader value chain, many of which were already addressed through existing policies and processes. This policy can be found on our website:

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

The impact of emerging technologies was identified as a material topic. Although we had a set of internal guidelines for the ethical use of AI (Artificial Intelligence) technologies, we did not have a public commitment or policy. As a result, we have recently published a set of external AI Principles. For more information see [www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance)

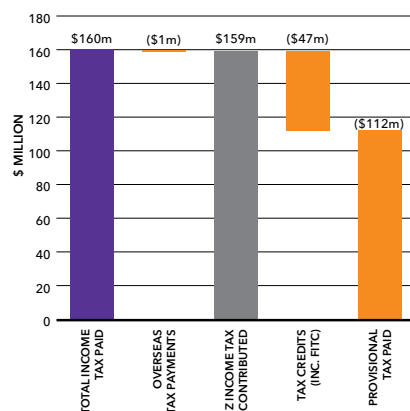
## Our approach to tax

We take a responsible and transparent approach to tax. We recognise that the digital economy is an important and growing sector in New Zealand, and the taxes we pay are an important source of government revenue. The Spark Group Tax Strategy follows the spirit of the law in addition to the pure interpretation of the law. We believe that it is important that those in the sector pay the right amount of tax to support the ongoing investment required for New Zealand's long-term success. This includes the provision of infrastructure, education, social and environmental services we rely on as a New Zealand-based company.

In FY22 Spark's effective tax rate was 29.4%, which is higher than the New Zealand domestic tax rate of 28%, primarily due to tax payable on Spark's share of Southern Cross underlying earnings. As a large business, Spark makes a significant contribution to New Zealand's tax base. Spark contributed \$159m of New Zealand income taxes during FY22 (before any tax credits were applied).

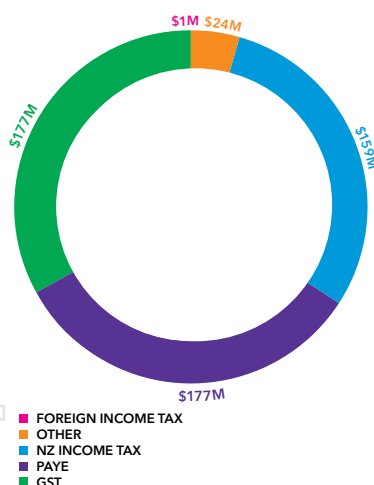


### Breakdown of income tax payments FY22



In addition to income tax paid by Spark, the Spark Group has payment and collection obligations across a wide range of tax types resulting in an excess of \$538m of taxes under management during FY22.

### Taxes under management



The full tax strategy is available online: <https://www.sparknz.co.nz/about/governance/>

## Managing risk

Our risk policy and framework helps our people to manage uncertainty and adapt to challenges as they pursue Spark's strategy. Oversight by the Audit and Risk Management Committee (ARMC) and the diligent application of the defined roles and responsibilities across the business ensures Spark's risk management system remains effective.

The policy and framework are benchmarked to COSO ERM 2017 (COSO), a leading practice risk management standard. Spark also uses other leading risk management standards like ISO31000: 2018 and specific standards and guidance, where available, to benchmark and inform its risk management practices.

Spark's framework is structured into five risk management domains that all work together to enable a robust system for risk management. Below is a description of each domain and some examples of activities by domain to help understand the framework in more depth.

### Governance and culture

This domain reinforces the importance of risk management and influences how people apply the framework. Managing risk is embedded in Spark's organisational structure, its functional activities, and is supported by specialist resources from the Risk Team. Examples include the policy and the defined governance structure that supports its application across Spark. More information on the roles and responsibilities are included in the table on page 138.

### Strategy and objective setting

This domain focuses on integrating risk management into strategy setting and business planning. Examples include the consideration of risks and opportunities to business objectives when making strategy decisions and checking in with every function using a systematic method as part of the Quarterly Business Review Process. Each quarter the Leadership Squad communicate the top priorities for the business to the Wider Leadership Group, and support execution with strategic guidance and access to extra resources as needed.

## Performance

This domain involves maintaining a portfolio view of risks under active management. Examples include maintaining a principal risk profile that is used by the ARMC and Leadership Squad to understand relevant risks and how they are being managed. It also focuses on the quality of the embedded risk management practices that are used within functions across the business. These two views enable in-depth analysis of relevant business risks and how they are being managed from a top-down and bottom-up perspective.

### Review and revision

This domain involves identifying and implementing opportunities to continuously improve risk management practices. Examples include regular assessments of the policy and framework.

### Information, reporting and communication

This domain focuses on guiding Spark on how to use the policy and framework. Examples include information pages, access to support channels, and education sessions.

The policy and framework are assessed annually, and externally every three years to ensure they remain effective. All assessment results and agreed actions are shared with the ARMC to ensure they remain informed about the status of the policy and framework.

### Spark's principal business risks

Principal risk profiles are updated twice yearly. The last update was finalised in May 2022. The principal risk themes identified were:

### Estimating economic environment impacts and responding with balanced judgement

The effect of rising interest rates and inflation is likely to negatively impact consumer behaviour and business confidence and result in cost increases. Although the impact to Spark will be less than some parts of the economy, there will be some impact to consumer/SME segments as wage subsidies expire and businesses, tighten their spending.

To mitigate this risk, Spark has identified probable scenarios and response plans, and tuned its performance monitoring to track measures that indicate if anticipated impacts are arriving so that we can respond quickly.

### **Executing simplification projects**

Spark continues to simplify its portfolio of products and migrate customers to new plans. This objective introduces revenue and customer experience risks because execution requires cooperation by a complex set of stakeholders and retiring legacy products is challenging. In FY22, Spark's mature approach and capability for simplification enabled it to make good progress towards its simplification and legacy plan retirement targets. Close monitoring by Management enables risk and issues to be worked through effectively, particularly when trade off decisions are required.

### **Delivering technology and network leadership**

The use of already established and proven delivery methods for large-scale network and technology projects (such as our 5G roll-out) will help us to manage potential risks created by delivery of new technologies and will also sustain our existing technology. With a high share of operational cost, Spark's technology units will also have to continue executing net-cost reduction while maintaining operational standards. In addition to cost optimisation mitigations, technology units continue to strengthen operational risk management to ensure visibility and coordinate risk response actions.

### **Maintaining customer trust in our information security and privacy controls**

Evolving external threats, changing legislation, and high expectations from customers and stakeholders mean robust security and privacy roadmaps and strong governance, involving the Leadership Squad, continue to be needed to ensure that significant risks are managed. Security and Privacy roadmaps jointly created with Agile units and strong governance involving the Leadership Squad help to ensure that significant risks are managed.

The Security Tribe is responsible for critical operational controls to ensure standards and compliance are upheld. Our Digital Trust team sets privacy frameworks and standards that Agile units need to apply to maintain appropriate operational controls for Privacy. External reviews and certifications help to ensure that critical elements for our security risk management remain healthy. These reviews include security maturity validations and security device configuration audits to ensure our processes meet expected standards.

### **Cost optimisation while maintaining operational standards**

Executing net cost reduction is a strength for Spark, we do it in a way that ensures operational delivery standards for customers are maintained. To mitigate unintended risks, the Leadership Squad has established a formal delivery structure. This structure includes strong governance, and all initiatives use road-tested execution methodologies. Trajectory toward targets is measured, which in turn enables intervention and course corrections when required

### **Achieving planned performance when there is talent mobility shortages in New Zealand**

Like most businesses Spark is impacted by New Zealand's labour shortages and access to the people and skills it needs to execute on its business strategy. Competition for skilled people is high with low unemployment resulting from many years of closed or partly-closed borders. Costs associated with attracting and retaining talent have also increased. Mitigation strategies are in place and continue to be developed. These include workforce plans, succession and bench strength projects, targeted internships, upskilling, increasing internal talent mobility, and strategic development programmes. Management is very aware of this risk and is actively managing it across specifically impacted business teams.

### **Business continuity and crisis management**

The Business Continuity and Crisis Management Policy protects customers from the impact of disruptive events and ensures value generating activities are resilient and comply with relevant external standards, for example Civil Defence and 111 obligations.

Spark's framework is benchmarked to ISO22301 and ISO 22313, which are acknowledged as leading practice standards for business continuity. It is overseen by the ARMC in a similar way to the Managing Risk Policy and Framework. Regular reviews of the framework are performed by the Risk and Internal Audit Teams. External reviews and testing of key elements of the framework such as the Level One Crisis Management Plan and Team are also done to ensure that the framework remains effective.

Spark's business continuity framework performed well when called upon during the Covid-19 pandemic. Spark continues to navigate the pandemic's impacts such as supply chain issues, access to off-shore talent and resources.

Our continued investment in network resiliency, as outlined on pages 35-36, also demonstrates application of the framework in practice.



## Climate-related risk

Climate change poses a risk to our business due to potential disruption to our supply chain, our infrastructure, and our customers. The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 has implemented a requirement for climate-related disclosures for larger New Zealand businesses. The details of the climate-related disclosure framework are under consultation, but this will be largely aligned to the requirements of the international Task Force on Climate-related Financial Disclosures (TCFD) framework.

Spark's climate reporting aligns to the TCFD framework requirements. Our Leadership Squad and Board have been engaged on the design of the risk process and reviewed the findings. We will continue to incorporate TCFD reporting into our Integrated Report, providing an annual process for the review of our climate-related financial risks and disclosures.

In FY21 we completed our first scenario-based climate risk analysis against two scenarios. This initial analysis did not identify any immediate or extreme risks. We do not intend to complete a full climate scenario analysis on an annual basis. Over the past year there was no new available data to significantly impact the conclusions of this analysis.

Having access to data and modelling is essential to support Spark and other infrastructure providers to understand where infrastructure assets, and the services they provide, are exposed and vulnerable to the impacts of climate risk. This data will also inform long-term decisions on infrastructure design and investment, so the right infrastructure is in the right places and the appropriate programmes of work are in place to maintain, upgrade, repair or replace existing infrastructure.

Improving access to data and modelling was included as a recommendation in Spark's submission on the draft National Adaptation Plan. The Plan will build the foundation for adaptation action so that all sectors and communities are able to live and thrive in a changing climate. The Plan lists roads, rail, ports, airports, energy, water, and telecommunications and digital services as lifeline utilities. While the actions in the Plan are important next steps, industry and government will need to continue to work closely to manage national adaptation risk.

## Our climate change scenario-based risk assessment:

Our climate risk assessment considered two scenarios matching those used by the National Climate Change Risk Assessment produced by Ministry for the Environment and aligned to TCFD recommendations:

**Scenario 1 - RCP 4.5:** A future where early, ambitious mitigation has limited temperature change. This identifies risks to Spark from rapid de-carbonisation, for example from regulatory intervention, a high carbon price.

**Scenario 2 - RCP 8.5:** A future where insufficient early mitigation has led to significant risk requiring adaptation to rising temperatures. This identifies risks to Spark from extreme weather events, sea-level rise, and knock-on impacts on our operating environment.

This analysis was undertaken through a series of interviews with key teams across Spark, with oversight of the Environment and ESG Squads. This was supported by a process to map our infrastructure against publicly available climate scenario modelling data, to understand the number and location of sites that may be of greater risk.



## Our climate change scenario-based risk assessment

Our climate scenario risk analysis considered the likelihood, impact, and urgency of risks using 3, 10, and 30-year time horizons. Using the same impact and likelihood categories as our standard enterprise risk management system we identified no risks that met our highest 'Extreme' risk category, and seven that fell into lower risk rating categories:

### OUR CLIMATE SCENARIO RISK ANALYSIS

#### Physical adaption risk

Rated as high likelihood with low impact in the 3-year horizon, growing in impact over the 10 and 30 year time horizons.

Includes impacts on network resilience and future investment, increased weather events, sea level rise, planning and Resource Management Act (RMA) requirements, and insurance costs.

We mapped key infrastructure against publicly available climate scenario models. This showed many of the most extreme climatic changes expected to 2050 are in lightly-populated areas, for example on the West Coast of the South Island. Most of the population, and therefore much of our network, is in coastal areas. Analysing site proximity to coastal inundation risk zones, and factoring site elevation, shows only a small number of sites at greater than moderate risk in 2050 under the RCP 8.5 scenario.

In the next two years the RMA will be repealed and replaced with three new acts: the Natural and Built Environments Act; the Strategic Planning Act; and the Climate Change Adaptation Act (CAA). We will actively monitor RMA reform to inform our long-term adaptation work. Spark also engaged in the development of the New Zealand's first National Adaptation Plan. The Plan will focus on addressing the 43 priority risks identified in the National Climate Change Risk Assessment and the risk to the telecommunications network.

#### Supply chain risk

Rated as high likelihood with low impact in the 3-year horizon, growing in impact over the 10 and 30 year time horizons.

Includes increased supply lead times, increased air freight cost, increased supply cost, supply chain disruption, and increased inventory and working capital

The increasing number of extreme weather events across the globe increases the risk of disruption to our supply chain. Growing competition for resources from emerging climate mitigation technologies such as EVs may also increase cost and disruption. This is likely to drive increased cost and lead-times on purchasing and require larger local inventory and working capital to manage risk. This may impact our ability to provide devices to our customers and maintain and grow our infrastructure.

In the past year we have implemented an enhanced supplier relationship management system which includes improved risk monitoring, reporting, and supplier engagement processes. We have also joined the JAC (Joint Audit Cooperation) initiative, a coalition of global telecommunications operators working together to ensure adherence to internationally recognised standards along the ICT supply chain and upholding human rights, social, labour and environmental standards

#### Provision of climate related services

Rated as medium likelihood with low business impact in the 3 year horizon, growing to moderate impact in 3-10 years.

Includes provision of monitoring and control devices over Spark's IoT network plus other potential climate related services

Digital technology has the opportunity to enable significant emissions reductions. We provide services that support digitisation towards a low-carbon economy, but it is difficult to isolate business-as-usual digital transformation from specific sustainability enablers.

To assess this opportunity we analysed our IoT revenues that are related to climate or sustainability services such as environmental monitoring services, energy efficiency, metering, or fleet management. This analysis found that around half of our IoT revenue is associated with these services, and that this share is likely to grow alongside growth in our IoT business.

In the past year we have done further evaluation of the opportunity for our industry to support New Zealand's transition to a low-carbon economy. The New Zealand Climate Change Commission (CCC) has modelled a number of emissions pathways for the country to achieve its binding targets. However, the role of ICT is not prominent. Spark is working with an external partner to combine existing global research insights with the CCC's modelling and our knowledge of current and future ICT opportunities to identify, quantify and prioritise future opportunities.

#### SBTi science-based emissions reduction target

Moderate risk.

Includes the risk we will not meet our SBTi target.

Risk we will not achieve our Scope 1 and 2 reduction target or risk we will be unable to influence 70% of suppliers by spend to adopt own SBTi-aligned targets.

This risk rating reflects the ambition of our target, which will require significant effort over the next decade. Our planned actions reduce this risk rating to a 'low' rating. See page 51 for information on our SBTi target and plan.

#### Social disruption

Medium likelihood, low impact over the 30 year horizon

Low direct risk to Spark, however highlights the national risk of increased inequality as climate-intensive roles are disestablished and the importance of digital equity in New Zealand's transition. See page 57 for our work in digital equity.

#### Risk to NZ economic activity

Medium likelihood, low impact over the 30 year horizon

We referenced the Climate Change Commission's projected cost of action to achieve New Zealand's 2050 target, which was approximately 1% of projected annual GDP by 2050.

#### Climate litigation

Low likelihood, low impact, across all time horizons

Considered low-risk as Spark is not linked to infrastructure or investments with heavy emissions.

HIGH RISK RATING

MEDIUM RISK RATING

LOW RISK RATING

# Our suppliers

As a New Zealand-based telecommunications and digital services company we rely on a combination of local and global suppliers and partners to operate our business. We have around 2000 suppliers, ranging from the largest global technology businesses to small local operators providing local services. Each year we spend around \$2 billion to support our business and meet our customers' needs.

Our global supply chain is complex, with many indirect suppliers providing the source materials and components required to deliver consumer electronics and network infrastructure. We set clear expectations for our suppliers related to social and environmental performance through our Supplier Code of Conduct. Over the past year have worked hard to implement processes and systems to improve our monitoring of supply chain risk and compliance, and to better engage with our suppliers.

## Spark's Supplier Code of Conduct

Spark is committed to sourcing our products and services from suppliers that provide safe working conditions, treat workers with respect and dignity, and conduct business in an environmentally and socially responsible manner. Our Supplier Code of Conduct sets out the minimum standards we expect from all our suppliers across labour and human rights, health and safety, environmental sustainability, and ethical business practices.

See: [www.sparknz.co.nz/suppliers/](http://www.sparknz.co.nz/suppliers/)

The Supplier Code of Conduct was first introduced in FY18. To embed the Code, we worked with our top 100 suppliers by contract value to ensure they were signed up to the Code or could demonstrate they were adhering to an existing equivalent code of practice.

All new suppliers are requested to sign up to the Code as part of their onboarding process. As part of the evaluation process, the only suppliers who did not sign up to Spark's Code were either global suppliers that had their own code of conduct, which Spark deemed acceptable, or suppliers deemed low-risk based on the services provided and the nature of the supplier.

Since the introduction of the Supplier Code of Conduct we have completed a small number of supplier audits. Given travel restrictions these have focussed on New Zealand suppliers. We completed four audits at the end of FY21 and beginning of FY22, covering New Zealand-based suppliers of accommodation, software, IT services, and infrastructure businesses. These audits did not find any material issues of non-compliance with the Spark Supplier Code of Conduct.

We recognise that much of our supply chain risk lies overseas, and that we need to strengthen our approach to identifying risk in our supply chain and engaging our suppliers.

## Improving our Risk Management and Supplier Engagement processes

In FY22 we began transitioning our supplier management system to the SAP Ariba platform. This system provides improved processes for data collection from suppliers, including self-assessment questionnaires and compliance declarations, covering topics such as modern slavery and science-based emissions reduction targets.

The system also includes a risk module that enables us to monitor suppliers across 300+ incident types (such as ethical practices, labour compliance, legal incidents, and operational disruption), and then segment suppliers into risk profiles as a result.

The migration process is enabling us to refresh and update our supplier database, with suppliers required to re-register and provide a fresh commitment to our existing Supplier Code of Conduct. We are also collecting more detailed supplier information to help us identify risk and prioritise suppliers for audits. We completed an initial risk assessment and supplier prioritisation at the end of FY22. This included data from the risk monitoring, geographic risk aligned to World Economic Forum risk factors, and a prioritisation of strategic suppliers. This process identified 53 suppliers for further engagement, with 21 considered higher risk.

## Auditing international suppliers - Membership of Joint Audit Cooperation (JAC) initiative

Spark was accepted as a new member of JAC in FY22. JAC is an international association of telecommunications operators aiming to align around a common set of requirements and KPIs for ICT suppliers to uphold human rights, social, labour, and environmental standards. JAC has been running for over a decade and has been gradually growing as new operators join the initiative.

JAC enables us to audit global suppliers against a common industry methodology. As a JAC member Spark is required to audit a minimum of five supplier locations each year which we will begin to implement in FY23. The suppliers and locations are mutually agreed and allocated across the members. Findings and corrective actions are also shared among all JAC members, which provides visibility of risk across a larger number of suppliers than Spark would be able to audit individually and a platform for collective industry engagement to improve performance.

A requirement of JAC membership is alignment of our own policies and Supplier Code of Conduct to JAC best-practice guidance. In FY22 we published a new Human Rights Policy which sets out Spark's commitment to uphold internationally recognised Human Rights. See page 68 for more information.

JAC also runs a number of working groups for telecommunications companies to collaborate on shared issues. These include groups focussed on the circular economy, human rights, and climate change. The climate change group will support our scope 3 SBTi target, helping to engage with global suppliers to encourage them to set targets aligned to a 1.5 degrees pathway.

For more information see: [www.jac-initiative.com](http://www.jac-initiative.com)

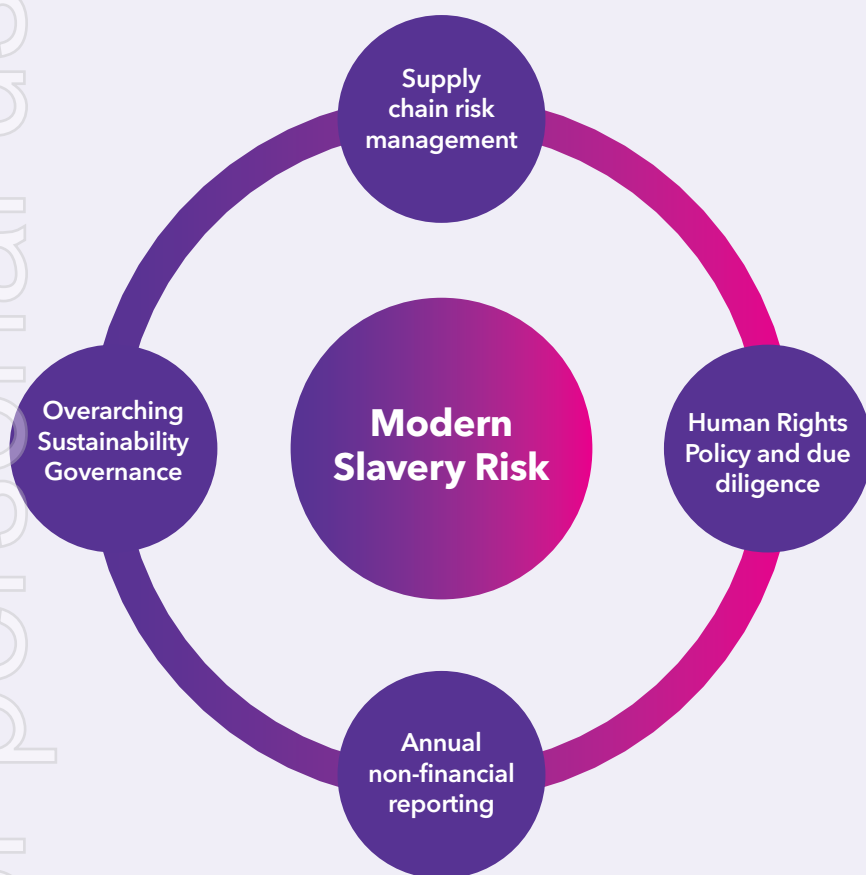
## Modern Slavery Statement

We are committed to taking meaningful action to identify, mitigate and manage any modern slavery risks and to continuously improving our approach.

In the past year one of our strategic suppliers notified us of a suspected breach of their policies related to child or forced labour. This related to a subcontractor in their supply chain in the Philippines and is not connected to product or services provided to Spark. The supplier made the decision to permanently block the supplier and is undertaking remedial actions.

This has been reported in our Modern Slavery Statement, which we publish each year alongside our Annual Report. See: [www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance)

## Modern Slavery Framework



### Risk identification:

Modern slavery risk will be identified through an ongoing human rights due diligence process, aligned to our annual sustainability materiality process, an annual process of supply chain risk identification, supplier self-assessments, independent audits conducted through our membership of the Joint Audit Cooperation Initiative (JAC), and additional local audits where needed. New suppliers are screened for risk as they are onboarded.

### Risk mitigation:

The supply chain risk management process identifies issues to be rectified with suppliers, tracked through our SAP Ariba system and, where relevant, via the shared JAC database. Any non-supply chain risks identified have mitigation actions agreed and tracked by the ESG Squad and through our overarching sustainability governance.

### Governance framework:

Modern Slavery reporting is integrated into quarterly reporting to our Leadership Squad, including issues identified and progress against mitigation actions. Our Leadership Squad and Board are also engaged in the preparation of our annual Modern Slavery Statement. Key policies include our Human Rights Policy and our Supplier Code of Conduct.

### Reporting:

We report our progress, the effectiveness of our approach and actions, and future improvements in our annual Modern Slavery Statement and in the Our Suppliers section of our Annual Report.



# Leadership and Board remuneration

Spark seeks to remunerate our people with competitive salaries, paying in line with the market so we can recruit and retain the best talent. In keeping with our focus on customer experience, we incorporate customer satisfaction measures into our performance incentives.

In February 2022, the Board approved a salary review allocation for FY23 (salaries from 1 July 2022) which was based on our Contribution Models with additional allocations for strategic actions including lifting our minimum full-time salary to \$49,200 - above the Living Wage. As part of this process we also reviewed several salary staircases to ensure that they were competitive against the market.

## Leadership Squad remuneration

### Remuneration mix

The table below shows the standard FY22 remuneration mix for the Leadership Squad expressed as a percentage of fixed remuneration. The Short-Term Incentive (STI) scheme is expressed at target, and the maximum payment possible through the scheme is double the target value. The Long-Term Incentive scheme (LTI) values represent the maximum LTI value.

### Leadership Squad remuneration

Long-Term Incentive	40% of base
Short-Term Incentive	50% of base
Salary	Base

### Fixed remuneration

All Spark employee packages - including the Leadership Squad - include a fixed remuneration component that is set based on contribution, experience, and market relativities. Fixed remuneration supports the attraction, motivation, and retention of highly skilled executives. For FY23 reviews, the Board commissioned an external remuneration consultancy to provide detailed benchmarking information on our Leadership Squad roles against a relevant comparator group of NZ companies.

Fixed remuneration generally consists of base salary. KiwiSaver sits outside fixed remuneration and as such, employees with KiwiSaver receive employer contributions on top of base salary and cash incentives. A number of Spark-funded benefits, including medical and life insurances, are also available to eligible employees on top of fixed remuneration.

### Short-term Incentive schemes

Spark operates a small number of short-term incentive schemes, from monthly and quarterly commission and sales incentive plans to annual cash-based short-term incentives. Some employees in specific sales positions may have a component of their remuneration subject to individual or divisional sales performance targets, such that their total remuneration potential is directly linked to the acquisition and retention of profitable business for Spark.

For senior leaders, including the Leadership Squad and CEO, a component of their remuneration package is at risk in the form of a discretionary annual cash-based Short-Term Incentive (STI). Spark's STI scheme 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. The actual payment to individuals is at the sole discretion of Spark and takes into account contributing factors such as performance, and the performance of individual parts of the business.

Eligibility to participate in the STI scheme on an annual basis is at the discretion of the company and is targeted at individuals in senior roles who play a significant role in driving the overall performance of Spark.

The STI scheme rules contain a clawback provision that allows Spark to clawback any payments made under the STI scheme, for a period of 12 months following the payment.

### FY22 Short-term incentive scheme outcomes

For FY22 substantively all STI participants shared the same Spark Group targets comprising of EBITDAI, customer experience measures, as well as additional measures based on our three-year strategy. The on target percentages are provided in the table below. Where the result of a performance metric falls below a specified threshold, there is no payment for that proportion of the STI. Where results exceed the target the payment can scale to up to twice the target percentage with a maximum overall payment of 200%.

The FY22 Group performance outcome, as approved by the Board, is summarised as follows:

Performance metric	Weight	Target	Result	Outcome
EBITDAI	50%	\$1,150m	Achieved target	50%
Consumer and Small Business iNPS	25%	+26	Exceeded target	31%
Digital Customer Effort Score		50%	Met threshold	
Wireless Broadband connections (net growth)	25%	22,000	Not achieved	25%
Future market external revenue <sup>1</sup>		\$253m	Exceeded target	
	100%			106%

<sup>1</sup> Future markets revenue includes Health and IOT.

Notes: We closed FY21 at +23 iNPS as stated in our last annual report. In order to have the broadest customer base included in the survey, we have removed the marketing opt out filters to maximise the number of customers we survey. This has resulted in a re-baseline of FY22 start, from +23 down to +20 and means that on a like-for-like basis our improvement was +9 in FY22. For the purpose of STI we exclude Skinny Jump connections for Wireless Broadband.

Based on the above result, the total available funding pool for all eligible STI participants across Spark for FY22 was \$6.2 million. Total payments cannot exceed \$6.2 million.

**FY23 Short-term incentive scheme target**

The mechanics of the FY23 STI will be the same as those for FY22. Group results will be the main determinate of the STI pool, with substantively all participants sharing the same Group measures. The FY23 group measures will be a combination of EBITDAI, customer experience, and our three-year strategy.

Measure	Weighting
EBITDAI	50%
Customer experience (iNPS and digital)	25%
3-year strategy – Future markets revenue	25%

**Long-term incentive schemes**

Spark believes that some senior leaders should have part of their remuneration linked to the long-term performance of the Company, so for the Leadership Squad and a select group of senior leaders, a long-term incentive forms part of their remuneration package. In FY22, Spark operated one main scheme: the Spark New Zealand Long Term Incentive Scheme.

**FY22 / FY23 Long-term Incentive Scheme**

For FY22, members of the Leadership Squad (including the CEO) and selected senior leaders were granted options under the Spark Long-Term Incentive Scheme (LTI). Under the scheme, participants were granted options at the start of the three-year vesting period. The number of options granted equalled the gross LTI value divided by the volume weighted average price of Spark New Zealand shares for the 20 days prior to the grant date. Subject to satisfaction of the performance hurdle and continued employment, at vesting each option converts to a Spark share based on a zero exercise price. If the target is not met, or the participant leaves, then the options simply lapse.

For FY23, members of the Leadership Squad, including the CEO, and selected senior leaders will be granted options under a similar scheme as FY22 with the only change being the introduction of new performance measures relating to Spark's ESG performance alongside an absolute Total Shareholder Return performance hurdle.

**FY22 and FY23 Long-term Incentive Scheme performance measures**

Vesting of the FY22 LTI grant (September 2024) is contingent on participants' continued employment with Spark through to September 2024 and the company achieving an absolute Total Shareholder Return (aTSR) performance hurdle. aTSR is a measure of share price appreciation and dividends paid over the three-year period of the grant. The target for this hurdle is Spark's cost of equity plus 1% compounding annually.

For FY23, the Long-term Incentive Scheme, 75% of the allocated shares will vest based on aTSR exceeding cost of equity +1.5% (compounding annually) over the vesting period and 25% will vest based on performance against environmental and diversity targets.

**Performance evaluation**

The CEO annually reviews the performance of her direct reports. The evaluation is undertaken using criteria set by the CEO, including the performance of the business, the accomplishment of strategic and operational objectives, and other non-quantitative objectives agreed with the HRCC at the beginning of each financial year. The last Leadership Squad evaluations were undertaken during June 2022. Spark undertakes appropriate checks before appointing someone onto the Leadership Squad.

**CEO remuneration**

**Remuneration policy, strategy, and governance**

CEO Jolie Hodson's remuneration package reflects the scope and complexity of her role and is set by the Board with reference to the remuneration of CEOs of similarly sized organisations. For the CEO's FY23 remuneration review the Board commissioned an external remuneration consultancy to provide a detailed benchmarking report based on a comparator group of relevant NZ companies.

**CEO Remuneration FY22**

For FY22 the CEO's remuneration package comprised a fixed cash component, an at-risk short-term incentive, and an at-risk long-term incentive, to be awarded under the Spark Long-term Incentive Scheme. The targets and operation of the CEO's STI and LTI is the same as described above under *Short term incentive schemes* and *Long-term incentive scheme*. The construct of the CEO's remuneration package is such that 60% of her remuneration package is at risk. The table below shows the target remuneration mix:

Long-Term Incentive	75% of base
Short-Term Incentive	75% of base
Salary	Base

The CEO is also expected to maintain a holding of Spark shares as set out on page 131 of this report.

## Remuneration components

### Short-term Incentive Scheme

The CEO is eligible for an annual cash-based short-term incentive, 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. These objectives will be a combination of financial and non-financial measures. This is covered in more detail in the earlier STI scheme section.

The Board assesses the CEO's performance at the end of the financial year to determine the actual payment value of her short-term incentive, which is in the range of 0% to 200% of her target value.

The FY22 Group performance outcome, as approved by the Board and applicable to the CEO, is summarised as follows:

Performance metric	Weight	Target	Result	Outcome
EBITDAI	50%	\$1,150m	Achieved target	50%
Consumer and Small Business iNPS	25%	+26	Exceeded target	31%
Digital Customer Effort Score		50%	Met threshold	
Wireless Broadband connections (net growth)	25%	22,000	Not achieved	25%
Future market external revenue <sup>1</sup>		\$253m	Exceeded target	
	<b>100%</b>			<b>106%</b>

<sup>1</sup> Future markets revenue includes Health and IOT.

### Long-term Incentive Scheme

For FY22 the CEO's annual LTI was granted as share options under the Spark Long Term Incentive Scheme. This is covered in more detail in the earlier LTI scheme section. The LTI component of the CEO's remuneration package is designed to link part of her remuneration to the long-term performance of Spark, and align her interests with those of shareholders, through the grant of options with a post-allocation performance hurdle.

### Performance hurdle

A performance hurdle applies to long-term incentives made to the CEO. This hurdle is agreed by the Board and sets a minimum level of performance that is required to be achieved over the period of each grant, for the LTI to be eligible to vest. For FY22, a performance hurdle of Spark's TSR applies. The target for this hurdle was Spark's cost of equity plus 1% compounding annually.

Spark's TSR must meet or exceed this target over the period of the grant (from the date the options are granted to the date three years after that date) for the options to vest. If Spark's TSR does not meet this target, all of the options will lapse. Testing to

determine whether the TSR performance hurdle has been met will occur at the end of the vesting period of the grant. The Board will receive independent advice to the effect that the performance hurdle has been met, or not met, in determining whether the CEO can exercise the options or whether the options will lapse.

### CEO termination

Spark may terminate the CEO's employment with three months' notice. A payment of nine months base remuneration will be made, plus entitlements for annual performance incentives and long-term incentives subject to the rules relating to these incentives, in the case of termination by Spark, other than for termination for cause.

If there is a change of control that results in the CEO no longer being the CEO of a publicly listed company, then she will be able to terminate her employment with three months' notice and receive payment as if Spark had terminated her employment.

Spark may also terminate the CEO's employment without notice for defined causes, in which case she will receive no further entitlement to any remuneration.



## Board remuneration

### Remuneration and strategy

The remuneration of Directors is reviewed annually by the Human Resources and Compensation Committee (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. Specialist independent consultants may be engaged from time to time to provide advice and ensure that the remuneration of Spark's Directors is appropriate and comparable to that of similar companies in New Zealand.

Apart from the CEO, no Director of Spark receives compensation in the form of share options or restricted shares, nor do they participate in any bonus or profit-sharing plan. Non-executive Directors are, however, expected to maintain a holding of Spark shares as set out on page 136 of this report. As is the case for employees, Directors are required to comply with the Insider Trading Policy when buying or selling Spark shares and any such transactions are disclosed to the market.

### Remuneration components

No superannuation or retirement allowance was paid to any Spark Director during FY22. Spark does not have service contracts with any Director, apart from the CEO, that provide for any benefits or remuneration in the event that a Director's service with Spark is terminated. New Zealand-based non-executive Directors are eligible for Spark-funded medical insurance, and all non-executive Directors are also eligible for Spark-funded life insurance.



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## Statement of profit or loss and other comprehensive income

YEAR ENDED 30 JUNE

	NOTES	2022 \$M	RESTATED <sup>1</sup> 2021 \$M
Operating revenues and other gains	2.2	3,720	3,593
Operating expenses	2.3	(2,570)	(2,474)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	2.5	1,150	1,119
Finance income	2.4	26	34
Finance expense	2.4	(74)	(81)
Depreciation and amortisation	2.4	(520)	(521)
Net investment loss	2.4	(1)	(1)
Net earnings before income tax		581	550
Income tax expense	6.1	(171)	(169)
<b>Net earnings</b>		<b>410</b>	<b>381</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of long-term investments designated at fair value through other comprehensive income	3.3	(55)	(87)
<i>Items that may be reclassified to profit or loss:</i>			
Translation of foreign operations		1	-
Change in hedge reserves net of tax	5.1	71	57
Other comprehensive income		17	(30)
<b>Total comprehensive income</b>		<b>427</b>	<b>351</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (cents)		21.9	20.6
Weighted average ordinary shares (millions)		1,869	1,852
Weighted average ordinary shares and options (millions)		1,872	1,854

See accompanying notes to the financial statements.

1 Restated due to the implementation of the IFRS Interpretations Committee (IFRIC) agenda decision, see notes 1.1 and 1.4.

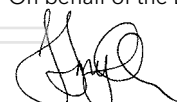
## Statement of financial position

	NOTES	AS AT 30 JUNE 2022 \$M	RESTATED <sup>1</sup> AS AT 30 JUNE 2021 \$M
<b>Current assets</b>			
Cash		71	72
Short-term receivables and prepayments	3.1	839	768
Short-term derivative assets	5.1	5	12
Inventories	3.2	107	64
Taxation recoverable		1	-
Assets classified as held for sale	1.5	198	-
<b>Total current assets</b>		<b>1,221</b>	<b>916</b>
<b>Non-current assets</b>			
Long-term receivables and prepayments	3.1	197	271
Long-term derivative assets	5.1	13	24
Long-term investments	3.3	212	227
Right-of-use assets	3.4	508	647
Leased customer equipment assets	3.5	90	77
Property, plant and equipment	3.6	1,109	1,080
Intangible assets	3.7	839	858
<b>Total non-current assets</b>		<b>2,968</b>	<b>3,184</b>
<b>Total assets</b>		<b>4,189</b>	<b>4,100</b>
<b>Current liabilities</b>			
Short-term payables, accruals and provisions	4.1	460	479
Taxation payable		40	23
Short-term derivative liabilities	5.1	1	4
Short-term lease liabilities	4.2	52	60
Debt due within one year	4.3	293	373
Liabilities classified as held for sale	1.5	94	-
<b>Total current liabilities</b>		<b>940</b>	<b>939</b>
<b>Non-current liabilities</b>			
Long-term payables, accruals and provisions	4.1	64	60
Long-term derivative liabilities	5.1	77	91
Long-term lease liabilities	4.2	292	406
Long-term debt	4.3	1,233	1,030
Deferred tax liabilities	6.1	108	82
<b>Total non-current liabilities</b>		<b>1,774</b>	<b>1,669</b>
<b>Total liabilities</b>		<b>2,714</b>	<b>2,608</b>
<b>Equity</b>			
Share capital		1,105	1,084
Reserves		(352)	(371)
Retained earnings		722	779
<b>Total equity</b>		<b>1,475</b>	<b>1,492</b>
<b>Total liabilities and equity</b>		<b>4,189</b>	<b>4,100</b>

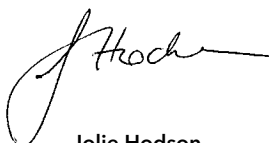
See accompanying notes to the financial statements.

<sup>1</sup> Restated due to implementation of the IFRIC agenda decision, see notes 1.1 and 1.4.

On behalf of the Board



**Justine Smyth, CNZM**  
Chair



**Jolie Hodson**  
Chief Executive

Authorised for issue on 24 August 2022



## Statement of changes in equity

YEAR ENDED 30 JUNE 2022	NOTE	SHARE CAPITAL \$M	RETAINED EARNINGS \$M	HEDGE RESERVES \$M	SHARE-BASED COMPEN- SATION RESERVE \$M	REVALUATION RESERVE \$M	FOREIGN CURRENCY TRANSLATION RESERVE \$M	TOTAL \$M
<b>Balance at 1 July 2021</b>		<b>1,084</b>	<b>779</b>	<b>(63)</b>	<b>3</b>	<b>(288)</b>	<b>(23)</b>	<b>1,492</b>
Net earnings		-	410	-	-	-	-	410
Other comprehensive income/(loss)		-	-	71	-	(55)	1	17
<b>Total comprehensive income/(loss)</b>		<b>-</b>	<b>410</b>	<b>71</b>	<b>-</b>	<b>(55)</b>	<b>1</b>	<b>427</b>
Contributions by, and distributions to, owners:								
Dividends	4.5	-	(467)	-	-	-	-	(467)
Supplementary dividends		-	(46)	-	-	-	-	(46)
Tax credit on supplementary dividends		-	46	-	-	-	-	46
Dividend reinvestment plan	4.5	18	-	-	-	-	-	18
Issuance of shares under share schemes		4	-	-	2	-	-	6
Other transfers		(1)	-	-	-	-	-	(1)
<b>Total transactions with owners</b>		<b>21</b>	<b>(467)</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>(444)</b>
<b>Balance at 30 June 2022</b>		<b>1,105</b>	<b>722</b>	<b>8</b>	<b>5</b>	<b>(343)</b>	<b>(22)</b>	<b>1,475</b>

YEAR ENDED 30 JUNE 2021 - RESTATED <sup>1</sup>	NOTE	SHARE CAPITAL \$M	RETAINED EARNINGS \$M	HEDGE RESERVES \$M	SHARE-BASED COMPEN- SATION RESERVE \$M	REVALUATION RESERVE \$M	FOREIGN CURRENCY TRANSLATION RESERVE \$M	TOTAL \$M
<b>Balance at 1 July 2020</b>		<b>949</b>	<b>870</b>	<b>(120)</b>	<b>2</b>	<b>(212)</b>	<b>(23)</b>	<b>1,466</b>
Net earnings		-	381	-	-	-	-	381
Other comprehensive income/(loss)		-	-	57	-	(87)	-	(30)
Transfer to retained earnings on disposal of historical long-term investments		-	(11)	-	-	11	-	-
<b>Total comprehensive income/(loss)</b>		<b>-</b>	<b>370</b>	<b>57</b>	<b>-</b>	<b>(76)</b>	<b>-</b>	<b>351</b>
Contributions by, and distributions to, owners:								
Dividends	4.5	-	(461)	-	-	-	-	(461)
Supplementary dividends		-	(47)	-	-	-	-	(47)
Tax credit on supplementary dividends		-	47	-	-	-	-	47
Dividend reinvestment plan	4.5	131	-	-	-	-	-	131
Issuance of shares under share schemes		4	-	-	1	-	-	5
<b>Total transactions with owners</b>		<b>135</b>	<b>(461)</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>(325)</b>
<b>Balance at 30 June 2021</b>		<b>1,084</b>	<b>779</b>	<b>(63)</b>	<b>3</b>	<b>(288)</b>	<b>(23)</b>	<b>1,492</b>

See accompanying notes to the financial statements.

<sup>1</sup> Restated due to implementation of the IFRIC agenda decision, see notes 1.1 and 1.4.

## Statement of cash flows

YEAR ENDED 30 JUNE

	NOTES	2022 \$M	RESTATED <sup>1</sup> 2021 \$M
<b>Cash flows from operating activities</b>			
Receipts from customers		3,656	3,547
Receipts from interest		24	32
Payments to suppliers and employees		(2,606)	(2,458)
Payments for income tax		(160)	(188)
Payments for interest on debt		(48)	(46)
Payments for interest on leases		(19)	(26)
Payments for interest on leased customer equipment assets		(6)	(8)
<b>Net cash flows from operating activities</b>	6.5	<b>841</b>	<b>853</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		-	6
Proceeds from sale of business		-	30
Proceeds from long-term investments		4	6
Receipts from finance leases		3	6
Receipts from loans receivable		-	1
Payments for purchase of business, net of cash acquired		(7)	(25)
Payments for, and advances to, long-term investments		(59)	(13)
Payments for purchase of property, plant and equipment, intangibles (excluding spectrum), and capacity		(425)	(330)
Payments for purchase of spectrum intangible assets		-	(51)
Payments for capitalised interest		(8)	(6)
<b>Net cash flows from investing activities</b>		<b>(492)</b>	<b>(376)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from/(repayments of) debt	4.4	214	(38)
Payments for dividends		(449)	(330)
Payments for leases		(69)	(56)
Payments for leased customer equipment assets		(46)	(34)
<b>Net cash flows from financing activities</b>		<b>(350)</b>	<b>(458)</b>
<b>Net cash flows</b>		<b>(1)</b>	<b>19</b>
Opening cash position		72	53
<b>Closing cash position</b>		<b>71</b>	<b>72</b>

See accompanying notes to the financial statements.

1. Restated due to implementation of the IFRIC agenda decision, see notes 1.1 and 1.4.

## NOTES TO THE FINANCIAL STATEMENTS

# Section 1

## General information

### 1.1 About this report

#### Reporting entity

These financial statements are for Spark New Zealand Limited (the Company) and its subsidiaries (together 'Spark' or 'the Group').

Spark is a major supplier of telecommunications and digital services in New Zealand. Spark provides a full range of telecommunications, information technology, media and other digital products and services, including: mobile services; voice services; broadband services; internet sports streaming services; cloud, security and service management services; procurement and partner services and managed data, networks and services.

The Company is incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and is an FMC reporting entity under the Financial Markets Conduct Act 2013. The Company is listed on the New Zealand Main Board equity security market and the Australian Securities Exchange and the address of its registered office is Spark City, 167 Victoria Street West, Auckland 1010, New Zealand.

#### Basis of preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

The measurement basis adopted in the preparation of these financial statements is historical cost, modified by the revaluation of certain investments and financial instruments, as identified in the accompanying notes. These financial statements are expressed in New Zealand dollars, which is Spark's functional and presentation currency. All financial information has been rounded to the nearest million, unless otherwise stated. Certain comparative information has been updated to conform with the current year's presentation.

The principal accounting policies applied in the preparation of these financial statements are set out in the accompanying notes where an accounting policy choice is provided by NZ IFRS. A policy is also included when it is new, has changed, is specific to Spark's operations, is significant or is material. Where NZ IFRS does not provide an accounting policy choice, Spark has applied the requirements of NZ IFRS but a detailed accounting policy is not included.

### Consideration of the IFRIC agenda decision

During the year ended 30 June 2022, Spark revised its accounting policy in relation to configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) cloud computing arrangements. This was in response to the IFRIC agenda decision, issued in April 2021, clarifying its interpretation of how current accounting standards apply to these types of arrangements.

The IFRIC decision clarified that because SaaS arrangements are service contracts that provide Spark with the right to access the cloud provider's application software over the contract period, costs to configure or customise this software should be recognised as operating expenses when the services are received. Previously Spark had recorded these configuration and customisation costs as part of the cost of an intangible asset and amortised these costs over the useful lives of the software assets. A summary of the impact of the change in accounting policy on the Group's financial statements is provided in note 1.4.

### New and amended standards

Spark has adopted amendments issued for NZ IFRS 9 *Financial Instruments* and NZ IFRS 16 *Leases* that address issues arising from the reform of benchmark interest rates. These amendments have not had a material impact on the Group's financial statements.

### 1.2 Key estimates and assumptions

The preparation of these financial statements requires management to make estimates and assumptions. These affect the amounts of reported revenues and expenses and the measurement of assets and liabilities as at 30 June. Actual results could differ from these estimates.

The principal areas of judgement and estimation for Spark in preparing these financial statements are found in the following notes:

- Note 2.2 Operating revenues and other gains
- Note 3.1 Receivables and prepayments
- Note 3.4 Right-of-use assets
- Note 3.6 Property, plant and equipment
- Note 3.7 Intangible assets
- Note 4.2 Lease liabilities.



## NOTES TO THE FINANCIAL STATEMENTS: GENERAL INFORMATION

### 1.3 Significant transactions and events

The following significant transactions and events affected the financial performance and financial position of Spark for the year ended 30 June 2022 or subsequent to balance date:

#### Debt programme (see note 4.3)

- On 30 November 2021, Spark established three Sustainability-Linked Loans totalling \$425 million. These consist of: converting an existing \$200 million facility with Westpac New Zealand, to mature on 30 November 2023; establishing a new \$100 million facility with Commonwealth Bank of Australia, to mature on 30 November 2024; and extending a \$125 million facility with MUFG Bank, Ltd., to mature on 30 November 2025.
- On 23 March 2022, Spark issued \$100 million of unsecured, unsubordinated Sustainability-Linked Bonds with an initial interest rate of 4.37% maturing on 29 September 2028.
- On 25 March 2022, \$100 million of unsecured fixed-rate bonds with a coupon rate of 4.50% matured.

#### Long-term investments (see note 3.3)

- The fair value of Spark's investment in Hutchinson Telecommunications Australia Limited decreased by \$55 million during the year due to a decrease in its quoted share price from AUD\$0.110 to AUD\$0.070. The change in fair value is recognised within other comprehensive income.
- Spark contributed \$53 million of equity to its Southern Cross investment to fund the SX NEXT undersea cable build during FY22. No dividends were received from Southern Cross during FY22. Dividends have been suspended for the duration of the SX NEXT build phase and are not expected to resume until at least FY24.

#### Capital expenditure (see notes 2.5, 3.4, 3.6 and 3.7)

- Spark's additions to property, plant and equipment, intangible assets (excluding spectrum) and capacity right-of-use assets were \$410 million, details of which are provided in notes 3.4, 3.6 and 3.7 and on page 19 of this annual report.

#### Dividends (see note 4.5)

- Dividends paid during the year ended 30 June 2022 in relation to the H2 FY21 second-half dividend (ordinary dividend of 12.5 cents per share) and H1 FY22 first-half dividend (ordinary dividend of 12.5 cents per share) totalled \$467 million or 25.0 cents per share, of this \$18 million was settled through the dividend reinvestment plan.

#### Leases (see notes 2.2, 3.1 and 3.6)

- On 1 December 2021, Chorus exercised its right of renewal for the Spark exchange buildings lease. This resulted in a combination of lease renewals, lease relinquishments, a new operating lease and an annual price review. In exercising this right Chorus renewed some space and relinquished some space. As a result of these changes, Spark recognised an increase of \$81 million in property, plant and equipment assets for the exchange space it has taken back control of from Chorus. This was offset by a reduction of \$69 million in finance leases no longer receivable from Chorus and a gain of \$12 million reported within other gains for the price increases over the remaining lease term.

#### Acquisitions (see note 3.7)

- On 31 January 2022, Spark acquired the remaining 50% of its joint venture, Connect 8 Limited, a mobile infrastructure business.

#### TowerCo (see note 1.5)

- On 12 July 2022, Spark confirmed the Ontario Teachers' Pension Plan Board will acquire a 70% interest in the TowerCo business, with completion anticipated to occur in the first half of FY23. More details on the anticipated transaction are contained within note 1.5.

## 1.4 Impact of change in accounting policy

Spark has changed its accounting policy in relation to SaaS arrangements in response to the IFRIC agenda decision that typically SaaS arrangements do not give rise to an asset, and configuration and customisation costs will likely need to be expensed. This has reduced EBITDAI, net earnings before tax, and total assets due to such expenses now being recognised as the services are received rather than capitalised as an intangible asset and amortised over the software asset's useful life. There has been no net impact on Spark's statement of cash flows. However, it has resulted in the reclassification of the applicable costs incurred from investing to operating activities.

The impact of the change in Spark's accounting policy in relation to SaaS arrangements in response to the IFRIC agenda decision on the comparative financials statements is as follows:

	PREVIOUSLY REPORTED \$M	CHANGE IN ACCOUNTING POLICY \$M	RESTATED \$M
<b>Statement of profit or loss and other comprehensive income</b>			
YEAR ENDED 30 JUNE 2021			
Operating expenses	(2,469)	(5)	(2,474)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	1,124	(5)	1,119
Depreciation and amortisation	(523)	2	(521)
Net earnings before income tax	553	(3)	550
<b>Net earnings for the period</b>	<b>384</b>	<b>(3)</b>	<b>381</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share	20.7	(0.1)	20.6
<b>Statement of cash flows</b>			
YEAR ENDED 30 JUNE 2021			
Payments to suppliers and employees	(2,453)	(5)	(2,458)
<b>Net cash flows from operating activities</b>	<b>858</b>	<b>(5)</b>	<b>853</b>
Payments for purchase of property, plant and equipment, intangibles (excluding spectrum) and capacity	(335)	5	(330)
<b>Net cash flows from investing activities<sup>1</sup></b>	<b>(381)</b>	<b>5</b>	<b>(376)</b>
<b>Statement of financial position</b>			
AS AT 1 JULY 2020			
Intangible assets	843	(10)	833
<b>Total assets</b>	<b>4,358</b>	<b>(10)</b>	<b>4,348</b>
Deferred tax liabilities	61	(2)	59
<b>Total liabilities</b>	<b>2,884</b>	<b>(2)</b>	<b>2,882</b>
Retained earnings	878	(8)	870
<b>Total equity</b>	<b>1,474</b>	<b>(8)</b>	<b>1,466</b>
<b>Total liabilities and equity</b>	<b>4,358</b>	<b>(10)</b>	<b>4,348</b>
AS AT 30 JUNE 2021			
Intangible assets	871	(13)	858
<b>Total assets</b>	<b>4,113</b>	<b>(13)</b>	<b>4,100</b>
Deferred tax liabilities	84	(2)	82
<b>Total liabilities</b>	<b>2,610</b>	<b>(2)</b>	<b>2,608</b>
Retained earnings	790	(11)	779
<b>Total equity</b>	<b>1,503</b>	<b>(11)</b>	<b>1,492</b>
<b>Total liabilities and equity</b>	<b>4,113</b>	<b>(13)</b>	<b>4,100</b>

<sup>1</sup> Previously reported net cash flows from investing activities includes a reclassification of receipts from finance leases (\$6 million) and receipts from loans receivable (\$1 million) from net cash flows from financing activities to conform with the current year's presentation.

## NOTES TO THE FINANCIAL STATEMENTS: GENERAL INFORMATION

## 1.5 Assets and liabilities classified as held for sale

During FY22 Spark commenced a process to transfer its passive mobile tower assets into a separate subsidiary, TowerCo, and to introduce third-party capital into TowerCo. As at 30 June 2022 the assets and liabilities associated with TowerCo have been classified as held for sale.

On 12 July 2022 Spark confirmed the Ontario Teachers' Pension Plan Board will acquire a 70% interest in the TowerCo business, with completion anticipated to occur in the first half of FY23, conditional on Overseas Investment Office approval. The transaction will deliver proceeds of approximately \$900 million and values the business at \$1.175 billion.

Under the terms of the deal, Spark has entered into a 15-year agreement with TowerCo (plus rights of renewal) to secure access to existing and new towers, with a build commitment of 670 sites over the next 10 years.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

AS AT 30 JUNE	2022 \$M
Right-of-use assets <sup>1</sup>	95
Property, plant and equipment and intangible assets	97
Deferred tax assets	6
<b>Total assets classified as held for sale</b>	<b>198</b>
Payables, accruals and provisions	5
Lease liabilities <sup>1</sup>	89
<b>Total liabilities classified as held for sale</b>	<b>94</b>

1 The leases associated with these balances will be assigned on transfer to TowerCo.

No gain or loss was recognised in the statement of profit or loss on classification of the above assets and liabilities to held for sale.

At the time the financial statements were authorised for issue the transaction had not yet completed and as such a final estimate of the gain on sale has not been made.

# Section 2

## Financial performance information

### 2.1 Segment information

The segment results disclosed are based on those reported to the Chief Executive and are how Spark reviews its performance.

Spark's segments are measured based on product margin, which includes product operating revenues and direct product costs. The segment result excludes other gains, labour, operating expenses, depreciation and amortisation, net investment income, finance income and expense and income tax expense, as these are assessed at an overall Group level by the Chief Executive.

YEAR ENDED 30 JUNE	2022			2021		
	OPERATING REVENUES \$M	PRODUCT COSTS \$M	PRODUCT MARGIN \$M	OPERATING REVENUES \$M	PRODUCT COSTS \$M	PRODUCT MARGIN \$M
Mobile	1,351	(447)	904	1,311	(474)	837
Voice	285	(120)	165	308	(128)	180
Broadband	639	(321)	318	670	(331)	339
Cloud, security and service management	446	(103)	343	443	(85)	358
Procurement and partners	538	(485)	53	414	(371)	43
Managed data, networks and services	283	(146)	137	282	(137)	145
Other operating revenues <sup>1</sup>	152	(72)	80	137	(67)	70
<b>Segment result</b>	<b>3,694</b>	<b>(1,694)</b>	<b>2,000</b>	<b>3,565</b>	<b>(1,593)</b>	<b>1,972</b>

<sup>1</sup> See note 2.2 for a description of other operating revenues.

### Reconciliation from segment product margin to consolidated net earnings before income tax

YEAR ENDED 30 JUNE	2022 \$M	RESTATED 2021 \$M
Segment product margin	2,000	1,972
Other gains	26	28
Labour	(495)	(493)
Other operating expenses (note 2.3)	(381)	(388)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	1,150	1,119
Finance income	26	34
Finance expense	(74)	(81)
Depreciation and amortisation	(520)	(521)
Net investment loss	(1)	(1)
<b>Net earnings before income tax</b>	<b>581</b>	<b>550</b>



NOTES TO THE FINANCIAL STATEMENTS: FINANCIAL PERFORMANCE INFORMATION

2.2 Operating revenues and other gains

The accounting policies specific to Spark’s operating revenues are outlined below:

Contracts with customers

Spark records revenue from contracts with customers in accordance with the five steps in NZ IFRS 15:

- 1. Identify the contract with a customer
- 2. Identify the performance obligations in the contract
- 3. Determine the transaction price, which is the total consideration provided by the customer
- 4. Allocate the transaction price amount to the performance obligations in the contract based on their relative stand-alone selling prices
- 5. Recognise revenue when or as the performance obligation is satisfied.

Spark often provides products and services in bundled arrangements (for example, a broadband modem together with a broadband service). Where multiple products or services are sold in a single arrangement, revenue is recognised in relation to each distinct good or service. A product or service is distinct where, amongst other criteria, a customer can benefit from it on its own or together with other resources that are readily available. Revenue is allocated to each distinct product or service in proportion to its stand-alone selling price and recognised when, or as, control is transferred to the customer.

Generally, control for products is transferred and revenue recognised at the point in time it is delivered to the customer and for services, control is transferred, and revenue recognised, over time as the service is provided. Revenue for performance obligations satisfied over time is recognised using the ‘resources consumed by customers’ method or the ‘time-elapsed method’, as these best depict the transfer of goods or services to customers.

Performance obligations, where Spark acts as an agent, includes some third-party media services and certain cloud, security and service management contracts. Contracts with a significant financing component include those that have goods that were purchased on interest-free payment terms of greater than 12 months.

The nature of the various performance obligations in our contracts with customers and when revenue is recognised is outlined below:

PERFORMANCE OBLIGATIONS FROM CONTRACTS WITH CUSTOMERS	TIMING OF SATISFACTION OF THE PERFORMANCE OBLIGATION AND PAYMENT
Mobile services, broadband services, media services, cloud, security and service management services, managed data services and rental of equipment	As the service is provided (usually monthly). Generally billed and paid on a monthly basis.
Usage, other optional or non-subscription services, and pay-per-use services	As the service is provided. Generally billed and paid on a monthly basis.
Fixed modems, mobile handsets and other distinct goods	When control is passed to the customer, generally when the customer takes possession of the goods. For goods sold in packages or on interest-free terms, customers usually pay in equal instalments over 6 to 36 months.
Installation or set-up services (where distinct)	As the service is provided. Generally billed and paid following the provision of the service.

## 2.2 Operating revenues and other gains (continued)

YEAR ENDED 30 JUNE	2022 \$M	2021 \$M
<b>Operating revenues</b>		
Mobile	1,351	1,311
Voice	285	308
Broadband	639	670
Cloud, security and service management	446	443
Procurement and partners	538	414
Managed data, networks and services	283	282
Other operating revenues	152	137
	<b>3,694</b>	<b>3,565</b>
<b>Other gains</b>		
Net gain on sale of long-term investments/businesses	-	1
Gain on sale of property, plant and equipment and intangibles	10	9
Gain on lease modifications and terminations	16	18
	<b>26</b>	<b>28</b>
<b>Total operating revenues and other gains</b>	<b>3,720</b>	<b>3,593</b>

### Other operating revenues

Included in other operating revenues is revenue from Qrious, Internet of Things, Spark Sport, Connect 8 and exchange building sharing arrangements. Total operating revenues includes, income from operating leases, for the year ended 30 June 2022 was \$6 million (30 June 2021: \$1 million).

### Other gains

In the year ended 30 June 2022 other gains comprises a \$10 million gain from the sale of property, plant and equipment (primarily in relation to mobile network equipment), and gains from lease modifications and terminations of \$16 million (this includes the \$12 million gain from the Chorus lease changes outlined in note 1.3).

In the year ended 30 June 2021 other gains included a \$9 million gain from the sale of property, plant and equipment (primarily in relation to mobile network equipment), \$1 million gain from the sale of Spark's long-term investment, NOW New Zealand Limited, and gains from lease modifications and terminations of \$18 million.

## NOTES TO THE FINANCIAL STATEMENTS: FINANCIAL PERFORMANCE INFORMATION

## 2.2 Operating revenues and other gains (continued)

## Key estimates and assumptions

## Determining the transaction price

Determining the transaction price of Spark's contracts requires judgement in estimating the amount of revenue we expect to be entitled to for delivering the performance obligations within a contract. The transaction price is the amount of consideration that is enforceable and to which we expect to be entitled in exchange for the goods and services we have promised to our customer. We determine the transaction price by considering the terms of the contract and business practices that are customary within that product, as well as adjusting the transaction price for estimated variable consideration and for any effects of the time value of money. The 'expected value' or 'most likely amount' methods are used to determine variable consideration and any amount where it is determined that it is highly probable a revenue reversal will not subsequently occur is included in the transaction price. In making this determination consideration is given to the likelihood and potential magnitude of the revenue reversal, as well as factors outside of Spark's influence, the time when the uncertainty is expected to be resolved and Spark's experience with similar types of contracts. Judgement is required to determine the discount rate underlying any time value of money calculations, as well as whether the financing component in a contract is significant. Discounts, rebates, refunds, credits, price concessions, incentives, penalties and other similar items are reflected in the transaction price at contract inception.

## Determining the stand-alone selling price and the allocation of the transaction price

Determining the stand-alone selling price of performance obligations and the allocation of the transaction price between performance obligations involves judgement. The transaction price is allocated to performance obligations based on the relative stand-alone selling prices of the distinct goods or services in the contract. The best evidence of a stand-alone selling price is the observable price of a good or service when the entity sells that good or service separately in similar circumstances and to similar customers. If a stand-alone selling price is not directly observable, we estimate the stand-alone selling price taking into account reasonably available information relating to the market conditions, entity-specific factors and the class of customer. In determining the stand-alone selling price, we allocate revenue between performance obligations based on expected minimum enforceable amounts to which Spark is entitled. Any amounts above the minimum enforceable amounts are recognised as revenue as they are earned.

## Distinct goods and services

We make judgements in determining whether a promise to deliver goods or services is considered distinct. We account for individual products and services separately if they are distinct (i.e. if a product or service is separately identifiable from other items in the bundled package and if the customer can benefit from it). The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices.

## Timing of satisfaction of performance obligations

We make judgements in determining whether performance obligations are satisfied over time or at a point in time, as well as the methods used for measuring progress towards completed satisfaction of performance obligations. Refer to page 88 for Spark's accounting policy on timing of satisfaction of performance obligations.

## 2.3 Operating expenses

YEAR ENDED 30 JUNE	2022 \$M	RESTATED 2021 \$M
Product costs	1,694	1,593
Labour	495	493
Other operating expenses		
Network support costs	65	86
Computer costs	111	101
Accommodation costs	65	67
Advertising, promotions and communication	60	72
Bad debts	4	(7)
Impairment expense	2	2
Other	74	67
Total other operating expenses	381	388
<b>Total operating expenses</b>	<b>2,570</b>	<b>2,474</b>

### Cost of inventories recognised as an expense

The cost of inventories recognised as an expense in relation to broadband modems, mobile devices and other accessories was \$343 million (30 June 2021: \$381 million).

### Lease expenses

Expenses relating to short-term leases and leases of low-value assets were \$7 million (30 June 2021: \$5 million). In the year ended 30 June 2022 rent concessions of less than \$1 million were received as a result of Covid-19 and treated as a reduction of expenses (30 June 2021: less than \$1 million).

### Donations

Donations for the year ended 30 June 2022 were \$1,774,000 and comprised Spark's donation to Spark Foundation of \$1,734,000 and other donations of \$40,000 (30 June 2021: \$1,722,000, comprised Spark's donation to the Spark Foundation of \$1,692,000 and other donations of \$30,000). Spark made no donations to political parties in the years ended 30 June 2022 or 30 June 2021.

### Auditor's remuneration

YEAR ENDED 30 JUNE	2022 \$'000	2021 \$'000
<b>Audit of financial statements</b>		
Audit and review of financial statements <sup>1</sup>	1,171	1,000
Other services		
Regulatory audit work <sup>2</sup>	54	50
Other non-assurance services <sup>3</sup>	105	94
<b>Total fees paid to auditor</b>	<b>1,330</b>	<b>1,144</b>

1 The audit fee includes fees for both the annual audit of the financial statements and the review of the interim financial statements.

2 Regulatory audit work consists of the audit of telecommunications-related regulatory disclosures and reporting on trust deed requirements and solvency returns.

3 Other non-assurance services relate to taxation compliance services and administrative and other advisory services for the Corporate Taxpayer Group of which Spark, alongside a number of organisations, is a member.



## NOTES TO THE FINANCIAL STATEMENTS: FINANCIAL PERFORMANCE INFORMATION

## 2.4 Finance income, finance expense, depreciation, amortisation and net investment income

YEAR ENDED 30 JUNE	NOTES	2022 \$M	RESTATED 2021 \$M
<b>Finance income</b>			
Finance lease interest income		9	13
Other interest income		17	21
		<b>26</b>	<b>34</b>
<b>Finance expense</b>			
Finance expense on long-term debt		(45)	(43)
Lease interest expense	4.2	(19)	(26)
Leased customer equipment interest expense		(7)	(8)
Other interest and finance expenses		(11)	(10)
		(82)	(87)
Plus: interest capitalised <sup>1</sup>		8	6
		<b>(74)</b>	<b>(81)</b>
<b>Depreciation and amortisation expense</b>			
Depreciation – property, plant and equipment	3.6	(234)	(242)
Depreciation – right-of-use assets	3.4	(80)	(77)
Depreciation – leased customer equipment assets	3.5	(37)	(36)
Amortisation – intangible assets	3.7	(169)	(166)
		<b>(520)</b>	<b>(521)</b>
<b>Net investment loss</b>			
Share of associates' and joint ventures' net losses	3.3	(1)	(1)
		<b>(1)</b>	<b>(1)</b>

<sup>1</sup> Interest was capitalised on property, plant and equipment and intangible assets under development for the year ended 30 June 2022 at an annualised rate of 4.4% (30 June 2021: 3.8%).

## 2.5 Non-GAAP measures

Spark uses non-GAAP financial measures that are not prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS'). Spark believes that these non-GAAP financial measures provide useful information to readers to assist in the understanding of the financial performance, financial position or returns of Spark. These measures are also used internally to evaluate performance of products, to analyse trends in cash-based expenses, to establish operational goals and allocate resources. However, they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZ IFRS, as they are not uniformly defined or utilised by all companies in New Zealand or the telecommunications industry.

Spark's policy is to present 'adjusted EBITDAI' and 'adjusted net earnings' when a financial year includes significant items (such as gains, expenses and impairments) individually greater than \$25 million. There are no adjusting items for the years ended 30 June 2022 or 30 June 2021.

### Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)

Spark calculates EBITDAI by adding back depreciation and amortisation, finance expense and income tax expense and subtracting finance income and net investment income (which includes dividend income and Spark's share of net profits or losses from associates and joint ventures) to net earnings. A reconciliation of Spark's EBITDAI is provided below and based on amounts taken from, and consistent with, those presented in these financial statements.

YEAR ENDED 30 JUNE	2022 \$M	RESTATED 2021 \$M
Net earnings reported under NZ IFRS	410	381
Less: finance income	(26)	(34)
Add back: finance expense	74	81
Add back: depreciation and amortisation	520	521
Less: net investment income	1	1
Add back: income tax expense	171	169
<b>EBITDAI</b>	<b>1,150</b>	<b>1,119</b>

### Capital expenditure

Capital expenditure is the additions to property, plant and equipment and intangible assets (excluding goodwill, acquisitions and other non-cash additions that may be required by NZ IFRS, such as decommissioning costs) and additions to capacity right-of-use assets where such additions are paid up front.

YEAR ENDED 30 JUNE	NOTES	2022 \$M	RESTATED 2021 \$M
Additions to property, plant and equipment	3.6	328	203
Additions to intangible assets	3.7	156	187
Additions to capacity right-of-use assets	3.4	8	13
<b>Total additions</b>		<b>492</b>	<b>403</b>
Less spectrum additions	3.7	-	(51)
Less property, plant and equipment transfers from finance lease receivables	1.3	(81)	(3)
Less capacity right-of-use assets paid over time	3.4	(1)	-
<b>Capital expenditure</b>		<b>410</b>	<b>349</b>

## NOTES TO THE FINANCIAL STATEMENTS: ASSETS

## Section 3 Assets

### 3.1 Receivables and prepayments

AS AT 30 JUNE	2022 \$M	2021 \$M
<b>Short-term receivables and prepayments</b>		
Trade receivables	371	314
Short-term prepayments	148	137
Short-term unbilled revenue	248	242
Short-term contract assets	2	5
Short-term contract costs	40	43
Short-term finance lease receivables	2	4
Other short-term receivables	28	23
	<b>839</b>	<b>768</b>
<b>Long-term receivables and prepayments</b>		
Long-term unbilled revenue	72	79
Long-term prepayments	1	-
Long-term contract costs	68	64
Long-term finance lease receivables	52	108
Other long-term receivables	4	20
	<b>197</b>	<b>271</b>

Amounts are stated at their net carrying value, including expected credit loss allowance provisions. The fair value of finance lease receivables is estimated to be \$75 million (30 June 2021: \$213 million) and the carrying amount of all other receivables, measured at amortised cost, are approximately equivalent to their fair value because of the short term to maturity.

#### Contract assets

Contract assets primarily relate to Spark's rights to consideration for performance obligations delivered but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. The following summarises significant changes in those balances:

YEAR ENDED 30 JUNE	2022 \$M	2021 \$M
Opening balance as at 1 July	5	11
Additions from new contracts with customers, net of terminations and renewals	1	8
Transfer of contract assets to trade receivables	(4)	(14)
<b>Closing balance as at 30 June</b>	<b>2</b>	<b>5</b>

### 3.1 Receivables and prepayments (continued)

#### Contract costs

Contract costs include costs to obtain a contract (such as commission costs) and costs to fulfil a contract. These costs are expected to be recovered and are therefore initially deferred and then recognised within operating expenses on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. The following summarises significant changes in those balances:

YEAR ENDED 30 JUNE	COSTS TO OBTAIN A CONTRACT \$M	2022 COSTS TO FULFIL A CONTRACT \$M	TOTAL \$M	COSTS TO OBTAIN A CONTRACT \$M	2021 COSTS TO FULFIL A CONTRACT \$M	TOTAL \$M
Opening balance as at 1 July	19	88	107	28	85	113
Additions	9	34	43	8	36	44
Amortisation recognised in operating expenses	(11)	(31)	(42)	(17)	(33)	(50)
<b>Closing balance as at 30 June</b>	<b>17</b>	<b>91</b>	<b>108</b>	<b>19</b>	<b>88</b>	<b>107</b>
Short-term contract costs	7	33	40	11	32	43
Long-term contract costs	10	58	68	8	56	64

#### Key estimates and assumptions

Determining the costs we incur to obtain or fulfil a contract that meets the deferral criteria within NZ IFRS 15 requires us to make significant judgements. Further, where such costs can be deferred, determining the appropriate amortisation period to recognise the costs within operating expenses requires management judgement, including assessing the expected average customer tenure for consumer customers and the expected contract term for enterprise customers.

#### Expected credit loss allowance provision

Movements in the loss allowance provision are as follows:

YEAR ENDED 30 JUNE	2022 \$M	2021 \$M
Opening balance as at 1 July	17	31
Charged to costs and expenses	7	(4)
Bad debts recovered	(3)	(3)
Utilised	(6)	(7)
<b>Closing balance as at 30 June<sup>1</sup></b>	<b>15</b>	<b>17</b>

<sup>1</sup> The total expected loss provision reduced by \$14 million in FY21, of which \$8 million reflected the release of additional provisions taken in FY20 primarily as a result of Covid-19.



## NOTES TO THE FINANCIAL STATEMENTS: ASSETS

## 3.1 Receivables and prepayments (continued)

Spark has applied the simplified approach to providing for expected credit losses, which requires the recognition of a lifetime expected loss provision for trade receivables, unbilled revenue, contract assets, contract costs, finance lease receivables and other receivables. The calculation of the allowance provision incorporates forward-looking information, such as forecasted economic conditions.

The expected credit loss allowance provision has been determined as follows:

AS AT 30 JUNE 2022	CURRENT \$M	≤ 1 MONTH \$M	> 1 MONTH \$M	TOTAL \$M
Expected loss rate	1.2%	2.5%	10.3%	1.7%
Gross carrying amount	823	40	39	902
<b>Expected credit loss allowance provision</b>	<b>10</b>	<b>1</b>	<b>4</b>	<b>15</b>
Short-term loss allowance provision	8	1	4	13
Long-term loss allowance provision	2	-	-	2
AS AT 30 JUNE 2021	\$M	\$M	\$M	\$M
Expected loss rate	1.4%	2.5%	9.5%	1.8%
Gross carrying amount	837	40	42	919
<b>Expected credit loss allowance provision</b>	<b>12</b>	<b>1</b>	<b>4</b>	<b>17</b>
Short-term loss allowance provision	9	1	4	14
Long-term loss allowance provision	3	-	-	3

The composition of the credit loss allowance provision between receivable types is as follows:

AS AT 30 JUNE	2022 \$M	2021 \$M
Trade receivables	7	7
Unbilled revenue	5	7
Contract assets and contract costs	2	2
Finance lease receivables	1	1
<b>Expected credit loss allowance provision</b>	<b>15</b>	<b>17</b>

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities to comply with the Group's procedures for recovery of amounts due.

## Key estimates and assumptions

The expected credit loss allowance provision is determined based on assumptions about the risk of default and expected loss rates of customers and other counterparties. Spark uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on Spark's past collection history, existing market conditions, as well as forward-looking estimates at the end of the reporting period. Forward-looking estimates include assessment of forecasted changes to interest rates, unemployment rates and Gross Domestic Product in New Zealand.

### 3.1 Receivables and prepayments (continued)

#### Finance lease receivables

Spark has a number of leases for space in exchange buildings, including as a lessor for space in Spark exchanges and a lessee for space in Chorus exchanges. These leases include a legal right of offset, as Spark and Chorus settle the payments on a net basis and are therefore shown as a net finance lease receivable or net lease liability on the statement of financial position.

In addition, Spark sublease a number of office building floors. Where sublease are for the whole of the remaining non-cancellable term of the head lease, these are classified as a finance lease.

The profile of lease net receipts is set out below:

AS AT 30 JUNE	2022		2021	
	UNDISCOUNTED \$M	DISCOUNTED \$M	UNDISCOUNTED \$M	DISCOUNTED \$M
Less than one year <sup>1</sup>	6	-	13	3
Between one and five years	16	(7)	41	(7)
More than five years	135	59	266	115
<b>Net finance lease receivables</b>	<b>157</b>	<b>52</b>	<b>320</b>	<b>111</b>
Plus short-term portion of finance lease receivables in liability position	-	2	-	1
<b>Total finance lease receivables</b>	<b>157</b>	<b>54</b>	<b>320</b>	<b>112</b>
Less unearned finance income	(103)	-	(208)	-
<b>Present value of finance lease receivables</b>	<b>54</b>	<b>54</b>	<b>112</b>	<b>112</b>
Short-term finance lease receivables		2		4
Long-term finance lease receivables		52		108

1 Included within the discounted balance as at 30 June 2022 is a \$2 million sublease receivable asset, offset by a \$2 million liability relating to the Chorus finance lease receivable (30 June 2021: \$4 million sublease receivable asset, offset by a \$1 million liability relating to the Chorus finance lease receivable).

The lease with Chorus, where Spark is the lessor, has multiple rights of renewals and the full lease term has been used in the majority of the calculation of the financial lease receivable at lease inception, as it was likely that because of the specialised nature of the buildings, the lease would be renewed to the maximum term.

### 3.2 Inventories

AS AT 30 JUNE	2022 \$M	2021 \$M
Goods held for resale	95	56
Content rights inventory	10	7
Maintenance materials and consumables	2	1
<b>Total inventories</b>	<b>107</b>	<b>64</b>

#### Content rights inventory

Spark enters into contracts for the right to stream digital content for sport. Content rights are stated at the lower of cost and net realisable value, less accumulated amortisation and includes prepaid content that is not yet available for broadcast.

The amortisation of content rights is recognised within operating expenses on a straight-line basis over the live events across the broadcast period. The content rights amortisation charge for the year ended 30 June 2022 was \$20 million (30 June 2021: \$28 million).

## NOTES TO THE FINANCIAL STATEMENTS: ASSETS

## 3.3 Long-term investments

AS AT 30 JUNE	MEASUREMENT BASIS	2022 \$M	2021 \$M
Shares in Hutchison	Fair value through other comprehensive income	105	160
Investment in associates and joint ventures	Equity method	101	59
Other long-term investments	Cost	6	8
		<b>212</b>	<b>227</b>

Spark holds a 10% interest in Hutchison Telecommunications Australia Limited (Hutchison) which is quoted on the Australian Securities Exchange (ASX) and its fair value is measured using the observable bid share price as quoted on the ASX, classified as being within Level 1 of the fair value hierarchy. As at 30 June 2022 the quoted price of Hutchison's shares on the ASX was AUD\$0.070 (30 June 2021: AUD\$0.110). The decrease in fair value of \$55 million is recognised in other comprehensive income (30 June 2021: \$87 million decrease).

## Investment in associates and joint ventures

Spark's investment in associates and joint ventures at 30 June 2022 consists of the following:

NAME	TYPE	COUNTRY	OWNERSHIP	PRINCIPAL ACTIVITY
Adroit Holdings Limited	Associate	New Zealand	38%	Environmental IoT solutions
Flok Limited	Associate	New Zealand	38%	Hardware and software development
Pacific Carriage Holdings Limited, Inc.	Associate	United States	41%	A holding company
Rural Connectivity Group Limited	Joint Venture	New Zealand	33%	Rural broadband
Southern Cross Cables Holdings Limited	Associate	Bermuda	41%	A holding company
TNAS Limited	Joint Venture	New Zealand	50%	Telecommunications development

All investments in associates and joint ventures are measured using the equity method. Changes in the aggregate carrying amount of Spark's investment in associates and joint ventures was as follows:

YEAR ENDED 30 JUNE	2022			2021		
	ASSOCIATES \$M	JOINT VENTURES \$M	TOTAL \$M	ASSOCIATES \$M	JOINT VENTURES \$M	TOTAL \$M
Opening balance as at 1 July	30	29	59	31	23	54
Additional investment during the year	56	3	59	5	8	13
Impairment	-	-	-	(1)	-	(1)
Disposals	(4)	(11)	(15)	(5)	-	(5)
Share of net losses	-	(1)	(1)	-	(1)	(1)
Deferred gains	-	-	-	-	(1)	(1)
Dividends received	-	(1)	(1)	-	-	-
<b>Closing balance as at 30 June</b>	<b>82</b>	<b>19</b>	<b>101</b>	<b>30</b>	<b>29</b>	<b>59</b>

Spark has suspended equity accounting for Pacific Carriage Holdings Limited, Inc. and Southern Cross Cables Holdings Limited (together 'Southern Cross') as their carrying values were reduced to nil. Spark has no obligation to fund Southern Cross' deficits or repay dividends. For the year ended 30 June 2022 Spark's share of Southern Cross profits was not recognised because of the existence of historic cumulative Southern Cross deficits. In the current year Southern Cross' profit was \$39 million (30 June 2021: \$39 million).

### 3.4 Right-of-use assets

Spark is a lessee for a large number of leases, including:

- Property – Spark leases a number of office buildings and retail stores. Some of these leases have rights of renewal that are reasonably certain to be exercised and therefore may have long expected lease terms
- Capacity arrangements – Spark enters into a number of indefeasible right-of-use capacity arrangements for cable capacity
- Mobile sites – Spark has entered into a number of agreements to allow the operation of mobile network infrastructure throughout New Zealand
- Motor vehicles – Spark leases motor vehicles for use in sales, field operations and maintenance of infrastructure equipment
- Other – Spark leases equipment that is held at Spark premises and used to provide services to customers.

Movements in right-of-use assets are summarised below:

YEAR ENDED 30 JUNE 2022	PROPERTY \$M	CAPACITY \$M	MOBILE SITES \$M	MOTOR VEHICLES \$M	OTHER \$M	TOTAL \$M
Opening net book value	281	224	117	4	21	647
Additions and acquisitions	20	8	8	1	16	53
Assets classified as held for sale and other disposals	-	-	(95)	-	-	(95)
Remeasurements <sup>1</sup>	(19)	-	2	-	-	(17)
Depreciation charge	(32)	(21)	(13)	(2)	(12)	(80)
<b>Closing net book value</b>	<b>250</b>	<b>211</b>	<b>19</b>	<b>3</b>	<b>25</b>	<b>508</b>

YEAR ENDED 30 JUNE 2021	PROPERTY \$M	CAPACITY \$M	MOBILE SITES \$M	MOTOR VEHICLES \$M	OTHER \$M	TOTAL \$M
Opening net book value	333	233	102	2	28	698
Additions	74	13	27	4	11	129
Disposals	(2)	-	(3)	-	(9)	(14)
Remeasurements <sup>2</sup>	(90)	-	1	-	-	(89)
Depreciation charge	(34)	(22)	(10)	(2)	(9)	(77)
<b>Closing net book value</b>	<b>281</b>	<b>224</b>	<b>117</b>	<b>4</b>	<b>21</b>	<b>647</b>

1 Remeasurements to property in FY22 primarily relate to modifications for corporate property leases and exiting of space in exchange buildings. The reduction in property right-of-use assets for corporate property leases is substantially offset by a reduction in property lease liabilities (see note 4.2).

2 Remeasurements to property in FY21 primarily relate to modifications and changes of assumptions for leases, including market rent reviews and reductions in lease terms for corporate property leases. The reduction in property right-of-use assets is substantially offset by a reduction in property lease liabilities (see note 4.2).

Of the \$8 million within capacity additions for the year ended 30 June 2022, \$7 million were fully paid on control being obtained and therefore deemed capital expenditure as reconciled in note 2.5 (30 June 2021: all fully paid and deemed capital expenditure).

Income from sub-leasing right-of-use assets for the year ended 30 June 2022 was \$3 million (30 June 2021: \$1 million).



## NOTES TO THE FINANCIAL STATEMENTS: ASSETS

## 3.4 Right-of-use assets (continued)

## Key estimates and assumptions

At inception of a contract Spark assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Spark assesses whether:

- The contract involves the use of an identified asset
- Spark has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use
- Spark has the right to direct the use of the asset.

At inception or on reassessment of a contract that contains a lease component, Spark allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. Spark recognises a right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically assessed for impairment losses and adjusted for certain remeasurements of the lease liability.

## 3.5 Leased customer equipment assets

Spark acts as the intermediate party (as a lessee and a lessor) in a number of lease arrangements for customer premises equipment. Such arrangements may also include an initial sale and leaseback transaction. A sale and leaseback transaction contains a genuine sale if control of an asset is transferred under NZ IFRS 15. For Spark's back-to-back lease arrangements we have assessed that a sale does not occur, as control over the equipment remains with Spark instead of passing to the buyer-lessor.

Spark as the seller-lessee continues to recognise the leased customer equipment asset, which is initially measured at cost. The asset is subsequently depreciated using the straight-line method based on the expected lease term. Movements in leased customer equipment assets are summarised below:

	2022 \$M	2021 \$M
YEAR ENDED 30 JUNE		
Opening net book value	77	86
Additions	51	28
Disposals	(1)	(1)
Depreciation charge	(37)	(36)
<b>Closing net book value</b>	<b>90</b>	<b>77</b>
AS AT 30 JUNE		
Cost	228	182
Accumulated depreciation and impairment losses	(138)	(105)
<b>Closing net book value</b>	<b>90</b>	<b>77</b>

Leased customer equipment assets are leased to customers under operating leases. Amounts recovered from customers for the year ended 30 June 2022 were \$42 million (30 June 2021: \$43 million).

### 3.6 Property, plant and equipment

YEAR ENDED 30 JUNE 2022	TELECOMMUNICATIONS EQUIPMENT AND PLANT	FREEHOLD LAND	BUILDINGS	OTHER ASSETS	WORK IN PROGRESS	TOTAL
	\$M	\$M	\$M	\$M	\$M	\$M
Opening net book value	648	61	207	79	85	1,080
Additions	-	-	82	10	236	328
Transfers	162	-	11	21	(194)	-
Acquisitions	4	-	-	4	6	14
Assets classified as held for sale and other disposals	(15)	-	(59)	(3)	(2)	(79)
Depreciation charge	(168)	-	(28)	(38)	-	(234)
<b>Closing net book value</b>	<b>631</b>	<b>61</b>	<b>213</b>	<b>73</b>	<b>131</b>	<b>1,109</b>
AS AT 30 JUNE 2022						
Cost	3,394	61	534	507	131	4,627
Accumulated depreciation and impairment losses	(2,763)	-	(321)	(434)	-	(3,518)
<b>Closing net book value</b>	<b>631</b>	<b>61</b>	<b>213</b>	<b>73</b>	<b>131</b>	<b>1,109</b>

YEAR ENDED 30 JUNE 2021	TELECOMMUNICATIONS EQUIPMENT AND PLANT	FREEHOLD LAND	BUILDINGS	OTHER ASSETS	WORK IN PROGRESS	TOTAL
	\$M	\$M	\$M	\$M	\$M	\$M
Opening net book value	641	60	198	114	108	1,121
Additions	-	-	40	-	163	203
Transfers	167	1	-	18	(186)	-
Disposals	-	-	-	(2)	-	(2)
Depreciation charge	(160)	-	(31)	(51)	-	(242)
<b>Closing net book value</b>	<b>648</b>	<b>61</b>	<b>207</b>	<b>79</b>	<b>85</b>	<b>1,080</b>
AS AT 30 JUNE 2021						
Cost	4,006	61	550	553	85	5,255
Accumulated depreciation and impairment losses	(3,358)	-	(343)	(474)	-	(4,175)
<b>Closing net book value</b>	<b>648</b>	<b>61</b>	<b>207</b>	<b>79</b>	<b>85</b>	<b>1,080</b>

## NOTES TO THE FINANCIAL STATEMENTS: ASSETS

## 3.6 Property, plant and equipment (continued)

## Joint arrangement

Spark has entered into a joint arrangement in relation to the construction and operation of the Tasman Global Access fibre-optic submarine cable between Australia and New Zealand. As at 30 June 2022 the carrying value of Spark's share of property, plant and equipment and intangible assets in the joint operation was \$30 million (30 June 2021: \$30 million).

## Key estimates and assumptions

Spark's property, plant and equipment is measured at cost and depreciation is charged on a straight-line basis over the assets' estimated useful lives. Determining the appropriate useful life of property, plant and equipment requires management judgement, including the expected period of service potential, the likelihood technological advances will make the asset obsolete, the likelihood of Spark ceasing to use it and the effect of government regulation.

The estimated useful lives of Spark's property, plant and equipment is as follows:

## Telecommunications equipment

Links and cables	10 - 50 years
Network transport	3 - 15 years
Mobile radio access network	5 - 25 years
Customer premises equipment	3 - 5 years
International cable and satellite	10 - 15 years

## Buildings

Buildings	15 - 53 years
Furniture and fittings	3 - 15 years
Air conditioning	8 - 20 years
Power systems	3 - 25 years
Batteries	5 - 15 years

## Other

Motor vehicles	3 - 10 years
Computer equipment	2 - 8 years
Internal IT system assets	3 - 15 years

The assessment of assets for impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the telecommunications industry, the discontinuance of services, the expected future cash flows an asset is expected to generate and other changes in circumstances that indicate an impairment exists. Key judgements include rates of expected revenue growth or decline, expected future margins and the selection of an appropriate discount rate for valuing future cash flows.

### 3.7 Intangible assets

YEAR ENDED 30 JUNE 2022	SOFTWARE \$M	SPECTRUM LICENCES \$M	OTHER INTANGIBLES \$M	GOODWILL \$M	WORK IN PROGRESS \$M	TOTAL \$M
Opening net book value	307	193	49	222	87	858
Additions <sup>1</sup>	-	-	-	-	156	156
Transfers	160	-	-	-	(160)	-
Acquisitions	-	-	-	12	-	12
Assets classified as held for sale and other disposals	-	-	(18)	-	-	(18)
Amortisation charge	(141)	(18)	(10)	-	-	(169)
<b>Closing net book value</b>	<b>326</b>	<b>175</b>	<b>21</b>	<b>234</b>	<b>83</b>	<b>839</b>
AS AT 30 JUNE 2022						
Cost	1,911	336	103	282	83	2,715
Accumulated amortisation and impairment losses	(1,585)	(161)	(82)	(48)	-	(1,876)
<b>Closing net book value</b>	<b>326</b>	<b>175</b>	<b>21</b>	<b>234</b>	<b>83</b>	<b>839</b>

1 Total software capitalised in the year ended 30 June 2022 includes \$59 million of internally generated assets. Other software capitalised in the year includes software licences and externally supplied labour.

YEAR ENDED 30 JUNE 2021 - RESTATED	SOFTWARE \$M	SPECTRUM LICENCES \$M	OTHER INTANGIBLES \$M	GOODWILL \$M	WORK IN PROGRESS \$M	TOTAL \$M
Opening net book value	343	158	59	222	51	833
Additions <sup>1</sup>	-	51	-	-	136	187
Transfers	100	-	-	-	(100)	-
Acquisitions	-	-	4	-	-	4
Amortisation charge	(136)	(16)	(14)	-	-	(166)
<b>Closing net book value</b>	<b>307</b>	<b>193</b>	<b>49</b>	<b>222</b>	<b>87</b>	<b>858</b>
AS AT 30 JUNE 2021 - RESTATED						
Cost	2,063	336	146	270	87	2,902
Accumulated amortisation and impairment losses	(1,756)	(143)	(97)	(48)	-	(2,044)
<b>Closing net book value</b>	<b>307</b>	<b>193</b>	<b>49</b>	<b>222</b>	<b>87</b>	<b>858</b>

1 Total software capitalised in the year ended 30 June 2021 includes \$36 million of internally generated assets. Other software capitalised in the year includes software licences and externally supplied labour.

#### Key estimates and assumptions

Intangible assets are amortised over their useful lives on a straight-line basis, except goodwill, which is tested for impairment annually. Determining the appropriate useful life of an intangible asset requires management judgement, including assessing the expected period of service potential, the likelihood technological advances will make it obsolete and the likelihood of Spark ceasing to use it.

The estimated useful lives of Spark intangible assets is as follows:

Spectrum licences	2 - 21 years
Software	2 - 12 years
Customer contracts and brands	5 - 10 years
Other intangible assets	2 - 100 years



## NOTES TO THE FINANCIAL STATEMENTS: ASSETS

## 3.7 Intangible assets (continued)

## Goodwill

Goodwill by cash-generating unit (CGU) is presented below:

AS AT 30 JUNE	2022 \$M	2021 \$M
Mobile	34	28
Broadband	3	-
Cloud, security and service management	170	167
Qrious	14	14
Digital Island	13	13
	<b>234</b>	<b>222</b>

On 31 January 2022, Spark acquired the remaining 50% of its joint venture, Connect 8 Limited, a fibre network construction company. Goodwill recognised from the acquisition of \$12 million has been allocated to each CGU that is expected to benefit from the synergies of the transaction. Goodwill of \$6 million has been allocated to the mobile CGU, \$3 million to the broadband CGU and \$3 million to the cloud, security and service management CGU.

During the years ended 30 June 2022 and 30 June 2021 no impairment arose as a result of the assessment of the carrying value of goodwill. Headroom currently exists in each CGU and, based on sensitivity analysis performed, no reasonably possible changes in the assumptions would cause the carrying amount of the CGUs to exceed their recoverable amounts.

## Key estimates and assumptions

Goodwill is assessed annually for impairment using a value-in-use model, which estimates the future cash flows, based on the FY23 Board-approved business plan, applied to the next three years, with key assumptions being forecast earnings and capital expenditure for each CGU. The forecast financial information is based on both past experience and future expectations of CGU performance. The major inputs and assumptions used in performing an impairment assessment that require judgement include revenue forecasts, operating cost projections, customer numbers and customer churn, discount rates, growth rates and future technology paths.

Nil terminal growth was applied to all CGUs and a pre-tax discount rate of 10.6% was utilised for the year ended 30 June 2022 (30 June 2021: 10.0%).

## 3.8 Net tangible assets

The calculation of Spark's net tangible assets per share and its reconciliation to the statement of financial position is presented below:

AS AT 30 JUNE	2022 \$M	RESTATED 2021 \$M
Total assets	4,189	4,100
Less intangible assets	(839)	(858)
Less total liabilities	(2,714)	(2,608)
<b>Net tangible assets</b>	<b>636</b>	<b>634</b>
Number of shares outstanding (in millions)	1,872	1,867
<b>Net tangible assets per share</b>	<b>\$0.34</b>	<b>\$0.34</b>

Net tangible assets per share is a non-GAAP financial measure that is not defined in NZ IFRS. Total assets includes assets held for sale and right-of-use assets. Total liabilities includes lease liabilities.

## Section 4 Liabilities and equity

### 4.1 Payables, accruals and provisions

AS AT 30 JUNE	2022 \$M	2021 \$M
<b>Short-term payables, accruals and provisions</b>		
Trade accounts payable and accruals	260	270
Revenue billed in advance	80	80
Accrued personnel costs	38	37
Accrued interest	3	2
GST payable	37	34
Short-term sale and leaseback liabilities	35	34
Short-term provisions	2	3
Other short-term payables and accruals	5	19
	<b>460</b>	<b>479</b>
<b>Long-term payables, accruals and provisions</b>		
Long-term sale and leaseback liabilities	52	47
Long-term provisions	5	10
Other long-term payables and accruals	7	3
	<b>64</b>	<b>60</b>

Trade accounts payable and sale and leaseback liabilities are financial instruments held at amortised cost.

#### Provisions

Total provisions as at 30 June 2022 were \$7 million (30 June 2021: \$13 million). New provisions of \$1 million were made during the year (30 June 2021: \$10 million) and provisions of \$7 million were utilised, released or transferred to held for sale (30 June 2021: \$8 million).

The largest portion of the provisions relate to make-good provisions of \$7 million (30 June 2021: \$12 million).

## NOTES TO THE FINANCIAL STATEMENTS: LIABILITIES AND EQUITY

## 4.2 Lease liabilities

YEAR ENDED 30 JUNE 2022	PROPERTY \$M	CAPACITY \$M	MOBILE SITES \$M	MOTOR VEHICLES \$M	OTHER \$M	TOTAL \$M
Opening lease liability balance	325	2	113	4	21	465
Leases entered into during the year and acquisitions	20	2	7	1	17	47
Liabilities classified as held for sale and other disposals	-	-	(89)	-	-	(89)
Interest expense	12	-	6	-	1	19
Principal repayments	(53)	(1)	(19)	(2)	(13)	(88)
Remeasurements <sup>1</sup>	(14)	-	2	-	-	(12)
<b>Balance at the end of the year</b>	<b>290</b>	<b>3</b>	<b>20</b>	<b>3</b>	<b>26</b>	<b>342</b>
Short-term portion of finance lease receivable	2	-	-	-	-	2
<b>Total lease liability balance</b>	<b>292</b>	<b>3</b>	<b>20</b>	<b>3</b>	<b>26</b>	<b>344</b>
Short-term lease liabilities	37	1	2	2	10	52
Long-term lease liabilities	255	2	18	1	16	292
<b>Lease liabilities - non-cancellable commitments<sup>2</sup></b>	<b>148</b>	<b>3</b>	<b>10</b>	<b>3</b>	<b>26</b>	<b>190</b>

YEAR ENDED 30 JUNE 2021	PROPERTY \$M	CAPACITY \$M	MOBILE SITES \$M	MOTOR VEHICLES \$M	OTHER \$M	TOTAL \$M
Opening lease liability balance	443	2	99	2	26	572
Leases entered into during the year	19	-	27	4	12	62
Disposals	(2)	-	(4)	-	(9)	(15)
Interest expense	19	-	6	-	1	26
Principal repayments	(49)	-	(15)	(2)	(9)	(75)
Remeasurements <sup>3</sup>	(105)	-	-	-	-	(105)
<b>Balance at the end of the year</b>	<b>325</b>	<b>2</b>	<b>113</b>	<b>4</b>	<b>21</b>	<b>465</b>
Short-term portion of finance lease receivable	1	-	-	-	-	1
<b>Total lease liability balance</b>	<b>326</b>	<b>2</b>	<b>113</b>	<b>4</b>	<b>21</b>	<b>466</b>
Short-term lease liabilities	38	-	12	2	8	60
Long-term lease liabilities	288	2	101	2	13	406
<b>Lease liabilities - non-cancellable commitments<sup>2</sup></b>	<b>170</b>	<b>2</b>	<b>53</b>	<b>4</b>	<b>20</b>	<b>249</b>

<sup>1</sup> Remeasurements to property in FY22 primarily relate to modifications for corporate property leases. The reduction in lease liabilities is substantially offset by a reduction in property right-of-use assets (see note 3.4).

<sup>2</sup> Relates to the discounted lease liability for future minimum rental commitments for non-cancellable periods of leases, excluding rights of renewal, which are at Spark's option.

<sup>3</sup> Remeasurements to property in FY21 primarily relate to modifications and changes of assumptions for leases, including market rent reviews and reductions in lease terms for corporate property leases. The reduction in lease liabilities is substantially offset by a reduction in property right-of-use assets (see note 3.4).

## 4.2 Lease liabilities (continued)

### Key estimates and assumptions

Spark recognises a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Spark's incremental borrowing rate. Generally, Spark uses its incremental borrowing rate as the discount rate, with adjustments for the type and term of the lease.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that Spark is reasonably certain to exercise
- Lease payments in an optional renewal period if Spark is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Spark's estimate of the amount expected to be payable under a residual value guarantee or if Spark changes its assessment of whether it will exercise a purchase or extension option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Spark has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low-value assets. Spark recognises the lease payments associated with these leases within operating expenses on a straight-line basis over their lease terms.



## NOTES TO THE FINANCIAL STATEMENTS: LIABILITIES AND EQUITY

## 4.3 Debt

Debt is recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, debt is classified and measured at amortised cost plus, for hedged liabilities that are in a fair value hedging relationship, adjustments for fair value changes attributable to the risk being hedged. Any difference between cost and redemption value (including fair value changes) is recognised in the statement of profit or loss over the period of the borrowings, using the effective interest rate method.

AS AT 30 JUNE				2022 \$M	2021 \$M
FACE VALUE	FACILITY	COUPON RATE	MATURITY		
Short-term debt					
Short-term borrowings		Variable	< 1 months	-	3
Commercial paper		Variable	< 2 months	160	155
				<b>160</b>	<b>158</b>
Supplier financing arrangements <sup>1</sup>					
Amounts with a term less than six months		8.33%	< 6 months	19	-
Amounts due within one year		Variable	< 2 years	14	14
Amounts due in more than a year		Variable	< 2 years	9	18
				<b>42</b>	<b>32</b>
Bank funding					
The Hongkong and Shanghai Banking Corporation Limited	100 million NZD	Variable	30/11/2021	-	100
MUFG Bank, Ltd.	125 million NZD	Variable	30/11/2022	-	60
Westpac New Zealand Limited <sup>2</sup>	200 million NZD	Variable	30/11/2023	140	-
Commonwealth Bank of Australia <sup>2</sup>	100 million NZD	Variable	30/11/2024	100	-
MUFG Bank, Ltd. <sup>2</sup>	125 million NZD	Variable	30/11/2025	125	-
				<b>365</b>	<b>160</b>
Domestic notes					
100 million NZD		4.50%	25/03/2022	-	101
100 million NZD		4.51%	10/03/2023	100	104
125 million NZD		3.37%	07/03/2024	122	130
125 million NZD		3.94%	07/09/2026	117	131
100 million NZD <sup>3</sup>		4.37%	29/09/2028	100	-
				<b>439</b>	<b>466</b>
Foreign currency Medium Term Notes					
Australian Medium Term Notes - 100 million AUD		1.90%	05/06/2026	97	106
Australian Medium Term Notes - 150 million AUD		4.00%	20/10/2027	158	177
Australian Medium Term Notes - 125 million AUD		2.60%	18/03/2030	113	132
Norwegian Medium Term Notes - 1 billion NOK <sup>4</sup>		3.07%	19/03/2029	152	172
				<b>520</b>	<b>587</b>
				<b>1,526</b>	<b>1,403</b>
Debt due within one year				293	373
Long-term debt				1,233	1,030

1 Supplier financing arrangements relate to amounts payable to suppliers on extended payment terms and are therefore considered as debt. Amounts paid under these arrangements are presented in the statement of cashflows within financing activities.

2 These facilities are Sustainability-Linked Loans. Spark will receive lower interest rates if it achieves sustainability targets and higher rates on the loans if it falls short of these targets.

3 This bond is a Sustainability-Linked Bond. The bond includes an interest rate step up depending on the achievement of a sustainability target as at 30 June 2026.

4 Norwegian krone.

### 4.3 Debt (continued)

None of Spark's debt is secured and all debt ranks equally with other liabilities. There are no financial covenants over Spark's debt, however, there are certain triggers in the event of default, as defined in the various debt agreements. There have been no events of default over Spark's debt in the years ended 30 June 2022 and 30 June 2021.

The fair value of long-term debt, including long-term debt due within one year, based on market observable prices, was \$1,359 million compared to a carrying value of \$1,347 million as at 30 June 2022 (30 June 2021: fair value of \$1,270 million compared to a carrying value of \$1,245 million).

AS AT 30 JUNE	2022 \$M	2021 \$M
Total debt	1,526	1,403
Less short-term debt	(179)	(158)
<b>Total long-term debt (including long-term debt due within one year)</b>	<b>1,347</b>	<b>1,245</b>

### 4.4 Capital risk management

Spark manages its capital considering shareholders interests, the value of Spark's assets and the Company's credit rating. The Board is committed to the Company maintaining an investment grade rating and its capital management policies are designed to ensure this objective is met. As part of this commitment Spark currently manages its debt levels to ensure that the ratio of net debt at hedged rates (being inclusive of associated derivatives) to EBITDAI does not materially exceed 1.4 times on a long-run basis, which for credit rating purposes, Spark estimates equates approximately to adjusted net debt to EBITDA of 1.7 times. The difference between these two ratios is primarily due to the credit rating agency managing adjustments for leases and captive finance operations.

As at 30 June 2022 the Company's Standard and Poor's credit ratings for long-term and short-term debt was, respectively, A- and A-2 with outlook stable (30 June 2021: same).

#### Net debt

Net debt at hedged rates, the primary net debt measure Spark monitors, includes long-term debt at the value of hedged cash flows due to arise on maturity, plus short-term debt, less any cash. Net debt at carrying value includes the non-cash impact of fair value hedge adjustments and any unamortised discount.

Net debt at hedged rates is a non-GAAP measure and is not defined in accordance with NZ IFRS but is a measure used by management. A reconciliation of net debt at hedged rates and net debt at carrying value is provided below:

AS AT 30 JUNE	2022 \$M	2021 \$M
Cash	(71)	(72)
Short-term debt at face value	179	158
Long-term debt at face value	1,417	1,212
Net debt at face value	1,525	1,298
To retranslate debt balances at swap rates where hedged by currency swaps	(3)	5
<b>Net debt at hedged rates<sup>1</sup></b>	<b>1,522</b>	<b>1,303</b>
<i>Non-cash adjustments</i>		
Impact of fair value hedge adjustments <sup>2</sup>	10	12
Unamortised discount	(1)	(2)
<b>Net debt at carrying value</b>	<b>1,531</b>	<b>1,313</b>

1 Net debt at hedged rates is the value of hedged cash flows due to arise on maturity and includes an adjustment to state the principal of foreign currency medium term notes at the hedged currency rate.

2 Fair value hedge adjustments arise on domestic notes in fair value hedges and foreign currency medium term notes in dual fair value and cash flow hedges. These have no impact on the cash flows to arise on maturity.

## NOTES TO THE FINANCIAL STATEMENTS: LIABILITIES AND EQUITY

## 4.4 Capital risk management (continued)

A reconciliation of movements in net debt is provided below:

YEAR ENDED 30 JUNE 2022	CASH FLOWS				NON-CASH MOVEMENTS			AS AT 30 JUNE 2022 \$M
	AS AT 1 JULY 2021 \$M	PROCEEDS <sup>1</sup> \$M	PAYMENTS \$M	INTEREST AMORTISATION \$M	FAIR VALUE CHANGES \$M	FOREIGN EXCHANGE MOVEMENT \$M	OTHER \$M	
Cash	(72)	(24,730)	24,731	-	-	-	-	(71)
Short-term debt	158	1,524	(1,503)	-	-	-	-	179
Long-term debt	1,245	19,512	(19,326)	1	(103)	8	10	1,347
Derivatives	(18)	-	-	-	102	(8)	-	76
<b>Net debt</b>	<b>1,313</b>	<b>(3,694)</b>	<b>3,902</b>	<b>1</b>	<b>(1)</b>	<b>-</b>	<b>10</b>	<b>1,531</b>

1 \$7 million of proceeds were received from closing out derivatives and are included in the net proceeds from debt as shown in statement of cash flows. These derivatives were in a cash flow hedge relationship, so do not form part of net debt and are not included in the above table.

YEAR ENDED 30 JUNE 2021	CASH FLOWS				NON-CASH MOVEMENTS			AS AT 30 JUNE 2021 \$M
	AS AT 1 JULY 2020 \$M	PROCEEDS \$M	PAYMENTS \$M	INTEREST AMORTISATION \$M	FAIR VALUE CHANGES \$M	FOREIGN EXCHANGE MOVEMENT \$M	OTHER \$M	
Cash	(53)	(8,996)	8,977	-	-	-	-	(72)
Short-term debt	228	2,044	(2,115)	1	-	-	-	158
Long-term debt	1,244	3,323	(3,290)	(1)	(48)	7	10	1,245
Derivatives	(57)	-	-	-	46	(7)	-	(18)
<b>Net debt</b>	<b>1,362</b>	<b>(3,629)</b>	<b>3,572</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>10</b>	<b>1,313</b>

## 4.5 Equity and dividends

## Share capital

Movements in the Company's issued ordinary shares were as follows:

YEAR ENDED 30 JUNE	2022 NUMBER	2021 NUMBER
Shares at the beginning of the year	1,867,125,093	1,837,044,943
Dividend reinvestment plan	3,735,931	29,190,684
Issuance of shares under share schemes and other transfers	726,451	889,466
<b>Shares at the end of the year</b>	<b>1,871,587,475</b>	<b>1,867,125,093</b>

All issued shares are fully paid and have no par value. Shareholders of ordinary shares have the right to vote at any general meeting of the Company.

## Dividends

YEAR ENDED 30 JUNE	2022		2021	
	CENTS PER SHARE	\$M	CENTS PER SHARE	\$M
Previous year second half-year dividend	12.5	233	12.5	230
First half-year dividend	12.5	234	12.5	231
<b>Total dividends in the year</b>	<b>25.0</b>	<b>467</b>	<b>25.0</b>	<b>461</b>
Second half-year dividend declared subsequent to balance date not provided for	12.5	234	12.5	233

## Events after balance date

On 23 August 2022 the Board approved the payment of a second-half ordinary dividend of 12.5 cents per share or approximately \$234 million. This ordinary dividend will be 100% imputed. In addition, supplementary dividends totalling approximately \$23 million will be payable to shareholders who are not resident in New Zealand. In accordance with the Income Tax Act 2007, Spark will receive a tax credit from Inland Revenue equivalent to the amount of supplementary dividends paid.

## 4.5 Equity and dividends (continued)

	H1 FY22 ORDINARY DIVIDENDS	H2 FY22 ORDINARY DIVIDENDS
<b>Dividends declared</b>		
Ordinary shares	12.5 cents	12.5 cents
American Depositary Shares <sup>1</sup>	42.93 US cents	39.26 US cents
<b>Imputation</b>		
Percentage imputed	100%	100%
Imputation credits per share	4.8611 cents	4.8611 cents
Supplementary dividend per share <sup>2</sup>	2.2059 cents	2.2059 cents
<b>'Ex' dividend dates</b>		
New Zealand Stock Exchange	24/03/2022	15/09/2022
Australian Securities Exchange	24/03/2022	15/09/2022
American Depositary Shares	24/03/2022	15/09/2022
<b>Record dates</b>		
New Zealand Stock Exchange	25/03/2022	16/09/2022
Australian Securities Exchange	25/03/2022	16/09/2022
American Depositary Shares	25/03/2022	16/09/2022
<b>Payment dates</b>		
New Zealand and Australia	8/04/2022	7/10/2022
American Depositary Shares	18/04/2022	21/10/2022

1 Spark's American Depositary Shares, each representing five ordinary Spark shares and evidenced by American Depositary Receipts (ADRs), are traded over-the-counter in the United States. This is a Level 1 ADR programme that is sponsored by Bank of New York Mellon. For H2 FY22 these are based on the exchange rate at 17 August 2022 of NZ\$1 to US\$0.6282 and a ratio of five ordinary shares per one American Depositary Share. The actual exchange rate used for conversion is determined in the week prior to payment when the Bank of New York Mellon performs the physical currency conversion.

2 Supplementary dividends are paid to non-resident shareholders.

### Dividend Reinvestment Plan

The Company has a dividend reinvestment plan under which shareholders can elect to receive dividends in additional shares. For the year ended 30 June 2022 shares with a total value of \$18 million (30 June 2021: \$131 million) were issued in lieu of dividends. Shares issued in lieu of dividends are excluded from dividends paid in the statement of cash flows.

The dividend reinvestment plan has been suspended for the H2 FY22 dividend and for the foreseeable future.



## NOTES TO THE FINANCIAL STATEMENTS: FINANCIAL INSTRUMENTS

# Section 5 Financial instruments

## 5.1 Derivatives and hedge accounting

AS AT 30 JUNE	2022		2021	
	DERIVATIVE ASSETS	DERIVATIVE LIABILITIES	DERIVATIVE ASSETS	DERIVATIVE LIABILITIES
	\$M	\$M	\$M	\$M
Designated in a cash flow hedge	18	(2)	10	(83)
Designated in a fair value hedge	-	(12)	16	-
Designated in a dual fair value and cash flow hedge	-	(64)	9	(7)
Other	-	-	1	(5)
	<b>18</b>	<b>(78)</b>	<b>36</b>	<b>(95)</b>
Short-term derivatives	5	(1)	12	(4)
Long-term derivatives	13	(77)	24	(91)

Spark's derivatives are held at fair value, calculated using discounted cash flow models and observable market rates of interest, foreign exchange and electricity prices. This represents a level two measurement under the fair value measurement hierarchy, being inputs other than quoted prices included within level one that are observable for the asset or liability. As at 30 June 2022 and 30 June 2021 no derivative financial assets or derivative financial liabilities have been offset in the statement of financial position. The potential for offsetting of any derivative financial instruments is \$8 million (30 June 2021: \$20 million), which if applied would result in a reduction of derivative assets and derivative liabilities.

### Hedge accounting

Derivatives are hedge accounted when they are designated into an effective hedge relationship as a hedging instrument. The nature and the effectiveness of the hedge accounting relationship will determine where the gains and losses on remeasurement are recognised.

Derivatives are designated:

- Fair value hedges, where the derivative is used to manage interest rate risk in relation to debt
- Cash flow hedges, where the derivative is used to manage the variability in cash flows of highly probable forecast transactions
- Dual fair value and cash flow hedges, where the derivative is used to hedge the interest rate risk on foreign debt and the variability in cash flows due to movements in foreign exchange rates.

At inception, each hedge relationship is formalised in hedge documentation. Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. Spark determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of respective cash flows, reference interest rates, tenors (time to maturity), repricing dates, maturities and notional amounts. Spark assesses whether the derivative designated in each hedging relationship is expected to be, and has been, effective in offsetting the changes in cash flows of the hedged item using the hypothetical derivative method.

Derivatives in hedge relationships are designated based on a hedge ratio of 1:1. In these hedge relationships the main source of ineffectiveness is the effect of the counterparty and Spark's own credit risk on the fair value of the derivatives, which is not reflected in the change in the fair value of the hedged item attributable to changes in foreign exchange and interest rates.

### Cash flow hedges

Cross-currency interest rate swaps and interest rate swaps are jointly designated in cash flow hedges to manage interest and foreign exchange rate risk on debt. The hedged cash flows will affect Spark's statement of profit or loss and other comprehensive income as interest and principal amounts are repaid over the remaining term of the debt.

Interest rate swaps are designated in cash flow hedges to manage the interest rate exposure of highly probable forecast variable rate debt and aggregate variable interest rate exposures created by swapping local or foreign currency fixed-rate debt into variable rate debt.

Electricity hedge contracts were designated in cash flow hedges to reduce electricity price risk from price fluctuations. These hedge contracts established the price at which future specified quantities of electricity are purchased and settled. Any resulting differential to be paid or received was recognised as a component of electricity costs through the term of the contracts.

Spark also enters into forward exchange contracts to hedge forecast foreign currency purchases, the majority expected to be made within 12 months. The related cash flows are recognised in the statement of profit or loss and other comprehensive income over this period.

## 5.1 Derivatives and hedge accounting (continued)

A reconciliation of movements in the hedge reserves, net of tax, is outlined below:

YEAR ENDED 30 JUNE	2022 \$M	2021 \$M
Opening balance as at 1 July	(63)	(120)
Gain recognised in other comprehensive income	52	57
Amount reclassified to finance expense	12	14
Amount reclassified to property, plant and equipment/intangible assets and inventory	6	(9)
Amount reclassified to other operating expenses	1	(5)
<b>Total movements to other comprehensive income</b>	<b>71</b>	<b>57</b>
<b>Closing balance as at 30 June</b>	<b>8</b>	<b>(63)</b>

Other amounts deferred in equity will be transferred to the statement of profit or loss over the next three years (30 June 2021: four years). Included within the closing balance at 30 June 2022 is \$3 million relating to the cost of hedging reserve (30 June 2021: \$3 million). The movement in the hedge reserves includes \$98 million in the change in fair value of interest rate swaps less \$27 million associated deferred tax (30 June 2021: \$68 million in the change in fair value of interest rate swaps less \$19 million associated deferred tax, \$6 million in relation to electricity derivatives and \$2 million for forward foreign exchange contracts).

### Fair value hedges

Interest rate swaps are designated in a fair value hedge to manage interest rate risk in relation to debt. The gain or loss from remeasuring the interest rate swaps and debt at fair value is recognised in the statement of profit or loss and other comprehensive income. During the year ended 30 June 2022 there has been no material ineffectiveness on fair value hedging relationships (30 June 2021: no material ineffectiveness) and as a result no material changes have been recognised in profit and loss.

### Dual fair value and cash flow hedges

Spark has Australian dollar (AUD) and Norwegian krone (NOK) denominated debt. As part of Spark's risk management policy, cross-currency interest rate swaps (CCIRSs) are entered into to convert all of the proceeds of the debt issuances to New Zealand dollars and convert the foreign currency fixed rate of the debt issuance to a New Zealand dollar floating rate. To mitigate profit or loss volatility, the CCIRSs were designated into a dual fair value and cash flow hedge relationship. The foreign currency basis element of the CCIRSs are excluded from the designation and are separately recognised in other comprehensive income in a cost of hedging reserve.

For fair value hedges the gain or loss from remeasuring the CCIRSs and debt at fair value is recognised in the statement of profit or loss and other comprehensive income. For cash flow hedges gains or losses deferred in the cash flow hedge reserve will be reclassified to Spark's statement of profit or loss and other comprehensive income as interest and principal amounts are repaid over the remaining term of the debt.

The change in fair value of the hedging instruments relating to the foreign currency basis component of the CCIRSs are recognised in other comprehensive income and accumulated in a cost of hedging equity reserve. Subsequently, the cumulative amount is transferred to profit or loss at the same time as the hedged item impacts profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS: FINANCIAL INSTRUMENTS

## 5.1 Derivatives and hedge accounting (continued)

The details of the hedging instruments are as follows:

	NOTIONAL AMOUNT OF HEDGING INSTRUMENT	STATEMENT OF FINANCIAL POSITION LINE ITEM	CARRYING AMOUNT OF THE HEDGING INSTRUMENT		LIFE-TO-DATE CHANGE-IN- VALUE USED FOR CALCULATING HEDGE INEFFECTIVE- NESS
			ASSETS	LIABILITIES	
			\$M	\$M	\$M
AS AT 30 JUNE 2022					
<b>Cash flow hedges</b>					
Interest rate swaps	NZD 640m	Derivatives	13	(2)	11
Forward foreign exchange contracts	NZD 78m	Derivatives	5	-	5
<b>Fair value hedges</b>					
Interest rate swaps	NZD 350m	Derivatives	-	(12)	(12)
Forward foreign exchange contracts	NZD 18m	Derivatives	-	-	-
<b>Fair value and cash flow hedges</b>					
Cross-currency swaps	AUD 150m	Derivatives	-	(10)	(10)
Cross-currency swap	NOK 1b	Derivatives	-	(21)	(21)
Cross-currency swaps	AUD 125m	Derivatives	-	(23)	(23)
Cross-currency swaps	AUD 100m	Derivatives	-	(10)	(10)
			<b>18</b>	<b>(78)</b>	<b>(60)</b>

AS AT 30 JUNE 2021

<b>Cash flow hedges</b>					
Interest rate swaps	NZD 780m	Derivatives	-	(80)	(80)
Forward foreign exchange contracts	NZD 200m	Derivatives	3	(3)	-
Electricity derivatives	66.24 GWh	Derivatives	7	-	7
<b>Fair value hedges</b>					
Interest rate swaps	NZD 390m	Derivatives	16	-	16
Forward foreign exchange contracts	NZD 8m	Derivatives	-	-	-
<b>Fair value and cash flow hedges</b>					
Cross-currency swaps	AUD 150m	Derivatives	9	-	9
Cross-currency swap	NOK 1b	Derivatives	-	(2)	(2)
Cross-currency swaps	AUD 125m	Derivatives	-	(3)	(3)
Cross-currency swaps	AUD 100m	Derivatives	-	(2)	(2)
			<b>35</b>	<b>(90)</b>	<b>(55)</b>

## 5.1 Derivatives and hedge accounting (continued)

The details of hedged items are as follows:

AS AT 30 JUNE 2022	STATEMENT OF FINANCIAL POSITION LINE ITEM	CARRYING AMOUNT OF THE HEDGED ITEM		ACCUMULATED AMOUNT OF FAIR VALUE HEDGE ADJUSTMENTS ON THE HEDGED ITEM INCLUDED IN THE CARRYING AMOUNT OF THE HEDGED ITEM		LIFE-TO-DATE CHANGE-IN- VALUE USED FOR CALCULATING HEDGE INEFFECTIVE- NESS
		ASSETS	LIABILITIES	ASSETS	LIABILITIES	
	\$M	\$M	\$M	\$M	\$M	\$M
<b>Cash flow hedges</b>						
Aggregated variable interest rate exposure	-	-	-	-	-	(11)
Committed foreign exchange transactions	-	-	-	-	-	(5)
<b>Fair value hedges</b>						
Domestic Notes	Long-term debt	-	(339)	12	-	12
<b>Fair value and cash flow hedges</b>						
Australian Medium Term Note (AUD 150m)	Long-term debt	-	(158)	7	-	10
Norwegian Medium Term Note (NOK 1b)	Long-term debt	-	(152)	11	-	21
Australian Medium Term Note (AUD 125m)	Long-term debt	-	(113)	25	-	23
Australian Medium Term Note (AUD 100m)	Long-term debt	-	(97)	13	-	10
		-	(859)	68	-	60

AS AT 30 JUNE 2021

<b>Cash flow hedges</b>						
Aggregated variable interest rate exposure	-	-	-	-	-	80
Highly probable forecast purchases of electricity	-	-	-	-	-	(7)
<b>Fair value hedges</b>						
Domestic Notes	Long-term debt	-	(407)	-	(17)	(16)
<b>Fair value and cash flow hedges</b>						
Australian Medium Term Note (AUD 150m)	Long-term debt	-	(177)	-	(17)	(9)
Norwegian Medium Term Note (NOK 1b)	Long-term debt	-	(172)	-	(6)	2
Australian Medium Term Note (AUD 125m)	Long-term debt	-	(132)	2	-	3
Australian Medium Term Note (AUD 100m)	Long-term debt	-	(106)	2	-	2
		-	(994)	4	(40)	55



## NOTES TO THE FINANCIAL STATEMENTS: FINANCIAL INSTRUMENTS

### 5.2 Financial risk management

#### a) Market risk

Spark is exposed to market risk primarily from changes in foreign currency exchange rates and interest rates. Spark employs risk management strategies, including the use of derivative financial instruments, to manage these exposures through a Board-approved treasury policy, which provides the framework within which treasury-related activities are conducted.

Spark manages the concentration of exposures using well-defined market and credit risk limits and through timely reporting to senior management. All contracts have been entered into with high-credit quality financial institutions. The risk associated with these transactions is that the fair value or cash flows of financial instruments will change due to movements in market rates or, in the case of default by a counterparty, through the cost of replacement at the current market rates.

#### Currency risk

##### Nature of the risk

Currency risk is the risk that eventual New Zealand dollar net cash flows from transactions undertaken by Spark will be adversely affected by changes in foreign currency exchange rates.

##### Exposure and risk management

Spark's total net exposure (from non-derivative financial instruments) to foreign currency as at 30 June 2022 is \$559 million (30 June 2021: \$598 million). This includes \$163 million long-term debt principal denominated in NOK (30 June 2021: \$167 million) and \$414 million long-term debt principal denominated in AUD (30 June 2021: \$403 million). The remaining exposure is primarily trade payables and other receivables denominated in United States dollars (USD).

Spark manages currency risk arising from foreign currency debt through hedging. Spark's long-term debt issued in NOK and AUD is fully hedged using cross-currency interest rate swaps to convert foreign currency cashflows into floating-rate New Zealand dollar exposures.

Currency risk from capital and operational expenditure in foreign currencies (and related trade payables) has been substantially hedged by entering into forward exchange contracts.

##### Sensitivity to foreign currency movements

As at 30 June 2022 a movement of 10% in the New Zealand dollar would (after hedging) impact the statement of profit or loss by less than \$1 million (30 June 2021: less than \$3 million) and the statement of changes in equity by less than \$12 million (30 June 2021: less than \$19 million). This analysis assumes a movement in the New Zealand dollar across all currencies and only includes the effect of foreign exchange movements on monetary financial instruments.

#### Interest rate risk

##### Nature of the risk

Interest rate risk is the risk that fluctuations in interest rates impact Spark's cash flows, financial performance or the fair value of its holdings of financial instruments.

##### Exposure and risk management

Spark is exposed to interest rate risk from its financing activities, which primarily include loans and debt issuance either at fixed or floating rates. For floating-rate exposures Spark employs the use of derivative financial instruments to reduce its exposure to fluctuations in interest rates, with the objective to minimise the cost of net borrowings and to minimise the impact of interest rate movements on interest expense and net earnings.

Cross-currency interest rate swaps are used to convert foreign currency debt into floating-rate New Zealand dollar exposures. Interest rate swaps are used to convert floating-rate exposures into fixed-rate exposures and vice versa. As a result Spark's interest rate exposure is limited to New Zealand only.

##### Sensitivity to interest rate movements

As at 30 June 2022 a movement in interest rates of 25 basis points would (after hedging) impact the statement of profit or loss by less than \$1 million (30 June 2021: less than \$1 million) and the statement of changes in equity by less than \$1 million (30 June 2021: less than \$2 million).

## 5.2 Financial risk management (continued)

### b) Credit risk

#### Nature of the risk

Credit risk arises in the normal course of Spark's business on cash, receivables and derivative financial instruments if a counterparty fails to meet its contractual obligations.

#### Exposure and risk management

Spark is exposed to credit risk if customers and counterparties fail to make payments in respect of:

- Payment of trade and other receivables as they fall due; and
- Contractual cash flows of derivative assets held at fair value.

Spark's assets subject to credit risk as at 30 June 2022 were \$976 million (30 June 2021: \$1,010 million).

Spark considers the probability of default upon initial recognition of cash, receivables and derivative assets and whether there has been a significant and ongoing increase in credit risk at the end of each reporting period. To assess this Spark compares the risk of default occurring on these assets at the reporting date, with the risk of default at the date of initial recognition. Available, reasonable and supportive forward-looking information is considered, especially the following indicators:

- External credit rating (as far as available)
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer or counterparty's ability to meet their obligations
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.

Spark manages its exposure using a credit policy that includes limits on exposures with significant counterparties that have been set and approved by the Board and are monitored on a regular basis. Spark places its cash and derivative financial instruments with high-credit quality financial institutions and does not have significant concentration of risk with any single party. Concentration of credit risk for trade and other receivables is limited because of Spark's large customer base.

Spark has certain derivative and debt arrangements that are subject to bilateral credit support agreements that require Spark or its counterparties to post collateral funds to support the value of certain derivatives subject to certain agreed threshold amounts. As at 30 June 2022 no collateral was posted (30 June 2021: nil). Letters of credit and guarantees may also be held over some receivable amounts. The carrying amounts of financial assets represent the maximum credit exposure.

### c) Liquidity risk

#### Nature of the risk

Liquidity risk represents Spark's ability to meet its contractual obligations as they fall due.

#### Exposure and risk management

Spark uses cash and derivative financial instruments to manage liquidity and evaluates its liquidity requirements on an ongoing basis. In general, Spark generates sufficient cash flows from its operating activities to meet its financial liabilities. As at 30 June 2022 Spark had current assets of \$1,221 million and current liabilities of \$940 million (30 June 2021: current assets of \$916 million and current liabilities of \$939 million). Positive operating cash flows enable working capital to be managed to meet short-term liabilities as they fall due.

In the event of any shortfalls Spark has the following financing programmes:

- An undrawn committed standby facility of \$200 million with a number of creditworthy banks (30 June 2021: \$200 million)
- Committed bank facilities of \$425 million with \$365 million drawn as at 30 June 2022 (30 June 2021: \$575 million facilities with \$160 million drawn)
- Committed bank overdraft facilities of \$15 million with New Zealand banks (30 June 2021: \$15 million).

There are no compensating balance requirements associated with these facilities.

Spark's liquidity policy is to maintain unutilised committed facilities of at least 110% of the next 12 months' forecast peak net funding requirements, including coverage for short-term capital market issues. Spark's funding policy requires that no more than 30% of long-term debt (including undrawn and standby facilities) can mature within the next 12 months, which has been met.

## NOTES TO THE FINANCIAL STATEMENTS: FINANCIAL INSTRUMENTS

## 5.2 Financial risk management (continued)

## c) Liquidity risk (continued)

## Maturity analysis

The following table provides an analysis of Spark's remaining contractual cash flows relating to financial liabilities. Contractual cash flows include contractual undiscounted principal and interest payments.

AS AT 30 JUNE 2022	CARRYING AMOUNT \$M	CONTRACTUAL CASH FLOWS \$M	0-6 MONTHS \$M	6-12 MONTHS \$M	1-2 YEARS \$M	2-5 YEARS \$M	5+ YEARS \$M
<b>Non-derivative financial liabilities</b>							
Trade payables	260	260	260	-	-	-	-
Sale and leaseback liabilities	87	93	22	25	24	22	-
Lease liabilities	344	434	35	30	52	111	206
Short and long-term debt	1,526	1,765	568	126	164	310	597
<b>Derivative financial liabilities</b>							
Interest rate swaps (net settled)	14	-	3	-	-	(2)	(1)
Cross-currency interest rate swaps (gross settled)							
Inflows	-	(686)	(6)	(11)	(17)	(161)	(491)
Outflows	64	771	14	17	34	197	509
Forward exchange contracts (gross settled)							
Inflows	-	(18)	(18)	-	-	-	-
Outflows	-	18	18	-	-	-	-
	<b>2,295</b>	<b>2,637</b>	<b>896</b>	<b>187</b>	<b>257</b>	<b>477</b>	<b>820</b>

AS AT 30 JUNE 2021	CARRYING AMOUNT \$M	CONTRACTUAL CASH FLOWS \$M	0-6 MONTHS \$M	6-12 MONTHS \$M	1-2 YEARS \$M	2-5 YEARS \$M	5+ YEARS \$M
<b>Non-derivative financial liabilities</b>							
Trade payables	270	270	270	-	-	-	-
Sale and leaseback liabilities	81	91	22	25	31	13	-
Lease liabilities	466	616	40	36	70	147	323
Short and long-term debt	1,403	1,509	330	120	130	301	628
<b>Derivative financial liabilities</b>							
Interest rate swaps (net settled)	85	69	7	6	13	31	12
Cross-currency interest rate swaps (gross settled)							
Inflows	-	(695)	(6)	(11)	(17)	(159)	(502)
Outflows	7	707	6	6	15	165	515
Forward exchange contracts (gross settled)							
Inflows	-	(89)	(85)	(4)	-	-	-
Outflows	3	92	87	5	-	-	-
	<b>2,315</b>	<b>2,570</b>	<b>671</b>	<b>183</b>	<b>242</b>	<b>498</b>	<b>976</b>

## Section 6 Other information

### 6.1 Income tax

#### Income tax expense

The income tax expense is determined as follows:

YEAR ENDED 30 JUNE	2022 \$M	2021 \$M
<b>Statement of profit or loss and other comprehensive income</b>		
Current income tax		
Current year income tax expense	(177)	(172)
Adjustments in respect of prior periods	(1)	4
Deferred income tax		
Depreciation, provisions, accruals, tax losses and other	8	4
Adjustments in respect of prior periods	(1)	(5)
<b>Income tax expense recognised in the statement of profit or loss and other comprehensive income</b>	<b>(171)</b>	<b>(169)</b>

#### Reconciliation of income tax expense

YEAR ENDED 30 JUNE	2022 \$M	RESTATED 2021 \$M
<b>Net earnings before income tax</b>	<b>581</b>	<b>550</b>
Tax at current rate of 28%	(163)	(154)
Adjustments to taxation		
Non-assessable gains on sale	(3)	1
Other non-assessable items	3	(3)
Tax effects of non-New Zealand profits	(7)	(6)
Taxes paid in foreign jurisdictions	-	(6)
Adjustments in respect of prior periods	(1)	(1)
<b>Total income tax expense</b>	<b>(171)</b>	<b>(169)</b>



## NOTES TO THE FINANCIAL STATEMENTS: OTHER INFORMATION

## 6.1 Income tax (continued)

## Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset in the statement of financial position and presented as a net deferred tax liability. The movement in the deferred tax assets and liabilities is provided below:

ASSETS/(LIABILITIES)	FIXED ASSETS \$M	LEASES \$M	PROVISIONS & ACCRUALS \$M	OTHER \$M	TOTAL \$M
Opening balance as at 1 July 2021	(77)	(19)	(5)	19	(82)
Amounts recognised in statement of profit or loss and other comprehensive income					
Relating to the current period	20	16	(2)	(26)	8
Adjustments in respect of prior periods	(1)	-	-	-	(1)
Amounts recognised in equity relating to the current year	-	-	-	(27)	(27)
Amounts classified as held for sale	-	-	-	(6)	(6)
<b>Closing balance as at 30 June 2022</b>	<b>(58)</b>	<b>(3)</b>	<b>(7)</b>	<b>(40)</b>	<b>(108)</b>
Opening balance as at 1 July 2020 - RESTATED	(125)	27	-	39	(59)
Amounts recognised in statement of profit or loss and other comprehensive income					
Relating to the current period	20	(17)	(1)	2	4
Adjustments in respect of prior periods	(1)	-	(4)	-	(5)
Amounts recognised in equity relating to the current year	-	-	-	(22)	(22)
Reclassifications	29	(29)	-	-	-
<b>Closing balance as at 30 June 2021</b>	<b>(77)</b>	<b>(19)</b>	<b>(5)</b>	<b>19</b>	<b>(82)</b>

Spark has not recognised the tax effect of accumulated unrestricted losses and temporary differences amounting to AUD\$461 million at 30 June 2022 based on the relevant corporation tax rate of Australia (30 June 2021: AUD\$461 million). These losses and temporary differences may be available to be carried forward to offset against future taxable income. However, utilisation is contingent on the production of taxable profits over a significant period of time and is subject to compliance with the relevant taxation authority requirements.

Spark has a negative 16 million imputation credit account balance as at 30 June 2022 due to the timing of dividend and tax payments (30 June 2021: negative 18 million). The imputation credit account had a positive balance as at 31 March 2022 and 31 March 2021.

## 6.2 Employee share schemes

Spark operates share-based compensation plans that are equity settled as outlined below.

## Restricted share schemes (RSS)

A restricted share scheme was initially introduced for selected employees in September 2001. For new allocations after August 2015 these were replaced by two new restricted share schemes:

- Spark New Zealand Long-Term Incentive Scheme
- Spark New Zealand Managing Director Long-Term Incentive Scheme.

The Spark New Zealand Long-Term Incentive Scheme is for the senior leaders including the Leadership Squad and delivers one scheme with the same set of rules under one long-term incentive, with a performance hurdle in place. The Spark New Zealand Managing Director Long-Term Incentive Scheme related to the previous Managing Director, Simon Moutter.

Under these restricted share schemes, ordinary shares in the Company are issued to Spark Trustee Limited. Participants purchase shares from Spark Trustee Limited with funds lent to them by the Company and which are held on their behalf by Spark Trustee Limited. If the individual is still employed by Spark at the end of the vesting period (generally three years) and applicable performance hurdles are met, the employee is provided a cash bonus, which must be used to repay the loan and the shares are then transferred to the individual. The target for this hurdle is the Company's cost of equity plus 1% compounding annually. The last year when RSS shares were granted was FY19 therefore FY22 was the last year where RSS shares vested.

## 6.2 Employee share schemes (continued)

### Share option scheme

From September 2019, members of the Leadership Squad (including the CEO) and selected senior leaders have been granted options under the new Spark Long-Term Incentive (LTI) scheme. Under the scheme participants are granted options at the start of the three-year vesting period. The number of options granted equals the gross LTI value divided by the volume weighted average price of Spark New Zealand shares for the 20 days prior to the grant date. Subject to satisfaction of the performance hurdle and continued employment, at vesting each option converts to a Spark share based on a zero exercise price. If the target is not met (or the participant leaves Spark employment) then the options simply lapse, with exceptions for redundancy, death and disablement. Spark enables participants to meet tax obligations through PAYE by authorising the sale of a sufficient number of shares on their behalf.

Vesting of the LTI grants are contingent on: participants' continued employment with Spark for three years from grant date (subject to exceptions); and the Company achieving the specified performance hurdles. The performance hurdle targets are set annually and for grants issued in 2019, 2020 and 2021 this was the Company's cost of equity plus 1% compounding annually. Options with an intrinsic value of \$14 million (30 June 2021: \$9 million) remain outstanding at 30 June 2022 and have a weighted average remaining life of 1.3 years (30 June 2021: 1.7 years).

Information regarding shares and options awarded under these schemes is as follows:

	2022		2021	
	OPTIONS NUMBER OF OPTIONS	RSS NUMBER OF SHARES	OPTIONS NUMBER OF OPTIONS	RSS NUMBER OF SHARES
Opening balance as at 1 July	1,845,544	566,041	998,125	1,086,461
Granted	1,042,944	-	939,898	-
Vested	-	(566,041)	-	(512,447)
Lapsed	(48,195)	-	(92,479)	(7,973)
<b>Closing balance as at 30 June</b>	<b>2,840,293</b>	<b>-</b>	<b>1,845,544</b>	<b>566,041</b>
Percentage of total ordinary shares	0.15%	0.00%	0.10%	0.03%

The fair value of the employee services received in exchange for the grant of equity instruments is recognised as an expense, with a corresponding entry in equity. The total charge recognised for these schemes for the year ended 30 June 2022 was \$1.3 million (30 June 2021: \$1.8 million) and the expense relating to the restricted shares schemes was \$0.1 million (30 June 2021: \$1.2 million). As at 30 June 2022, \$1.6 million of share scheme awards remain unvested and not expensed (30 June 2021: \$1.6 million). This expense, measured at its fair value based on a valuation model, will be recognised over the remaining vesting period of the awards.

## 6.3 Related party transactions

Related parties of Spark include the associates and joint venture companies listed in note 3.3 and key management personnel detailed below.

### Interest of directors in certain transactions

A number of the Company's directors are also directors of other companies and any transactions undertaken with these entities have been entered into on a commercial basis.

### Transactions with associate and joint venture companies

Spark's transactions with associates and joint ventures include the following:

- Spark provided network operations and management services to Southern Cross in respect of its operations in New Zealand
- Spark made payments to Southern Cross in connection with capacity it has purchased on Southern Cross' network
- Spark made payments to Southern Cross for operational expenditure relating to cable maintenance
- Spark made payments to Connect 8 Limited for fibre and telecommunications construction services until the full acquisition of the entity on 31 January 2022
- Spark made payments to Adroit Holdings Limited for operational expenditure relating to environmental IoT services and hardware following the acquisition of approximately 38% of the entity on 18 March 2022
- Spark received revenue from Rural Connectivity Group for the sale of mobile backhaul equipment
- Spark received revenue from Connect 8 Limited in the prior year for the sale of mobile network equipment.

## NOTES TO THE FINANCIAL STATEMENTS: OTHER INFORMATION

## 6.3 Related party transactions (continued)

Balances and amounts in respect of these transactions with associate and joint venture companies are set out in the table below:

AS AT AND FOR THE YEAR ENDED 30 JUNE	2022 \$M	2021 \$M
Operating revenues	5	12
Operating expenses	(13)	(14)
Capacity acquired and other capital expenditure <sup>1</sup>	(15)	(23)
Receivables	20	18
Payables	-	(1)

<sup>1</sup> As at 30 June 2022 Spark has committed to purchases of \$49 million for cable capacity from Southern Cross (30 June 2021: \$50 million).

## Key management personnel compensation

YEAR ENDED 30 JUNE	2022 \$'000	2021 \$'000
Directors' remuneration <sup>1</sup>	1,263	1,292
Salary and other short-term benefits	8,116	7,577
Share-based compensation	743	831
	<b>10,122</b>	<b>9,700</b>

<sup>1</sup> Excludes Chief Executive remuneration.

The table above includes remuneration of the Chief Executive and the other members of the Leadership Squad, including amounts paid to members of the Leadership Squad who left during the year ended 30 June or were in acting Leadership Squad positions. Like other Spark employees, members of the Leadership Squad also receive product and service concessions. In addition, where members of the Leadership Squad are KiwiSaver members, they receive contributions towards their KiwiSaver schemes.

## 6.4 Subsidiaries

Subsidiaries are all entities over which Spark has control. The significant subsidiary companies of Spark and their activities are as follows:

NAME	COUNTRY	OWNERSHIP	PRINCIPAL ACTIVITY
Computer Concepts Limited	New Zealand	100%	IT infrastructure and business cloud services
Connect 8 Limited	New Zealand	100%	Mobile infrastructure business
Digital Island Limited	New Zealand	100%	Business telecommunications provider
Gen-i Australia Pty Limited	Australia <sup>1</sup>	100%	Provides international wholesale and outsourced telecommunications services
Mattr Limited	New Zealand	94%	Software company focused on decentralised identity and verifiable data
Qrious Limited	New Zealand	100%	Data analytics business
Revera Limited	New Zealand	100%	IT infrastructure and data centre provider
Spark Finance Limited	New Zealand	100%	A Group finance company
Spark New Zealand Trading Limited	New Zealand	100%	Telecommunications and digital services company
TCNZ (Bermuda) Limited	New Zealand	100%	A holding company
Teleco Insurance Limited	Bermuda <sup>1</sup>	100%	A Group insurance company
Telecom New Zealand USA Limited	United States <sup>1</sup>	100%	Provides international wholesale telecommunications services
Telecom Southern Cross Limited	New Zealand	100%	A holding company
Entelar Limited (previously Telegistics Limited)	New Zealand	100%	Mobile phone repair and equipment distribution

<sup>1</sup> These foreign incorporated entities are tax resident in New Zealand.

The financial year end of all significant subsidiaries is 30 June.

## 6.5 Reconciliation of net earnings to net cash flows from operating activities

YEAR ENDED 30 JUNE	2022 \$M	RESTATED 2021 \$M
Net earnings for the year	410	381
Adjustments to reconcile net earnings to net cash flows from operating activities		
Depreciation and amortisation	520	521
Bad and doubtful accounts	7	(4)
Deferred income tax	(6)	2
Share of associates' and joint ventures' net losses	1	1
Impairments	2	2
Other gains	(26)	(28)
Other	-	(5)
Changes in assets and liabilities net of effects of non-cash and investing and financing activities		
Movement in receivables and related items	(52)	(1)
Movement in inventories	(41)	31
Movement in current taxation	17	(20)
Movement in payables and related items	9	(27)
<b>Net cash flows from operating activities</b>	<b>841</b>	<b>853</b>

## 6.6 Commitments and contingencies

### Capital and other commitments

As at 30 June 2022 capital expenditure contracted for, but not yet incurred, was \$498 million (30 June 2021: \$173 million) with \$327 million due in the year ending 30 June 2023. Commitments principally relate to telecommunications network equipment, data centre infrastructure and cable capacity.

As at 30 June 2022 Spark had other supplier commitments of \$689 million (30 June 2021: \$633 million), with \$567 million due in the year ending 30 June 2023. Commitments include mobile handsets, subscription services, modems, licences and content rights.

### Contingencies

No ongoing claims, investigations and inquiries are expected to have a significant effect on Spark's financial position or profitability.





# Independent Auditor's Report

## To the Shareholders of Spark New Zealand Limited

### Opinion

We have audited the consolidated financial statements of Spark New Zealand Limited and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 79 to 123, present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2022, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assignments for Spark New Zealand Limited in relation to regulatory audit, other assurance related services (such as trustee reporting), taxation compliance and non-assurance services provided to the Corporate Taxpayers Group of which Spark New Zealand Limited is a member. These services have not impaired our independence as auditor of the Group. In addition to this, the Chief Executive has both a sister and brother-in-law that are partners at Deloitte. These Deloitte partners are not involved in the provision of any services to the Group and its subsidiaries, and this matter has not impacted our independence. Also, partners and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. The firm has no other relationship with, or interest in the Group.

### Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be \$27 million.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Key audit matter

### Revenue recognition and recoverability of certain contract cost assets

The Group's reported operating revenue of \$3,694m, (2021: \$3,565m) includes:

- Mobile \$1,351m (2021: \$1,311m)
- Voice \$285m (2021: \$308m)
- Broadband \$639m (2021: \$670m)
- Cloud, security, and service management \$446m (2021: \$443m)
- Procurement and partners \$538m (2021: \$414m)
- Managed data, networks, and services \$283m (2021: \$282m)
- Other operating revenues \$152m (2021: \$137m)

Revenue recognition is considered to be a key audit matter.

For Mobile and Broadband revenue, and to a lesser extent other revenue streams, there is an inherent risk around the accuracy and timing of revenue recognition given the complexity of systems and the large volume of data processed; moreover, judgement is required for multiple element arrangements. This risk is most pronounced for new or changing product plans and prices.

Cloud, security and service management revenue requires significant management judgements and estimates, particularly for larger contracts, which are bespoke and cover several accounting periods.

The judgements and estimates that significantly impact the accuracy of revenue recognition for these contracts include:

- identifying the separate performance obligations;
- assessing whether the performance obligations are satisfied at a point in time or over time; and
- determining the amount and appropriate method of measuring the costs of fulfilling the performance obligations or, where appropriate, the completeness and valuation of provisions against contracts that are expected to be loss-making.

Contract costs incurred to fulfil a contract arising from these contracts require significant estimation in determining their recoverability, and the appropriate period of amortisation.

Disclosures relating to revenue recognition and the revenue stream break down can be found in Note 2.2. Operating revenues and other gains. Refer also to Note 3.1 Contract Costs for further information on costs to fulfil a contract.

## How our audit addressed the key audit matter

Our audit approach included both controls testing and substantive procedures. For our procedures on the design and operating effectiveness of controls over significant IT systems, we involved our IT specialists.

Our audit procedures included:

### Across Mobile and Broadband, and Cloud, security and service management revenue streams:

- assessing the appropriateness of the revenue recognition policies for the products and services offered by the Group, which included but were not limited to:
  - challenging the Group's assessment for each performance obligation about whether the customer can benefit from the product or service on its own or together with readily available resources;
  - assessing the allocation of the transaction price to the performance obligations by comparing the stand-alone selling price assigned to observed market prices or estimated prices; and
  - examining the stages at which revenue for each performance obligation is recognised.
- testing of manual journal entries recorded in the general ledger relating to revenue recognition.

### Mobile and Broadband:

- Testing of the design and implementation, and the operating effectiveness of automated controls and interfaces between relevant IT applications, measurement and billing of revenue, and the recording of entries in the general ledger. We also tested the access controls and change management controls over the relevant billing systems;
- Testing of the design and implementation, and the operating effectiveness of manual controls over the initiation, authorisation, recording and processing of revenue transactions. This included evaluating process controls over authorising new price plans and rate changes and the adjustments to the relevant billing systems;
- Testing the design and implementation of revenue recognition controls, including rating and billing during the year as it relates to new or changing product plans;
- Recalculating revenue recognised to evaluate that the processing by the relevant telecommunication system is materially correct;
- Reviewing new product plans in the current year to understand each of the performance obligations in the bundled offering;
- For new product plans that provide a bundle of services, assessing whether the customer can benefit from the product or service on its own or together with readily available resources; and
- Assessing the recognition and timing of costs to acquire and costs to fulfil customer contracts.

## Key audit matter

## How our audit addressed the key audit matter

**Carrying value of property, plant & equipment and intangible assets**

The Group has property, plant & equipment and intangible assets of \$1,948m (2021: \$1,938m).

There are a number of areas where judgements significantly impact the carrying value of property, plant & equipment and intangible assets and their respective depreciation and amortisation profiles. These areas are as follows:

- the impact of planned or unexpected replacement technology which will impact the way in which an asset is used or is expected to be used;
- the determination as to whether to capitalise or expense costs, particularly in relation to internal labour costs;
- the useful economic life of the asset; and
- the timely transfer and commencement of depreciation of assets transferred from work in progress.

Changes in these judgements may have a significant impact on the results of the Group. Due to the significance of these judgements and the materiality of these assets to the consolidated Statement of Financial Position, this is considered a key audit matter.

Refer to notes 3.6 and 3.7.

**Cloud, security and service management:**

- testing of cloud, security and service management contracts for appropriate revenue recognition and provisioning for contracts that were expected to be loss-making. We considered the future forecast profitability and the contractual terms to assess the recoverability of the contract-specific assets and to determine if any contracts required loss provisions; and
- testing a sample of revenue transactions recorded during the year by agreeing to supporting evidence, which included cash receipts, customer contracts, and invoices. We focused our work on contracts which we regarded as higher risk because of the nature of the contract and the stage of delivery.

Our audit procedures included the following:

- testing of the design and implementation, and the operating effectiveness of controls over the acquisition and disposal of assets;
- assessing the appropriateness of capitalisation of costs incurred on capital projects, by examining a sample of additions to identify if the expenditure meets the definition of an asset in accordance with the applicable accounting standards;
- assessing the reasonableness of the internal labour rates used to capitalise internal labour;
- assessing the appropriateness of the date from which assets commenced being depreciated;
- assessing the allocated useful economic lives, by comparing to industry benchmarks and our knowledge of the business and its operations; and
- reviewing Board minutes and performing inquiries with management personnel around the prevailing risks of technological obsolescence and assessing their impact on the useful lives/impairment risk of existing assets.

We assessed the application of the Group's annual asset life review. This included assessing judgements made by the Group on:

- the appropriateness of asset lives applied in the calculation of depreciation and amortisation;
- the nature and impact of changes on the business from Spark's strategy, including which specific assets are impacted; and
- the extent of the impact of these changes on the carrying value of identified property, plant and equipment and software intangible assets.

**Other information**

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

**Directors' responsibilities for the consolidated financial statements**

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1>

This description forms part of our auditor's report.

**Restriction on use**

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

*Deloitte Limited*

**Jason Stachurski, Partner for Deloitte Limited**

Auckland, New Zealand

24 August 2022



## Other information

# Corporate governance disclosures

## Stock exchange listings

Spark's ordinary shares are listed on the NZX and ASX. Spark is admitted to the Official List of ASX as a foreign exempt issuer. As an NZX listed issuer and ASX foreign exempt issuer, Spark complies with NZX Listing Rules and applicable ASX Listing Rules.

Spark's American Depositary Shares, each representing five ordinary Spark shares and evidenced by American Depositary Receipts (ADRs), are traded over-the-counter in the United States. This is a Level 1 ADR programme that is sponsored by Bank of New York Mellon.

Spark Finance Limited, a wholly owned subsidiary of Spark New Zealand Limited, has debt securities listed on the NZDX. Details of debt securities issued by Spark Finance Limited can be found in Spark Finance Limited's reports at: [investors.sparknz.co.nz/Investor-Centre](https://investors.sparknz.co.nz/Investor-Centre)

## Director remuneration

The total remuneration available to non-executive directors is fixed by shareholders. The current annual remuneration limit is \$1,630,000 approved at the annual meeting held in November 2017.

The fees payable to non-executive directors during FY22 were:

BOARD/COMMITTEE <sup>1</sup>	CHAIR <sup>2</sup>	MEMBER <sup>3</sup>
Board of Directors	\$374,200	\$147,400
Audit and Risk Management Committee (ARMC)	\$39,700	\$19,300
Human Resources and Compensation Committee (HRCC)	\$34,000	\$17,100

1 All non-executive directors are members of the Nominations and Corporate Governance Committee (NOMs) and receive no additional fees for this role.

2 Committee chair and member fees were not payable to the Chair of the Board. Committee member fees were not payable to committee Chairs.

3 Member fees were payable for each committee.

From 1 July 2022 the non-executive directors' fees increased by 2% (rounded to the nearest \$100), to be paid out of the current shareholder-approved annual remuneration limit of \$1,630,000. This increase is expected to broadly maintain the market positioning outlined in the independent Ernst & Young benchmarking report that was distributed alongside the 2017 Notice of Annual Meeting.

Committee membership as at 30 June 2022 was as follows:

HUMAN RESOURCES AND COMPENSATION COMMITTEE	AUDIT AND RISK MANAGEMENT COMMITTEE	NOMINATIONS AND CORPORATE GOVERNANCE COMMITTEE
Alison Barrass (Chair)	Charles Sitch (Chair)	Justine Smyth (Chair)
David Havercroft	Paul Berriman	Alison Barrass
Justine Smyth	Warwick Bray	Paul Berriman
	Justine Smyth (ex officio)	Warwick Bray
		David Havercroft
		Jolie Hodson
		Charles Sitch

The total remuneration received by non-executive directors of Spark during FY22 was as follows:<sup>1</sup>

NAME OF DIRECTOR <sup>2</sup>	BOARD FEES <sup>3</sup>	AUDIT & RISK MANAGEMENT COMMITTEE FEES	HUMAN RESOURCES AND COMPENSATION COMMITTEE FEES	TOTAL REMUNERATION <sup>4</sup>
Justine Smyth	\$374,200	-	-	\$374,200
Alison Barrass	\$147,400	-	\$34,000	\$181,400
Paul Berriman	\$147,400	\$19,300	-	\$166,700
Warwick Bray	\$147,400	\$19,300	-	\$166,700
Pip Greenwood <sup>5</sup>	\$51,269	\$6,713	\$5,948	\$63,930
David Havercroft <sup>6</sup>	\$110,550	-	\$12,825	\$123,375
Charles Sitch	\$147,400	\$39,700	-	\$187,100
<b>Total</b>	<b>\$1,125,619</b>	<b>\$85,013</b>	<b>\$52,773</b>	<b>\$1,263,405</b>

1. The figures shown are gross amounts and exclude GST (where applicable) and are rounded to the nearest dollar.

2. Ms Broadbent and Mr MacLeod joined the Board from 1 August 2022 so no fees were payable in FY22.

3. All non-executive directors are members of the Nominations and Corporate Governance Committee (NOMs) and receive no additional fees for this role.

4. This table excludes contributions towards medical and life insurance of a total of \$11,051. Spark meets costs incurred by directors that are incidental to the performance of their duties. This includes providing New Zealand-based directors with mobile phones and \$120 per month which can be used towards Spark products or services and overseas-based directors with \$400 per month phone allowances. Spark also meets the costs of directors' Spark-related travel. As these costs are incurred by Spark to enable directors to perform their duties, no value is attributable to them as benefits to directors for the purposes of the above table.

5. Ms Greenwood resigned as a director from 5 November 2021.

6. Mr Havercroft was appointed a director from 1 October 2021.

## Former Managing Director remuneration

The following former Managing Director long-term incentives vested in FY22:

GRANT YEAR	SECURITIES	PERFORMANCE PERIOD	PERFORMANCE MEASURE	VESTING OUTCOME	SHARES TRANSFERRED	VALUE TRANSFERRED <sup>1</sup>
FY19	Restricted Shares	September 2018 – September 2021	Absolute TSR, hurdle – Spark's annual cost of equity +1% compounding	100% – 3 year TSR result was 49.54% compared with a 34.66% target	168,907	NZ\$788,796

1. Represents the NZX listed price of Spark shares on the exercise/transfer date multiplied by the number of shares transferred.

Additionally, Mr Moutter's FY20 Equity Incentive (essentially a deferred STI) vested on 20 September 2021, as the service condition was satisfied. Accordingly, 111,003 redeemable ordinary shares converted to ordinary shares.

## CEO remuneration

The total remuneration earned or paid in FY22, and anticipated target remuneration expected to be earned or paid in FY23, by and to the CEO, Jolie Hodson is as follows:

PERIOD	BASE SALARY <sup>1</sup>	SHORT-TERM INCENTIVE <sup>2</sup>	LONG-TERM INCENTIVE <sup>3</sup>
FY22 actual remuneration	NZ\$1,230,000	NZ\$977,850	NZ\$922,500 in the form of share options
FY23 anticipated target remuneration	NZ\$1,266,900	NZ\$950,175	NZ\$950,175 in the form of share options

1. Base salary excludes employer contributions towards KiwiSaver and is not at risk.

2. FY22 actual short-term incentive was earned in FY22 and will be paid in FY23. The gross amount earned in FY21 and paid in FY22 was \$815,700. FY23 anticipated short-term incentive will be earned in FY23 and paid in FY24.

3. FY22 long-term incentive was granted in FY22 and, subject to performance hurdles, will vest in September 2024.

The following CEO long-term incentives vested in FY22:

GRANT YEAR	SECURITIES	PERFORMANCE PERIOD	PERFORMANCE MEASURE	VESTING OUTCOME	SHARES TRANSFERRED	VALUE TRANSFERRED <sup>1</sup>
FY19	Restricted Shares	September 2018 – September 2021	Absolute TSR, hurdle – Spark's annual cost of equity + 1% compounding	100% – 3 year TSR result was 49.54% compared with a 34.66% target	47,294	NZ\$220,863

1. Represents the NZX listed price of Spark shares on the exercise/transfer date multiplied by the number of shares transferred.

The CEO is expected to acquire and hold shares that are at least equivalent in value to 25% of the CEO's base salary but ideally would increase this shareholding to 100% of base salary subject to the vesting of shares under any long-term incentive schemes. To fulfil this expectation shares are to be acquired within a four-year period from 1 July 2019. As at 30 June 2022 the CEO holds 189,508 ordinary shares which fulfils this expectation to hold shares that are at least equivalent in value to 25% of the CEO's base salary.

## Other directors' fees

Mr Richard Quince received a directors fee of NZ\$10,000 (excluding GST) for acting as a director of Teleco Insurance (NZ) Limited. Ocorian Services (Bermuda) Limited received directors fees of US\$2,900 in relation to Ms Carol Feathers acting as a director of Teleco Insurance Limited.

## Board and committee meeting attendance for FY22

The Board held eight formal meetings during FY22. The table below shows director attendance at these Board meetings and committee member attendance at committee meetings. Sub-committees of the Board also met regularly throughout the year to consider matters of special importance.

	BOARD	ARMC	HRCC	NOMS
Total number of meetings held	8	6	5	2
Alison Barrass	8	-	5	2
Paul Berriman	8	6	-	2
Warwick Bray	8	6	-	2
Pip Greenwood <sup>1</sup>	3	3	3	-
David Havercroft <sup>2</sup>	7	-	3	2
Jolie Hodson <sup>3</sup>	8	6	5	2
Charles Sitch	8	6	-	2
Justine Smyth <sup>4</sup>	8	6	5	2

1. Ms Greenwood resigned as a director from 5 November 2021.
2. Mr Havercroft was appointed as a director from 1 October 2021.
3. Ms Hodson attended ARMC and HRCC meetings as Executive Director.
4. Ms Smyth attended ARMC meetings in an ex officio capacity.

## Director independence

The Board has determined, based on information provided by directors regarding their interests, that at 30 June 2022 Ms Barrass, Mr Berriman, Mr Bray, Mr Sitch and Ms Smyth were independent. The Board determined that Ms Hodson was not independent due to her position as CEO, and Mr Havercroft was not independent due to his recent relationships with Spark which have now ceased.

The criteria for determining director independence and conflict of interest may be found in the Board Charter at:  
[www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance)

## Director interests

Directors made the following entries in the interests register for FY22:

- Directors disclosed, pursuant to section 140 of the Companies Act 1993, interests in the following entities during FY22:

DIRECTOR	ENTITY	RELATIONSHIP
Alison Barrass	Southern Pastures Advisory Board Institute of Directors Heilala Vanilla Limited	Ceased to be Chair Member of the nominations committee Ceased to be director
Paul Berriman	MTS (Mobile Telesystems) PJSC	Board Member
David Havercroft	W3 Capital Limited Portfolio Custodial Nominees Limited Kiwi Wealth Investments General Partner Limited Kiwi Wealth Management Limited Kiwi Investment Management Limited Kiwi Wealth Limited Westpac New Zealand Limited	Director Director Director Director Director Director Director
Jolie Hodson	Digital Boost Alliance Aotearoa Climate Leaders Coalition	Appointed Chair Convenor of the Coalition's CEO Steering Group
Justine Smyth	MATTR Limited Auckland International Airport Limited	Director Ceased to be a director

- Directors disclosed, pursuant to section 148 of the Companies Act 1993, the following acquisitions and disposals of relevant interests in Spark shares during FY22:

NAME	DATE	NATURE OF TRANSACTION	CONSIDERATION	NUMBER OF SHARES
Jolie Hodson	20 September 2021	Issue of options	Services to Spark	189,846
	5 October 2021	Unrestricting of restricted ordinary shares	Services to Spark	47,294
Charles Sitch	27 October 2021	Purchase of ordinary shares	AUD\$28,637	6,621

- Directors disclosed, for the purposes of section 162 of the Companies Act 1993, that insurance was renewed for Spark's directors and senior managers for the 12-month period from 1 June 2022 and deeds of indemnity provided to all directors and specified senior managers of Spark.



## Employee benefits

The following table sets out benefits provided to employees during FY22 by employee group<sup>1</sup>:

	FULL-TIME PERMANENT EMPLOYEES	PART-TIME PERMANENT EMPLOYEES	FIXED-TERM / CASUAL EMPLOYEES
Parental Leave	Yes	Yes	Yes <sup>2</sup>
Insurance cover:	Yes	Yes <sup>3</sup>	No
<ul style="list-style-type: none"> <li>• Medical</li> <li>• Life &amp; Terminal Illness</li> <li>• Income Protection</li> <li>• Trauma</li> </ul>			
Spark Account Credit <sup>4</sup>	Yes	Yes	No
Ability to participate in Spark Share <sup>5</sup>	Yes	Yes	No
Volunteer Day <sup>6</sup>	Yes	Yes	No
Spark Give <sup>7</sup>	Yes	Yes	No <sup>8</sup>
Eligibility to join Marram <sup>9</sup>	Yes	Yes	No
Eligible for Purchased Leave <sup>10</sup>	Yes	Yes	No
Mahi Tahi - Wellbeing support <sup>11</sup>	Yes	Yes	Yes

1. Excludes benefits offered to some subsidiaries, which differ from Spark's overall benefits suite.

2. Eligibility for Parental Leave is in accordance with Government legislation.

3. Employees must work at least 15 hours a week to be eligible.

4. Employees with Spark accounts will receive monthly credits of \$120, which can be used towards Spark products or services.

5. Spark's employee share purchase scheme.

6. The opportunity for Spark employees to take a day of paid volunteer leave.

7. For specific charities, Spark will match employee donations dollar-for-dollar, up to a \$500 annual matching cap.

8. Only casual employees are ineligible.

9. Marram Trust offers access to accommodation across New Zealand for discounted rates, as well as providing a basic level of healthcare cover.

10. The ability to purchase additional annual leave via a deduction of base salary.

11. Wellbeing support includes our Employee Assistance Programme, access to wellbeing coaches, counselling with OutLine Aotearoa, specialist clinical support from our in-house psychotherapist and health psychologist and subscription to the Take A Breath Platform.

## Employee remuneration

The table below shows the number of employees and former employees, not being directors of Spark, who, in their capacity as employees, received remuneration and other benefits during FY22 totalling NZ\$100,000 or more<sup>1</sup>.

RANGE	CURRENT	FORMER	TOTAL	RANGE	CURRENT	FORMER	TOTAL
\$100,000 - \$110,000	337	39	376	\$330,001 - \$340,000	2	0	2
\$110,001 - \$120,000	306	27	333	\$340,001 - \$350,000	2	0	2
\$120,001 - \$130,000	271	23	294	\$350,001 - \$360,000	4	0	4
\$130,001 - \$140,000	222	24	246	\$360,001 - \$370,000	2	0	2
\$140,001 - \$150,000	208	9	217	\$370,001 - \$380,000	2	0	2
\$150,001 - \$160,000	144	16	160	\$390,001 - \$400,000	1	0	1
\$160,001 - \$170,000	103	4	107	\$400,001 - \$410,000	2	0	2
\$170,001 - \$180,000	83	9	92	\$410,001 - \$420,000	3	0	3
\$180,001 - \$190,000	54	0	54	\$420,001 - \$430,000	2	1	3
\$190,001 - \$200,000	51	3	54	\$430,001 - \$440,000	3	0	3
\$200,001 - \$210,000	30	3	33	\$450,001 - \$460,000	3	1	4
\$210,001 - \$220,000	27	2	29	\$460,001 - \$470,000	2	0	2
\$220,001 - \$230,000	17	2	19	\$470,001 - \$480,000	2	0	2
\$230,001 - \$240,000	17	0	17	\$490,001 - \$500,000	1	0	1
\$240,001 - \$250,000	16	1	17	\$570,001 - \$580,000	1	0	1
\$250,001 - \$260,000	12	0	12	\$600,001 - \$610,000	1	0	1
\$260,001 - \$270,000	11	0	11	\$670,001 - \$680,000	1	0	1
\$270,001 - \$280,000	7	0	7	\$800,001 - \$810,000	1	0	1
\$280,001 - \$290,000	7	1	8	\$890,001 - \$900,000	1	0	1
\$290,001 - \$300,000	2	0	2	\$980,001 - \$990,000	1	0	1
\$300,001 - \$310,000	8	1	9	\$1,000,001 - \$1,010,000	1	0	1
\$310,001 - \$320,000	4	1	5	\$1,080,001 - \$1,090,000	1	0	1
\$320,001 - \$330,000	1	0	1	<b>Total</b>	<b>1977</b>	<b>167</b>	<b>2144</b>

1. The table includes base salaries, short-term incentives and vested long-term incentives. The table does not include: amounts paid after 30 June 2022 relating to FY22; long-term incentives that have been granted and have yet to vest (based on grant values, the total value of which was NZ\$10.5 million as at 30 June 2022); product and service concessions received by employees; contributions paid towards health and other insurances; contributions paid to the Government Superannuation Fund (a legacy benefit provided to a small number of employees); and, if the individual is a KiwiSaver member, contributions of 3% of gross earnings towards that individual's KiwiSaver scheme.

## Shareholdings

As at 30 June 2022 there were 1,871,587,475 Spark ordinary shares on issue, each conferring to the registered holder the right to one vote on a poll at a meeting of shareholders on any resolution, held as follows:

SIZE OF HOLDING	NUMBER OF HOLDERS <sup>1</sup>	%	NUMBER OF SHARES	%
1-1,000	13,930	30.80	6,994,521	0.37
1,001-5,000	18,955	41.90	49,499,265	2.64
5,001-10,000	6,357	14.05	46,910,600	2.51
10,001-100,000	5,759	12.73	133,949,753	7.16
100,001 and over	237	0.52	1,634,233,336	87.32
<b>Total</b>	<b>45,238</b>	<b>100.00</b>	<b>1,871,587,475</b>	<b>100.00</b>

1. Includes 1,744,191 shares on issue held by Spark Trustee Limited on behalf of 1,321 holders for Spark Share.

The 20 largest registered holders of Spark shares at 30 June 2022 were:

NAME <sup>1</sup>	NUMBER OF SHARES	%
1. HSBC Nominees (New Zealand) Limited <sup>2</sup>	344,596,473	18.41
2. HSBC Nominees (New Zealand) Limited <sup>2</sup>	206,329,385	11.02
3. JP Morgan Chase Bank	177,483,942	9.48
4. Citibank Nominees (NZ) Limited	144,768,569	7.74
5. HSBC Custody Nominees (Australia) Limited	66,095,799	3.53
6. BNP Paribas Nominees NZ Limited <sup>3</sup>	62,320,288	3.33
7. Custodial Services Limited	62,229,947	3.32
8. Accident Compensation Corporation	43,884,865	2.34
9. New Zealand Superannuation Fund Nominees Limited	38,004,134	2.03
10. FNZ Custodians Limited	34,758,594	1.86
11. Forsyth Barr Custodians Limited	33,636,117	1.80
12. Citicorp Nominees Pty Limited	33,320,893	1.78
13. BNP Paribas Nominees NZ Limited <sup>3</sup>	32,038,187	1.71
14. National Nominees New Zealand Limited	30,956,152	1.65
15. JB Were (NZ) Nominees Limited	26,444,736	1.41
16. JP Morgan Nominees Australia Pty Limited	26,158,207	1.40
17. Premier Nominees Limited	23,742,835	1.27
18. New Zealand Depository Nominee	22,716,231	1.21
19. New Zealand Permanent Trustees Limited	17,422,317	0.93
20. Cogent Nominees Limited	16,218,354	0.87

1. The shareholding of New Zealand Central Securities Depository Limited (custodian for members trading through NZClear) has been reallocated to the applicable members.

2. Has a different holder identification number to the other HSBC Nominees (New Zealand) Limited entry.

3. Has a different holder identification number to the other BNP Paribas Nominees NZ Limited entry.

According to substantial holder notices as at 30 June 2022 the substantial holders in Spark were as follows:

NAME	NUMBER OF ORDINARY SHARES	% OF ORDINARY SHARES ON ISSUE <sup>1</sup>
Blackrock Investment Management (Australia) Limited	161,169,532	8.61

1. Based on issued share capital of 1,871,587,475 as at 30 June 2022.

As at 30 June 2022 directors, or entities related to them, held relevant interests (as defined in the Financial Markets Conduct Act 2013) in Spark shares as follows:

NAME	RELEVANT INTEREST IN SPARK SHARES AT 30 JUNE 2022	
	NUMBER	% <sup>1</sup>
Alison Barrass	37,716	0.002
Paul Berriman	43,000	0.002
Warwick Bray	31,230 <sup>2</sup>	0.002
David Havercroft	100,086	0.005
Jolie Hodson	770,101 <sup>3</sup>	0.041
Charles Sitch	39,350 <sup>4</sup>	0.002
Justine Smyth	430,201 <sup>5</sup>	0.023

1. Each percentage stated has been rounded to the nearest 1/1000th of a percent.

2. Relevant interest in beneficial ownership of 31,230 ordinary shares held by WDB Insight Pty Limited.

3. Includes 189,508 ordinary shares and 580,593 options.

4. Relevant interest in beneficial ownership of 39,350 ordinary shares held by Sitch Superannuation Pty Limited.

5. Relevant interest in beneficial ownership of 375,201 ordinary shares held by Miksha Trust and beneficial ownership of 55,000 ordinary shares held by PJ Trust.

All non-executive directors are expected to hold Spark shares. Subject to personal circumstances (that should be discussed with the Chair or, in the case of personal circumstances of the Chair, with the Chair of the ARMC, 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-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), is used to calculate value.

## Subsidiary company directors

The following people held office as directors of subsidiary companies at 30 June 2022. Alternate directors are indicated with an (A).

SUBSIDIARY COMPANY	PRINCIPAL ACTIVITY	CURRENT DIRECTORS	DIRECTORS WHO RETIRED DURING THE YEAR
Computer Concepts Limited	IT infrastructure and Cloud services	M Anastasiou, G McBeath, S Knight	
Connect 8 Limited	Mobile infrastructure business	R Singh, C Phipps	R Mateparae
Digital Island Limited	Business telecommunications provider	S Knight, G McBeath	
Entelar Limited	Mobile phone repair and equipment distribution	R Singh, J Bahlman, G Clark	R Patel
Gen-i Australia Pty Limited	Provides international wholesale and outsourced telecommunications services	F Evett, I Hopkins	
MATTR Limited	Software company focussed on decentralised identity and verifiable data	C Barber, J Hodson, J Smyth, S Knight	F Evett
Qrious Limited	Data analytics business	S Knight, M Anastasiou	N Morris
Revera Limited	IT infrastructure and data centre provider	M Anastasiou, G McBeath, S Knight	
Spark Finance Limited	Group finance company	M Anastasiou, M Sheppard, S Knight, A White	
Spark New Zealand Cables Limited	Investment company	M Sheppard, L Urquhart	C Fraser
Spark New Zealand Trading Limited	Telecommunications and digital services company	M Anastasiou, S Knight, M Beder	
Spark TowerCo Limited	Telecommunications infrastructure provider <sup>1</sup>	S Knight, M Anastasiou	N Morris
Spark Trustee Limited	Trustee company	M Anastasiou, S Knight	
TCNZ Australia Investments Pty Limited	Australian operations	F Evett, I Hopkins	
TCNZ (Bermuda) Limited	Holding company	J Wesley-Smith, J Wong	D Havercroft
TCNZ Financial Services Limited	Investment company	M Anastasiou, F Evett	
TCNZ (United Kingdom) Securities Limited	Holding/investment company	F Evett, M Palmer, J Reader	
Teleco Insurance Limited	Group insurance company	C Phipps, C Feathers, A White, M Anastasiou (A), F Evett (A)	
Teleco Insurance (NZ) Limited	Mobile phone insurance	A White, R Quince	
Telecom Capacity Limited	Holding company	S Knight, J Wong	
Telecom Enterprises Limited	Investment company	M Anastasiou, S Knight	
Telecom New Zealand (UK) Enterprises Limited	Holding/investment company	F Evett, M Sheppard	
Telecom New Zealand USA Limited	Provides international wholesale telecommunications services	D Reeve, J Wong	
Telecom Pacific Limited	Holding company	M Anastasiou, M Sheppard	
Telecom Southern Cross Limited	Holding company	M Anastasiou, S Knight	
Telecom Wellington Investments Limited	Investment company	M Anastasiou, F Evett	

1. Principal activity effective from 1 July 2022.



## Spark's managing risk framework roles and responsibilities

ACTIVITY PERFORMED	BOARD & ARMC	LEADER-SHIP SQUAD	RISK	LEGAL (DIGITAL TRUST)	ORG UNIT LEADS	CENTRE OF EXCELLENCE LEADS	POLICY OWNERS	ALL SPARK PEOPLE
Approves the Managing Risk Policy	✓							
Monitors the managing risk framework	✓							
Reviews principal risk updates	✓							
Performs other items from its charter	✓							
Prepares strategy and annual plan		✓						
Runs QBR process and determines priorities		✓						
Coaches and guides Leads		✓						
Assigned as owners of identified principal risks		✓						
Designs and continuously improves the managing risk framework			✓					
Helps the business apply the framework			✓					
Prepares principal risk updates for the LS and ARMC			✓					
Helps Leads to capture their risks for the QBR content			✓					
Executes Internal Audit plan (objective assurance)			✓					
Designs and continuously improves the empowerment framework				✓				
Creates empowerment & and functional guidance kits				✓				
Oversees essential policies and webpage				✓				
Creates and delivers training modules				✓				
Use the Empowerment and Managing Risk Frameworks					✓			
Understand and adhere with the essential policies					✓			
Maintain view of risks for OKRs and fill in QBR Memo					✓			
Provide input into principal risk process					✓			
Escalate risks to LS or Risk Team (if required)					✓			
Review risk sections in QBR packs across Spark						✓		
Maintain view of risks for their OKRs and fill in QBR						✓		
Support Leads to manage identified risks						✓		
Provide input into principal risks						✓		
Maintain policy and guidance material							✓	
Complete assessments of effectiveness							✓	
Participate in policy owner working groups							✓	
Follow this framework and the essential policies								✓
Make informed decisions after assessing the benefits and risks								✓

## **Sustainability appendix**

# Sustainability appendix

This appendix includes GRI-led information related to our most material topics, linking back into the content of the report and to other sources.

As an integrated report we have included disclosure on our sustainability performance throughout this report. Page 8 details our integrated reporting value creation model, aligned to the 'capitals' which each have a dedicated section in the report.

This report is prepared in accordance with the International <IR> Framework and with the Global Reporting Initiative (GRI) Core Option. It also incorporates climate risk disclosure aligned to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

We publish a summary of our approach to sustainability at Spark on our website. <https://www.sparknz.co.nz/sustainability/>

## Our Sustainability Framework

Sustainability is integrated as a pillar of our business strategy, including our commitment to improving our environmental, social, and governance performance. Our ambition is to create a positive digital future for all of New Zealand, with clear focus areas outlined in our Sustainability Framework.

Our Sustainability Framework is informed by our materiality assessment (see page 142). While the three focus areas of the framework are enduring, the activities within them will evolve over time to ensure we are responsive to our changing operating environment and the needs of our stakeholders.

Our Sustainability Framework sits alongside our Māori Strategy, Te Korowai Tupu (the cloak of growth of Spark New Zealand), which informs how we develop strong connections with Māori and builds our understanding of Te Ao Māori.



## Our Sustainability Governance Framework

Our sustainability governance structure helps us ensure sustainability is overseen at the highest levels of our organisation and embedded throughout our everyday operations.



Materiality

To prioritise Spark's reporting on sustainability topics we follow the GRI materiality principle (set out in GRI 101) to identify and prioritise topics which substantively influence the assessments and decisions of stakeholders or have a significant environmental, social, or economic impact. We also consider the materiality principles of the Integrated Reporting International <IR> Framework, considering whether a matter could substantively affect Spark's ability to create value in the short, medium, or long term.

Our assessment of material topics includes analysis of stakeholder feedback, review of industry peers and interviews with external stakeholders. Internally we consult with a range of employees, including members of our strategy, finance, community, corporate relations, risk, legal and HR teams, to determine Spark's view of topics meeting the GRI materiality principle criteria.

In FY22 we have reviewed and updated our list of material impacts. This included a third-party review of our existing materiality assessment against industry standards (SASB, WEF, GRI) and our global industry peers, including the requirements of our membership of the JAC initiative (see page 73). Over the past year we have observed increased interest from our business customers in measuring their scope 3 emissions, including emissions from the services provided by Spark. We have also linked our financing to our performance against our emissions reduction target (see page 15). The implementation of the Australian Modern Slavery Act, and consultation on a similar act in New Zealand, has raised interest in labour standards in our workforce and our supply chain. Consultation on New Zealand's first National Adaptation Plan has also raised the profile of long-term climate impacts and the topic of adapting to physical risk from climate change.



▲ Issue moved up from FY21 due to greater influence on stakeholder assessments and decisions



## Our most material sustainability issues

TOPIC	TOPIC DESCRIPTION AND SCOPE	REFERENCE
Customer experience and support	Providing high-quality, reliable products and services that enable our customers. Supporting our customers and rectifying issues where they may arise.	Our customers Pages 20-29
Data privacy and security	How we collect, use and share personal information and how we keep it safe. Building trust in our products and services.	Our customers Pages 26-29
Digital equity	Providing equitable access to telecommunication products and services and to the benefits of digital technology.	Our communities Pages 56-61
Equipping people for the future of work	Developing and upskilling for future ways of working including building digital skills aligned to digital equity outcomes.	Our people Pages 40-49 Our communities Pages 56-61
Operational excellence and financial performance	Executing our business strategy to build financial capital. Economic impact (greater focus on investment in resilient infrastructure).	Our performance Pages 16-19 Financial statements Pages 78-82
Building partnerships for a strong Aotearoa	Focus on community partnerships and collaboration aligned to our Māori Strategy, Te Korowai Tupu.	Our communities Pages 56-61 Te Korowai Tupu Page 44
Resilient, adaptable network infrastructure (inc. climate adaptation)	The resilience of our infrastructure. Our long-term adaptation to climate change.	Our network and technology Pages 30-39 Climate change risk Pages 71-72
Supporting business customers through partnership	Partnering with our customers to support them through digital technology to increase their resilience, productivity and sustainability.	Our customers Pages 20-29

## Stakeholder engagement

Spark engages with a broad range of stakeholders as detailed in the table below. We have also engaged a small number of stakeholders specifically for the purposes of developing and improving our non-financial reporting and as part of our reporting materiality process. In selecting the stakeholders we engaged with, we are guided by the definition set out in GRI 101: “entities or individuals that can reasonably be expected to be significantly affected by the organisation’s activities, products or services; or whose actions can reasonably be expected to affect the ability of the organisation to implement its strategies or achieve its objectives.”

STAKEHOLDER GROUP	HOW WE ENGAGE
Spark employees	<ul style="list-style-type: none"> <li>Regular engagement through eNPS (employee net promoter score) methodology and the Joyous real-time employee feedback tool.</li> <li>Comprehensive programme of internal communication and engagement from Leadership Squad (through roadshows and online channels).</li> <li>Engagement with cross-section of employees in the preparation of this report.</li> </ul>
Shareholders	Regular engagement with investors including: <ul style="list-style-type: none"> <li>Semi-annual earnings announcements, together with semi-annual post result investor briefings;</li> <li>Annual meeting that allows shareholders a chance to meet and ask questions directly of the Spark Board and management;</li> <li>Regular investor roadshows; and</li> <li>Periodic investor strategy briefings.</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Ongoing conversations with our suppliers - both informal and formal.</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Regular feedback from customers on their experiences with us and their views of Spark as a business through our Net Promoter Score methodology and through our Voice of the Customer programme.</li> <li>Meetings with customers on sustainability topics, sharing sustainability focus areas and exploring opportunities to work together.</li> </ul>
Government	<ul style="list-style-type: none"> <li>Engagement with central Government on issues related to the telecommunications industry, competition, infrastructure investment, environmental sustainability and digital equity.</li> <li>Engagement with local government to manage the process and impacts of infrastructure investment.</li> </ul>
Media	<ul style="list-style-type: none"> <li>Responding to media enquiries and through a proactive programme of engagement with key members of New Zealand’s media.</li> </ul>
Local communities	<ul style="list-style-type: none"> <li>Spark engages with local communities affected by our activities, in particular where we are building new network infrastructure.</li> </ul>
Community partners	<ul style="list-style-type: none"> <li>Spark Foundation works in partnership with community partners on an ongoing basis.</li> </ul>
Industry organisations	<ul style="list-style-type: none"> <li>Engagement with a number of industry organisations, representing the telecommunications and technology sector, community groups, and the New Zealand business community.</li> </ul>

## External initiatives Spark subscribes to or endorses

- Spark is a founding member of the Climate Leaders Coalition (CLC). The CLC is a group of CEOs who have collectively committed to voluntary action on climate change, measuring and publicly reporting on their emissions, and setting an absolute target for reducing emissions in line with the Paris Agreement. Spark’s CEO, Jolie Hodson, is the Convenor of the CLC. See page 15.
- Spark has committed to a government-accredited voluntary Product Stewardship scheme for mobile phones, which is actioned by the Re:Mobile initiative. See page 55.

Spark was an active member of the following associations in FY22:

- International Telecommunication Union (Radiocommunication Sector membership)
- GSM Association (GSMA)
- New Zealand Internet Task Force
- Telecommunications Forum (TCF)
- NZ Tech (Including Internet of Things Alliance and AI Industry Forum)
- TUANZ
- Business NZ
- Sustainable Business Council
- Global Women (including Champions for Change)
- Joint Audit Cooperation (JAC) initiative
- Digital Boost Alliance
- Digital Equity Coalition Aotearoa (DECA) (membership through Spark Foundation)

## Global Reporting Initiative (GRI) content index

Our disclosure against each material topic includes our management approach, considering the requirements of *GRI 103: Management Approach*.

Note: CGS refers to Spark's Annual Corporate Governance Statement, which may be found here:

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

Indicator	Disclosure	Page number / reference
<b>GRI 102: General disclosures 2016</b>		
102-1	Name of the organisation	10
102-2	Activities, brands, products and services	10
102-3	Location of headquarters	148
102-4	Location of operations	10
102-5	Ownership and legal form	122, 129
102-6	Markets served	10
102-7	Scale of the organisation	10, 85
102-8	Information on employees and other workers	47, 48, 49
102-9	Supply chain	73
102-10	Significant changes to the organisation and its supply chain	84
102-11	Precautionary principle or approach	51
102-12	External initiatives	144
102-13	Membership of associations	144
102-14	Statement from senior decision-maker	12
102-16	Values, principles, standards and norms of behaviour	8, 42, CGS Principle 1
102-18	Governance structure	62 – 69, CGS Principles 2, 3 and 4
102-40	List of stakeholder groups	144
102-41	Collective bargaining agreements	<1% of Spark employees in FY22
102-42	Identifying and selecting stakeholders	144
102-43	Approach to stakeholder engagement	144
102-44	Key topics and concerns raised	144
102-45	Entities included in the consolidated financial statements	83
102-46	Defining report content and topic boundaries	5, 140, 142, 143
102-47	List of material topics	142, 143
102-48	Restatements of information	GHG Inventory Report p7
102-49	Changes in reporting	N/A
102-50	Reporting period	5
102-51	Date of most recent report	Spark's FY22 Annual Report was published on 24 August 2022
102-52	Reporting cycle	Spark reports annually. Our financial year is 1 July – 30 June
102-53	Contact point for questions relating to the report	148
102-54	Claims of reporting in accordance with GRI standards	5, 140
102-55	GRI content index	145, 146
102-56	External assurance	124 – 127
<b>GRI 200 Economic Standard Series</b>		
201-2	Financial implications and other risks and opportunities due to climate change	71, 72
203-1	Infrastructure investments and services supported	30 – 39
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	29
207-1	Approach to tax	68, 69

Indicator	Disclosure	Page number / reference
<b>GRI 300 Environmental Standard Series</b>		
305-1	Direct (Scope 1) emissions	52 and GHG Inventory Report
305-2	Energy indirect (Scope 2) emissions	52 and GHG Inventory Report
305-3	Other indirect (Scope 3) emissions	54 and GHG Inventory Report
306-2	Management of significant waste-related impacts	55
306-3	Waste generated	55
308-1	New suppliers that were screened using environmental criteria	54, 73
308-2	Negative environmental impacts in the supply chain and actions taken	73
<b>GRI 400 Social Standard Series</b>		
401-1	New employee hires and employee turnover	48
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	133
401-3	Parental leave	48
403-1 (2018)	Occupational health and safety management system	43
403-9 (2018)	Work-related injuries	43
404-2	Programmes for upgrading employee skills and transition assistance programmes	41
405-1	Diversity of governance bodies and employees	47, 48, 49
405-2	Ratio of basic salary and remuneration of women to men	47
414-1	New suppliers that were screened using social criteria	73
414-2	Negative social impacts in the supply chain and actions taken	73 and Modern Slavery Statement
417-3	Incidents of non-compliance concerning marketing communications	29
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	29

# Glossary

3G	third-generation mobile network as defined by the International Telecommunications Union.
4G	fourth-generation mobile network as defined by the International Telecommunications Union.
5G	fifth-generation mobile network as defined by the International Telecommunications Union.
ADR	an American Depositary Receipt.
ARMC	the Audit and Risk Management Committee.
ASX	the Australian Securities Exchange.
CCL	Computer Concepts Limited.
CCN	Converged Communications Network.
Company	Spark New Zealand Limited.
EBITDAI	earnings before finance income and expense, income tax, depreciation, amortisation and net investment income.
eNPS	employee Net Promoter Score and is our measure of employee satisfaction.
GRI	the Global Reporting Initiative, the most widely used global sustainability reporting standard.
Group	the Group in relation to these financial statements, which are prepared for Spark New Zealand Limited (the Company) and its subsidiaries (together the Group).
HRCC	the Human Resources and Compensation Committee.
iNPS	Interaction Net Promoter Score is our measure of customer satisfaction.
IoT	the Internet of Things.
IFRS	International Financial Reporting Standards.
LTI	Long-Term Incentive, which is part of Spark Leadership Team and former Managing Director and CEO remuneration.
Millimetre waves	Millimetre waves, also known as extremely high frequency (EHF), is a band of radio frequencies that has wavelengths between 1 mm and 10 mm. These frequencies can carry massive amounts of data at very high speeds. That makes them ideal for accommodating the massive increase in data demanded from new 5G use cases such as augmented/virtual reality, cloud gaming, video analytics and other cloud-compute capabilities.
Multi-access edge computing	Multi-access Edge Computing (MAEC) extends the capabilities of cloud computing by bringing it to the 'edge' of the network. While traditional cloud computing occurs on remote servers that are situated far from the customer and device, MAEC allows this processing to take place much closer to the end customer - meaning data has to travel a shorter distance, decreasing latency, and the amount of data sent across the network can be reduced, reducing congestion and delivering a better customer experience.
Network slicing	Network slicing allows the operator to 'slice' its network to support different types of services through each 'slice'. Multiple slices can be tuned independently to meet different quality of service parameters. For example, one slice may simply need a standard speed connection to enable office email, another might be tuned to support very low data IoT devices, while another slice may need high reliability and ultra-low latency to support robotics.
NOMs	the Nominations and Corporate Governance Committee.
NPS	Net Promoter Score.
NZ GAAP	Generally Accepted Accounting Practice in New Zealand.
NZ IFRS	New Zealand Equivalent to International Financial Reporting Standards.
NZX	NZX Limited.
OTN	The Optical Transport Network (OTN) is the high speed backbone of Spark's network, stretching from the Far North to the bottom of the South Island. The OTN uses light signals through optical fibre cables to carry all of Spark's data traffic up and down the country through diverse paths, ensuring resilient, fast connectivity for all users.
PSTN	Public Switched Telephone Network.
QBR	Quarterly Business Review.
SME	Small and medium enterprise.
Southern Cross	Southern Cross group of companies, which consists of two sister companies, Southern Cross Cables Holdings Limited and Pacific Carriage Holdings Limited, Inc. and their subsidiaries.
SRAN	Single Radio Access Network.
STI	Short-Term Incentive, which is part of Spark Leadership Team and former Managing Director and CEO remuneration.
TRIFR	Total Recordable Incident Frequency Rate per million Spark employee hours worked.
TSR	Total Shareholder Return and is a measure of share price appreciation and dividends paid over a given period.



# Contact details

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## Company secretary

Silvana Roest

## For more information

For inquiries about transactions, changes of address or dividend payments contact the share registries below.

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*Ēkore e taea e te whenu Kotahi  
ki te raranga i te whāriki, kia mōhio tātou ki a tātou.*

*Mā te mahitahi o ngā whenu,  
ma te mahitahi o ngā kai raranga,  
ka oti tenei whāriki.*

*I te o tīnga, me titiro ki ngā pai ka puta mai.*

*Ā tāna wā, me titiro i ngā raranga i makere.*

*Nō te mea, he kōrero ano kei reira.*

The tapestry of understanding cannot be woven  
by one strand alone.

Only by the working together of strands, and the  
working together of weavers, will such a tapestry  
be completed.

When it has been completed, let us look at the  
good that comes from it.

In time, we should also look at those stitches,  
which have been dropped because they also  
send a message.

---

Whakatauaki by Kukupa Tirikatene (Ngāi Tahu,  
Kāti Māmoe, Waitaha, Ngāti Pahauwera,  
Ngāti Toa Rangatira).

Gifted to Kora Aotearoa by Kukupa Tirikatene and  
the Tirikatene whānau (Ngāi Tahu, Kāti Māmoe,  
Waitaha, Ngāti Pahauwera, Ngāti Toa Rangatira).





Spark New Zealand

# FY22 Results Summary

Jolie Hodson, Chief Executive Officer  
Stefan Knight, Finance Director

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# Results overview



# Results summary

Creating value for shareholders – delivering on our strategy and maximising returns



## STRONG FINANCIAL PERFORMANCE - ALL GUIDANCE METRICS ACHIEVED

- Return to revenue growth through market-leading mobile performance and Spark Health contract wins
- Market momentum combined with cost-discipline delivered EBITDAI growth at the top end of guidance, supporting a total FY22 dividend of 25.0cps, 100% imputed



## MAXIMISING SHAREHOLDER VALUE

- The Board reviewed Spark's Capital Management Policy and released a new Capital Management Framework, designed to grow long term shareholder value through disciplined investment, while returning excess capital to shareholders and maintaining financial strength and flexibility
- Confidence in ability to grow free cash flow (FCF) to ~\$460m-\$500 million<sup>(1)</sup> in FY23. Guiding to a total FY23 dividend of 27.0cps, 100% imputed, funded through earnings and FCF growth
- Sale of 70% stake in TowerCo to Ontario Teachers Pension Plan<sup>(2)</sup> to generate ~\$900 million in proceeds. Spark intends to:
  - Return up to \$350 million to shareholders through an on-market share buy-back once the transaction completes<sup>(3)</sup>
  - Retain \$350 million to invest in future growth and accelerate Spark's transition to higher growth digital services
  - Remaining proceeds used to offset increase in lease liability
- Spark ranked #2 against international peers for Total Shareholder Returns, with CAGR of ~12% for three years<sup>(4)</sup>



## FOCUSSED STRATEGY EXECUTION GROWING COMPETITIVE ADVANTAGE

- Strategic focus on simplified products and systems and data and AI-driven marketing delivering a +9 increase in customer engagement, increased conversion, and lower care costs
- Substantial infrastructure investments position Spark to lead on emerging commercialisation opportunities – as 5G, multi access edge compute, AI, IoT, and cloud computing combine to deliver powerful use cases for businesses
- People engagement high at +70 and median gender pay gap closed by 3pp
- Strong sustainability outcomes, with 15.2% emissions reduction and 30%+ growth in digital equity product Skinny Jump

<sup>(1)</sup>Free cash flow of ~\$460m-\$500m under new methodology refer slide 29 in appendix

<sup>(2)</sup>Transaction subject to Overseas Investment Office approval, with completion anticipated to occur in the first half of FY23

<sup>(3)</sup>Subject to market conditions at the time. Spark may investigate alternative return opportunities

<sup>(4)</sup>Refer slide 27 in appendix

# FY22 financial snapshot

Focussed strategy execution resulting in strong financial performance with all guidance metrics achieved



\$3,720m

3.5% increase vs. FY21

REVENUE<sup>(1)</sup>



\$1,150m

2.8% increase vs. FY21<sup>(3)</sup>

EBITDAI<sup>(2)</sup>



\$410m

7.6% increase vs. FY21<sup>(3)</sup>

NPAT



\$410m

17.5% increase vs. FY21<sup>(3)</sup>

CAPEX<sup>(2)</sup>



\$296m

31.6% decrease vs. FY21<sup>(3)</sup>

FREE CASH FLOW



25.0c

H2 FY22 Dividend 12.5cps, 100% imputed

TOTAL FY22 DIVIDEND

<sup>(1)</sup> Operating revenues and other gains

<sup>(2)</sup> Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) and capital expenditure (CAPEX) are non-Generally Accepted Accounting Practice (non-GAAP) performance measures that are defined in Note 2.5 of Spark's financial statements

<sup>(3)</sup> Adjusted for the impact of cloud accounting policy change

# Established market performance

Market leading mobile performance and continued growth in wireless and cloud

\$899m

▲ 5.5% vs. FY21

#1 Mobile Service Revenue<sup>(1)</sup>

## MOBILE SERVICE REVENUE

Spark outperforming the market<sup>(1)</sup> in mobile service revenue growth

Data-driven marketing drove a ~13% increase in customer base on Endless plans, and pay-monthly, pre-paid, and business connections grew steadily

Total ARPU up \$1.42 or 4.9%, driven by adoption of Endless plans across the spectrum and more effective use of value-added services (VAS)

\$639m

▼ (4.6)% vs. FY21

#1 Broadband revenue and connections<sup>(1)</sup>

## BROADBAND REVENUE

Redesign of broadband plans stabilised base at 704,000, in line with strategy

Wireless broadband connections up 16,000, helping to offset revenue decline through avoided input costs

~28% of overall broadband base now on wireless – on track to meet FY23 target of ~30%

\$446m

— 0.7% vs. FY21

#1 Hybrid Cloud<sup>(2)</sup>

## CLOUD, SECURITY, & SERVICE MANAGEMENT REVENUE

Cloud revenue grew 1.7%, however revenue and ARPU impacted by mix-shift to public cloud

Overall revenues impacted by H1 COVID lockdowns, delays to transformation projects, supply chain disruption, and some execution challenges

FY23 focus on product enhancement, refreshed pricing, and further growing specialist skills

<sup>(1)</sup>Market share estimates sourced from IDC

<sup>(2)</sup>Spark's estimate based on independent market share data

# FY22 future market performance

Spark IoT and Spark Health are now material contributors to revenue and drivers of growth



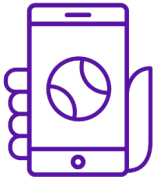
## SPARK IoT

- Revenue grew 22%, driven by uptake across metering, transport, emergency services, smart environments, and asset management
- IoT connections increased 75% to 832,000 connections
- Significant stake taken in partner Adroit - to accelerate future growth in sustainable monitoring solutions



## SPARK HEALTH

- Revenue grew 46%, driven by continued growth in telco, IT services, and health products
- Digital health platform, *Kete Waiora*, live with three vendors onboarded
- National contract wins through newly established Te Whatu Ora (Health New Zealand)

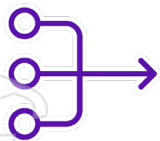


## SPARK SPORT

- Delivered successful second season of cricket with brand-new commentary set up, elevating cricket production and providing greater insights for fans
- Focus remains on accelerating strategic partnership opportunities to drive improved returns

# Core capabilities continue to mature

Supporting growth in Spark's established and future markets as capabilities embedded across the business



## **SIMPLE, INTUITIVE CUSTOMER EXPERIENCES**

- Customer experience improved through simplification and digitisation, with iNPS +9 points
- 102 legacy mobile and broadband plans retired, and 350,000 customers migrated
- Digital journeys for sales and service increased 23% - delivering a 17.5% reduction in customer care calls and 18% growth in online revenue
- New Spark App functionality - supporting ~1.4 million unique users and ~800,000 interactions on average per month



## **DEEP CUSTOMER INSIGHTS**

- Data and AI-driven marketing capability maturing - now better predicting the needs of ~90% of Spark customer households and making recommendations for more than half of SME customer base
- Uplift in data driven marketing campaign conversion of 19% YoY and delivered a 16% improvement in marketing efficiency
- AI capability now extending into business segment



## **SMART, AUTOMATED NETWORK**

- 5G coverage extended or launched across 12 locations<sup>(1)</sup>. Meeting our CY23 target of ~90% population coverage is reliant on NZ Government spectrum allocation. First 5G stand-alone core network built and first Multi Access Edge Compute (MAEC) trials underway
- Takanini data centre expansion 30% complete, with more than 85% of capacity contracted
- Optical Transport Network 2.0 build 87% complete and ~50% of PSTN estate now decommissioned
- Southern Cross NEXT fibre cable launched, almost doubling international capacity and boosting resilience for Aotearoa



## **GROWTH MINDSET**

- High performance culture, with employee engagement at +70 (eNPS)
- Female representation increased from 42% to 47% at senior leadership level; median gender pay gap reduced from 28% to 24%; ethnicity data collection increased 30pp to ~50% of Spark people
- Mahi Tahi wellbeing strategy supporting sustainable performance

<sup>(1)</sup> Spark 5G available in 21 locations across New Zealand at end of FY22



# Strong sustainability progress

Spark sustainability practices continue to mature, while we support a just transition to a low-carbon economy



## CREATE A SUSTAINABLE SPARK

### Science-based target progress

- Emissions reduction programme operational, to support science-based target (SBTi) of 56% scope 1 and 2 reduction by 2030 (from FY20 baseline)
- Emissions reduced 15.2% YoY, with 9.7% driven by a reduction in NZ grid emissions intensity and 5.5% driven by a reduction in underlying energy use
- While positive, emissions remain higher than our FY20 baseline and to meet our SBTi we must decouple our growth from emissions by linking our energy procurement to new sources of renewable electricity
- Progress against Scope 3 target, with ~30% of suppliers by spend with an SBTi aligned target in place

### Maturing ethical supply chain practices

- New supply chain risk management system implemented, and membership of global industry group, the Joint Audit Cooperation (JAC), approved, enabling auditing of global suppliers
- Human Rights Policy and Modern Slavery Framework developed and endorsed by Board



## ECONOMIC RECOVERY AND TRANSFORMATION

### Supporting decarbonisation through technology

- Technology has an important role to play in supporting businesses to decarbonize
- Over half of Spark IoT's FY22 revenue connected to climate change and sustainability solutions, such as energy and water metering, or environmental monitoring
- Signed up to Climate Leaders Coalition's (CLC) higher statement of ambition – covering mitigation, adaptation, and transition – with CEO Jolie Hodson now CLC Convenor
- Supporting take-up of new technologies – hydrogen car sharing trial, 'Electric First' fleet policy for FY23



## CHAMPION DIGITAL EQUITY

### Continued progress supporting digital equity

- Skinny Jump continues to provide a valuable service for digitally excluded communities, with connections now 23,323 – up 5,808, or ~33%, since FY21<sup>(1)</sup>
- Data allowances increased in FY22 to support households impacted by cost-of-living increases – Jump customers can now access up to 225GB a month, with the first 15GB free
- ~\$4.5 million+ of data donated through Skinny Jump in FY22

<sup>(1)</sup> FY21 base restated for ~2,000 data-only connections

# FY22 indicators of success

Delivering the results we committed to our shareholders

Strategic Pillar	Focus Area	Measure	Target 30 June 2022	Status
World class capability	Customer experience	Consumer and small business iNPS	+6 point lift	Exceeded
	Data driven insights	Uplift in data driven marketing campaign conversion <sup>(1)</sup>	15%	Exceeded
	Smart automated networks	Accelerate 5G	10-15 locations <sup>(2)</sup>	Achieved
	Growth mindsets	eNPS	+70	Achieved
Grow established markets	Wireless	Mobile service revenue growth	2-4%	Exceeded
	Broadband	Wireless broadband connections <sup>(3)</sup>	+15-20k	Not Achieved
	Cloud	Cloud, security and service management revenue growth	5-8%	Not Achieved
Accelerate future markets	IoT	Growth in number of connected IoT devices	+300k	Exceeded
		Growth in Spark Health revenues	8-10%	Exceeded
	Spark Health	Successful launch of Digital Health Platform	5 DHP customers onboarded	Not Achieved
Lowest cost provider	Deliver best cost	EBITDAI margin	31%	Achieved
Build a sustainable future	Championing digital equity	Skinny Jump connections	+5k	Achieved
	Sustainable Spark	Establish emissions reduction programme	30 June 2022	Achieved

<sup>(1)</sup> Spark consumer base

<sup>(2)</sup> This includes a mix of new locations and existing locations where our 5G footprint will be expanded

<sup>(3)</sup> Wireless broadband connection growth 16k including Skinny Jump, and 10k excluding Skinny Jump connections

# Well positioned within the macro trends impacting our business

Resilient revenues and investments for the future will support adaptation and growth



## GLOBAL ECONOMIC DISRUPTION

High inflation and cost-of-living crisis,  
tight labour markets,  
and constrained supply chains



- Broadband product and pricing refresh and multi-brand strategy
- Boosted digital equity offering
- Increased focus on talent mobility
- Careful supply chain management

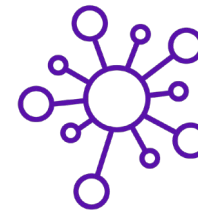


## CLIMATE CHANGE ACTION AND ADAPTATION

Window for action to avoid the worst  
impacts of climate change closing fast,  
requiring all businesses to accelerate  
action and prepare to adapt



- Emissions reductions a priority
- Leveraging technology to support decarbonisation for Spark and our customers



## TECHNOLOGY CONVERGENCE

Tech convergence accelerating – as 5G,  
multi-access edge compute (MAEC),  
data and AI, IoT, and cloud computing  
combine to deliver powerful solutions



- Digital infrastructure investment supporting new use cases
- Increased focus on MAEC trials and commercialisation opportunities

# Tech convergence creating new commercialisation opportunities

We are already seeing the benefits of technology convergence solving real-world problems for our customers



## MPI sustainable fishing solution

- Solution combines on-board cameras with **IoT, AI** and **machine learning, cloud computing**, and **data and analytics** from Spark Business Group
- Delivers clearer, independent data to help inform policy decisions, scientific research, and fisheries management



## Improving patient care for AKL DHB

- **Data and analytics** solution that optimises use of hospital resources and promotes better patient outcomes
- Dashboards share real-time operational insights to better manage bed capacity, staffing and theatre utilisation, clinical information, and compliance reporting



## Improving safety for EnviroWaste

- First pilot of **5G multi-access edge compute (MAEC)**, combined with **AI-powered computer vision**
- Lower latency, 5G connectivity, and faster processing times supporting the AI hazard detection system



## Micro credentials for ARUCC

- Pilot of **privacy-respecting micro-credentials** for Canadian learners created by MATTR for the Association of Registrars of the Universities and Colleges of Canada (ARUCC)
- Allows students to hold and share their verifiable credentials when seeking employment or signing up for new learning journeys

# Capital management and growth



# Capital Management Policy

The Board reviewed Spark’s Capital Management Policy and has released a new Capital Management Framework

## Capital Management Framework

1	<b>Maximising shareholder value</b>	<ul style="list-style-type: none"><li>• Growing dividends via growth in earnings and sustainable free cash flow</li><li>• Dividend Policy: pay-out ratio of ~80%-100% of free cash flow<sup>(1)</sup> on a long run basis with annual guidance expressed on a cents per share basis</li><li>• Returning excess capital to shareholders using capital management options (e.g. on-market buybacks, special dividends)</li></ul>
2	<b>Investing for growth</b>	<ul style="list-style-type: none"><li>• Investing to sustain and grow the business organically</li><li>• Investing for growth via mergers and acquisitions that are EPS accretive over time</li></ul>
3	<b>Maintaining financial strength and flexibility</b>	<ul style="list-style-type: none"><li>• Committed to maintaining an appropriate investment grade credit rating</li></ul>

### Key principles for investing in growth

- ✔ Strategic alignment
- ✔ NPV positive
- ✔ ROI greater than Spark’s hurdle rate in years 3-5
- ✔ Long run capex to revenue ~10%-11%<sup>(2)</sup>

<sup>(1)</sup>FCF defined as EBITDAI less tax paid, interest paid, maintenance capex (pre growth and spectrum capex), lease payments and pre any movements in working capital. Refer slide 29 of Appendix

<sup>(2)</sup>Excluding any spectrum purchases and renewals

# How the Framework will be applied in FY23

Spark's forecast free cash flow growth and TowerCo transaction proceeds will be used in line with Framework principles

## Free cash flow growth

- As we look to FY23, we have confidence in our ability to grow free cash flow to ~\$460m-\$500m<sup>(1)</sup>, to fund our ordinary dividend

## TowerCo proceeds

- As announced in July, Spark has reached agreement to sell a 70% stake in its TowerCo business to the Ontario Teachers' Pension Plan (OTPP)
- Spark expects net cash proceeds of ~\$900 million at completion (after transaction costs), which is subject to Overseas Investment Office approval, and is anticipated to occur in the FY23 first half

### Maximising shareholder value

- FY23 dividend of 27cps (100% imputed) funded through earnings and free cash flow growth
- Up to \$350m of proceeds from TowerCo transaction intended to be returned to shareholders via on-market buy-back post completion of the transaction. The buy-back will be subject to market conditions. Spark may investigate alternative return opportunities

### Investing for growth

- \$350m capex to be invested in support of growth:
  - Digital infrastructure investments, such as 5G acceleration, edge computing, and data centres, accelerating our growth in Spark IoT and Spark Health, and investing in emerging technologies

### Maintaining financial strength and flexibility

- Remaining proceeds to offset increase in lease liability resulting from long-term agreement with TowerCo to secure access to existing and new towers
- Post completion, Spark's net debt to EBITDA ratio is expected to fall significantly, and then increase over time as funds are returned to shareholders and investments are made
- Future financial flexibility maintained with ability to take on additional debt by moving to BBB+ should it be required to support growth in line with the principles for investing in growth noted on slide 13

<sup>(1)</sup>Free cash flow of ~\$460m-\$500m under new methodology refer slide 29 in appendix

# Financials

# FY22 financial performance summary

Delivering strong financial results with Revenue, EBITDAI and NPAT all in growth

▲ \$3,720m

Up \$127m or 3.5% vs. FY21

## REVENUE GROWTH

Revenue growth driven by:

- Outperformance in mobile; and
- Spark Health and Spark IoT growth

▲ \$410m

Up \$29m or 7.6% vs. FY21<sup>(1)</sup>

## NPAT GROWTH

NPAT growth driven by EBITDAI growth with net financing, D&A, and tax stable

▲ \$1,150m

Up \$31m or 2.8% vs. FY21<sup>(1)</sup>

## EBITDAI GROWTH

Top line momentum and cost discipline resulting in EBITDAI at the top end of guidance range

▼ \$296m

Down \$137m or (31.6%) vs. FY21<sup>(1)</sup>

## FREE CASH FLOW

Free cash flow of \$296m, lower than aspiration:

- Impacted by timing of working capital and supply chain impacts
- Remain confident in FY23 free cash flow aspiration of ~\$460m-\$500m<sup>(2)</sup>

▲ \$2,570m

Up \$96m or 3.9% vs. FY21<sup>(1)</sup>

## OPEX GROWTH

Opex growth driven by:

- Higher procurement costs in support of revenue growth; and
- Investment in future market growth

\$25.0c

## TOTAL FY22 DIVIDEND

Total FY22 dividend of 25.0 cps confirmed in line with guidance.

H2 FY22 dividend of 12.5 cps, 100% imputed.

The Dividend Reinvestment Plan (DRP) has been suspended for the H2 FY22 dividend and for the foreseeable future<sup>(3)</sup>.

<sup>(1)</sup>Adjusted for the impact of cloud accounting policy change

<sup>(2)</sup>Free cash flow of ~\$460m-\$500m under new methodology refer slide 29 in appendix

<sup>(3)</sup>Given the anticipated receipt of proceeds from the sale of 70% of TowerCo, the Dividend Reinvestment Plan has been suspended for the H2 FY22 dividend and for the foreseeable future

# Financials

	FY21 <sup>(1)</sup> \$m	FY22 \$m	CHANGE
Operating revenues and other gains	3,593	3,720	3.5%
Operating expenses	(2,474)	(2,570)	(3.9%)
<b>EBITDAI</b>	<b>1,119</b>	<b>1,150</b>	<b>2.8%</b>
Finance income	34	26	(23.5%)
Finance expense	(81)	(74)	8.6%
Depreciation and amortisation	(521)	(520)	0.2%
Net investment income	(1)	(1)	-%
<b>Net earnings before tax expense</b>	<b>550</b>	<b>581</b>	<b>5.6%</b>
<b>Tax expense</b>	<b>(169)</b>	<b>(171)</b>	<b>(1.2%)</b>
<b>Net earnings after tax expense</b>	<b>381</b>	<b>410</b>	<b>7.6%</b>
Capital expenditure <sup>(2)</sup>	349	410	17.5%
Free cash flow	433	296	(31.6%)
EBITDAI margin	31.1%	30.9%	(0.2pp)
Effective tax rate	30.7%	29.4%	(1.3pp)
Capital expenditure to operating revenues	9.7%	11.0%	1.3pp
Earnings per Share	20.6c	21.9c	1.3c
Total Dividend per Share	25.0c	25.0c	-

<sup>(1)</sup>Adjusted for the impact of cloud accounting policy change

<sup>(2)</sup>Excluding expenditure on mobile spectrum



# FY22 operational performance summary

Revenue growth in established and future markets driving consistent earnings growth

▲ \$3,720m

3.5% increase vs. FY21

## REVENUE

- Outperformance in mobile with highest revenue and connection growth in the market<sup>(2)</sup>
- Procurement growth driven by Health New Zealand wins and ongoing demand for hardware and software to support working from home
- Cloud revenue growth of 1.7% reflecting health growth, offset by competitive pricing pressure. Lower project activity across security and service management as a result of Covid and supply chain delays, and execution challenges
- Broadband revenue impacted by ongoing competitive intensity and plan redesign to stabilise base in line with strategy
- Voice revenue decline includes cycling of non-recurring H1 FY21 wire maintenance charges (underlying decline of ~12% in line with previous trends)
- Future markets of Health and IoT grew 46% and 22% respectively demonstrating ongoing future potential

▲ \$2,570m

3.9% increase vs. FY21<sup>(1)</sup>

## OPERATING EXPENSES

- Operating expenses up YoY with gross benefits of cost out reinvested in support of future market growth
- Increase in product costs primarily driven by increased procurement volumes
- Labour costs broadly flat, a pleasing outcome in a tight labour market, balancing the retention of key talent while continuing to invest in new markets
- Decrease in other operating expenses driven by:
  - reduction in network support costs, and precision marketing savings; partially offset by
  - return to normal levels of bad debt expense
- Managing inflationary pressure through use of multi-brands and refreshed pricing; increasing automation, and targeted cost reduction programmes

▲ \$1,150m

2.8% increase vs. FY21<sup>(1)</sup>

## EBITDAI

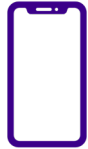
- Delivered EBITDAI at the top end of guidance range
- EBITDAI up \$31m or 2.8% YoY reflecting targeted return to revenue growth
- Prior period includes \$16m of non-recurring wire maintenance refunds. Other one off items are broadly consistent across the periods
- EBITDAI margin of ~31% in line with aspiration

<sup>(1)</sup>Adjusted for the impact of cloud accounting policy change

<sup>(2)</sup>Market share estimates sourced from IDC

# Established and future market outlook

Delivering on three-year revenue and costs aspirations with core capabilities supporting strong operational performance and execution in established and future markets



## MOBILE

- Total market mobile service revenue growth estimated to be ~2%-3% CAGR over the next 3-years to 2025<sup>(1)</sup>
- Border reopening presents opportunity for return of roaming revenues. Estimating FY23 roaming revenue return of ~60%+ of pre-Covid levels. Also expect pre-paid travellers to return increasing the connection base however, may dilute prepaid ARPU
- FY23 mobile service revenue growth aspiration ~5%-8%



## BROADBAND

- Total market broadband connections forecasted to grow modestly at ~1%-1.5% CAGR over the next 3-years to 2025<sup>(1)</sup>
- Our ambition is to maintain share in a competitive market through scaling data insight capability and precision marketing across broadband portfolio and further roll out of 5G wireless broadband
- On track to achieve FY23 target of ~30% of broadband base on wireless



## CLOUD, SECURITY AND SERVICE MANAGEMENT

- Public and private cloud markets are expected to continue growing
- Product and pricing refresh to improve market competitiveness and capitalise on hybrid-cloud opportunity
- Expecting higher than FY22 growth of ~2-5% in FY23, laying the foundations for a return to growth in line with market trends in future years



## FUTURE MARKETS

- Building meaningful businesses in IoT and Health, helping customers to digitise, transform, improve experience and productivity
- Growth in IoT revenues driven by expansion of connected devices and related service revenue. Expect to grow to ~1.2m connections by the end of FY23
- Continue to support the transformation of New Zealand's health sector through tailored suite of IT and Managed Services products and launch of Digital Health Platform (DHP) Kete Waiora. FY23 revenue growth aspiration of 10%-15%<sup>(2)</sup>
- Continue to pursue strategic partnership opportunities in Sport to improve commercial returns

<sup>(1)</sup>Market share estimates sourced from IDC

<sup>(2)</sup>Excluding procurement and telco revenues

# FY22 capital investment

Capital investment of \$410m<sup>(1)</sup> in line with guidance and target envelope of ~10%-11% of revenue

Capital expenditure (\$m)	FY21 <sup>(2)</sup>	FY22
IT Systems	117	150
Mobile network	106	125
Core sustain and resiliency	55	53
Data centres	1	31
Converged Communications Network (CCN)	27	22
Cloud	20	15
International cable construction and capacity purchases	9	7
Other	14	7
<b>Capital expenditure excluding mobile spectrum</b>	<b>349</b>	<b>410</b>
Total capital expenditure to operating revenue and other gains	9.7%	11.0%
Spectrum	51	-
<b>Total capital expenditure and spectrum</b>	<b>400</b>	<b>410</b>
Total Capital expenditure and spectrum to operating revenue and other gains	11.1%	11.0%
Maintenance capex		354
Growth capex		56

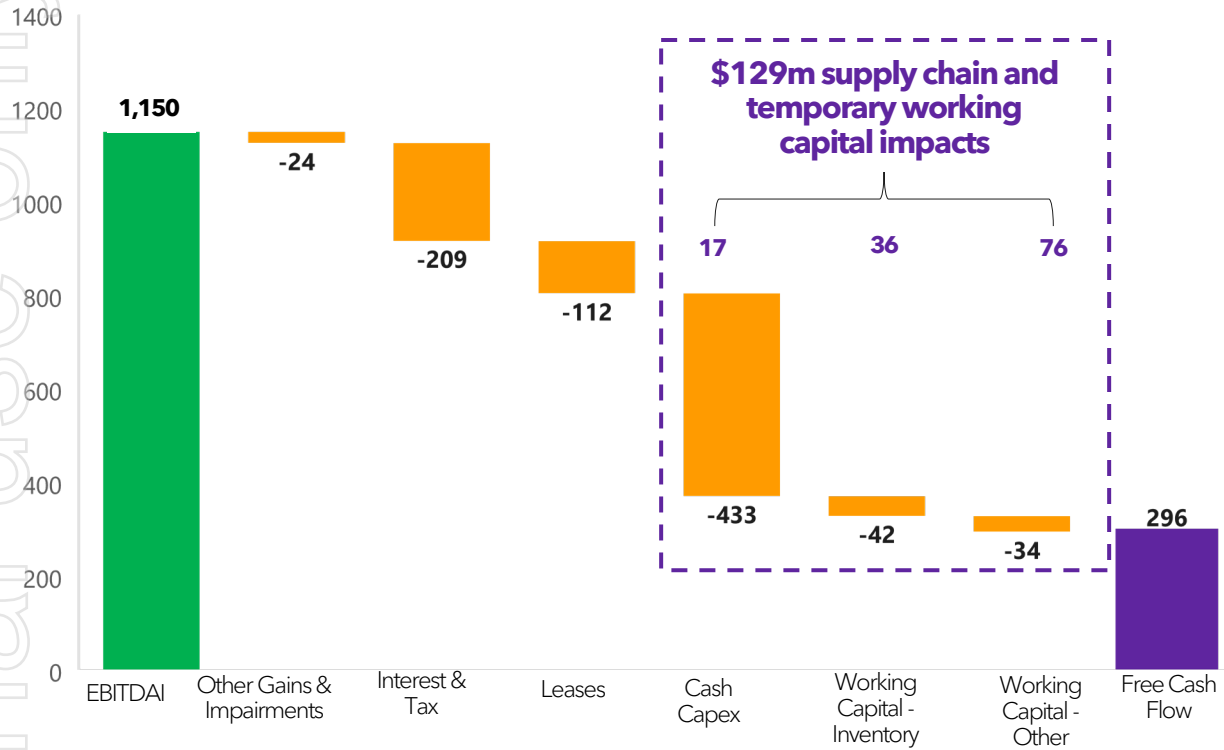
- Investment in mobile core and Radio Access Network (RAN) delivering greater network capacity and coverage
- Investment in IT systems in support of:
  - Successful implementation of first phase of Spark ERP system replacement;
  - End of life IT infrastructure refresh; and
  - Deep customer insight capability to unlock further data-driven marketing opportunities
- Increase in 'core, sustain and resiliency' includes investment in Optical Transport Network 2.0 (OTN) upgrade
- Continued investment in Converged Communication Network, advancing exit strategy of legacy PSTN network
- Growth capex in FY22 equates to \$56m supporting acceleration of 5G roll-out with an additional \$25m invested in FY22, modernisation of Mayoral Drive exchange and the commencement of data centre expansion at Takanini
- FY23 growth capex expected to be ~\$50-\$60m and is included in FY23 capex guidance

<sup>(1)</sup>Excluding expenditure on mobile spectrum. Capital expenditure is a non-GAAP measure and is defined in Note 2.5 of Spark's financial statements

<sup>(2)</sup>Adjusted for the impact of cloud accounting policy change

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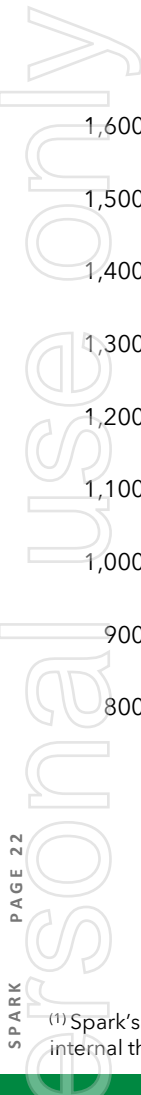
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# FY23 indicators of success

Strategic Pillar	Focus Area	Measure	Target 30 June 2023
World class capability	Customer experience	Consumer and small business iNPS	+6 point lift
	Data driven insights	Uplift in data driven marketing campaign conversion	15% <sup>(1)</sup>
	Smart automated networks	5G roll out	40-50 locations <sup>(2)</sup>
	Growth mindsets	eNPS	+70
Grow established markets	Wireless	Mobile service revenue growth	5-8%
	Broadband	Percentage of broadband base on wireless	~30%
	Cloud	Cloud, security and service management revenue growth	2-5%
Accelerate future markets	Spark IoT	Number of connected IoT devices	~1.2m connections
	Spark Health	Growth in Spark Health Revenues	10-15% <sup>(3)</sup>
Lowest cost provider	Deliver best cost	EBITDAI margin	~31%
Build a sustainable future	Championing digital equity	Skinny Jump connections	+5k
	Sustainable Spark	Reduction in scope 1 and 2 emissions year-on-year to hit SBTi emissions reduction pathway	18.6% reduction

<sup>(1)</sup>Spark consumer base

<sup>(2)</sup>Contingent on NZ Government allocation of C-band spectrum

<sup>(3)</sup>Excluding procurement and telco revenues

	FY22 Actual	FY23 Guidance
EBITDAI	\$1,150m	\$1,185-\$1,225 (excludes any gain on sale for TowerCo transaction)
Capital expenditure <sup>(2)</sup>	\$410m	~\$410m
Dividend per share	Total 25.0cps (100% imputed) <sup>(3)</sup>	Total 27.0cps (100% imputed)

<sup>(1)</sup>Subject to no adverse change in operating outlook

<sup>(2)</sup>Excluding expenditure on mobile spectrum

<sup>(3)</sup>Given the anticipated receipt of proceeds from the sale of 70% of TowerCo, the Dividend Reinvestment Plan has been suspended for the H2 FY22 dividend and for the foreseeable future

# Now in final year of 2023 strategy



Delivered strong financial returns and maximised shareholder value over last two years



Core capabilities and high performance culture underpinning consistent delivery and strategic execution



Strong momentum in future markets and new commercialisation opportunities emerging from digital infrastructure and technology investments



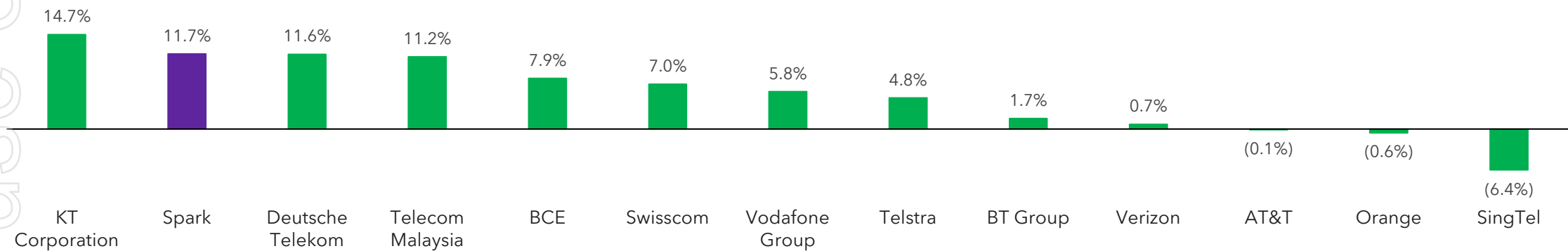
A refreshed strategic plan for the next three years will be shared at an investor day before the end of this financial year

# Appendix

# TSR<sup>(1)</sup> vs. International Peers<sup>(2)</sup>

Ranked #2 against international peers for three-year Total Shareholder Returns

3-Year TSR CAGR



<sup>(1)</sup>TSR calculated as share price and dividend per share (reinvested at the ex-dividend date). Three-year TSR over Spark's FY20-FY22 period (1 July 2019 to 30 June 2022)

<sup>(2)</sup>Peer group is not exhaustive but is a selected group of primarily integrated telco operators that are deemed the closest peers to Spark in terms of market exposure



# TowerCo transaction summary

Creating significant shareholder value by enabling direct returns and investment in future growth

- As announced in July, Spark has reached agreement to sell a 70% stake in its TowerCo business to the Ontario Teachers' Pension Plan (OTPP)
- TowerCo will deliver better outcomes for customers and Aotearoa through faster, more efficient deployment of digital infrastructure
- High-caliber investor with a long-term partnering focus and significant experience managing a portfolio of infrastructure investments globally
- Proceeds will maximise value for shareholders through direct returns and by investing in future growth opportunities
- Spark will be the anchor tenant retaining a 30% stake - remaining a key strategic partner as the business grows
- Spark continues to own all the 'smarts' of its network - such as radio equipment and spectrum - which is what drives competitive advantage and differentiation in the market
- Completion only conditional on Overseas Investment Office approval and is anticipated to occur in the first half of FY23

**\$1.175 billion**

**Implied enterprise value**

**33.8x**

**FY23 pro-forma EBITDA multiple**

**~\$900 million**

**Proceeds after transaction costs**

**15-year agreement**

**to secure access to existing and new towers**

**670 sites**

**over 10 years - build commitment**

# Defining free cash flow for Spark's future dividend policy

The Capital Management Framework introduces a dividend policy to provide investors greater certainty on how the Board will consider dividends over the long-run.

**Dividend Policy:** pay-out ratio of ~80%-100% of free cash flow on a long run basis, with annual guidance expressed on a cents per share basis.

Free cash flow has been redefined from FY23 to minimise the impact of short-term working capital volatility and to support incremental growth capital expenditure.

## FREE CASH FLOW DEFINITION

FROM	Underlying free cash flow PLUS: Movements in working capital  EXCLUDES: Spectrum; Proceeds from asset sales; and Payments of business acquisitions
TO	EBITDAI LESS: Other gains and impairments; Interest; Tax; Lease costs; and Maintenance capital expenditure  EXCLUDES: Growth capital expenditure; Spectrum; and Movements in working capital



If this methodology had been applied in FY22 the impact would be as follows:

	FROM FY22 (\$)m	TO FY22 (\$)m
EBITDAI	1,150	1,150
Less:		
Other gains and impairments	24	24
Interest	49	49
Tax	160	160
Lease costs	112	112
Capex	433	372 <sup>(1)</sup>
Net working capital movement	76	-
Free cash flow	296	433

<sup>(1)</sup> Maintenance capital expenditure only. New methodology excludes growth capex of \$56m and \$5m growth capex prepayment

# Indicative TowerCo financial summary

Following the completion of the TowerCo transaction, the anticipated impacts on Spark's earnings are outlined below

	Spark TowerCo Adjustments	
	FY23 \$m	FY24 \$m
Operating revenues	2	(1)
Operating expenses	(5)	(8)
EBITDAI Impact	(3)	(9)
Total net finance expense, depreciation and amortisation, and net investment income	11	17
Net earnings before tax	8	8

## EBITDAI impacts include:

### Operating revenue:

- Reduction in co-location income
- FY23 impact offset by:
  - Transitional services charges to support establishment of TowerCo; and
  - One-off reduction on make good provision for ground leases

### Operating expenses:

- Reduced maintenance costs, offset by a portion of the lease charges that are recognised within operating costs in accordance with IFRS16

### EBTIDAI:

- TowerCo gain on sale is not included in this analysis, and is excluded from FY23 EBITDAI guidance

## Net earnings before tax impacts include:

### Sale of TowerCo:

- TowerCo future net earnings will be accounted for in share of associates' and joint ventures' net profits/(losses) below EBITDAI
- Reduction in depreciation and amortisation due to sale of assets to TowerCo
- Reduction in depreciation and interest expense from assignment of ROU assets and liabilities for ground leases
- Reduction in interest expense from cash received from TowerCo divestment

### Creation of TowerCo lease obligation:

- Increase in interest expense and depreciation from new ROU asset and lease liability reflecting access pricing from the lease arrangement with TowerCo

Financial impacts are subject to change up until divestment date and finalisation of gain on sale  
These impacts have not been audited  
Financial impacts do not include gain on sale or tax implications  
Analysis based on divestment occurring in November 2022

# Disclaimer

This announcement may include forward-looking statements regarding future events and the future financial performance of Spark New Zealand. Such forward-looking statements are based on the beliefs of and assumptions made by management along with information currently available at the time such statements were made.

These forward-looking statements may be identified by words such as 'guidance', 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'will', 'plan', 'may', 'could', 'ambition', 'aspiration' and similar expressions. Any statements in this announcement that are not historical facts are forward-looking statements. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond Spark New Zealand's control, and which may cause actual results to differ materially from those projected in the forward-looking statements contained in this announcement.

Factors that could cause actual results or performance to differ materially from those expressed or implied in the forward-looking statements are discussed herein and also include Spark New Zealand's anticipated growth strategies, Spark New Zealand's future results of operations and financial condition, economic conditions and the regulatory environment in New Zealand, competition in the markets in which Spark New Zealand operates, risks related to the sharing arrangements with Chorus, any impacts or risks to Spark's anticipated growth strategies, future financial condition and operations, economic conditions or the regulatory environment in New Zealand arising from or otherwise with Covid-19, other factors or trends affecting the telecommunications industry generally and Spark New Zealand's financial condition in particular and risks detailed in Spark New Zealand's filings with NZX and ASX. Except as required by law or the listing rules of the stock exchanges on which Spark New Zealand is listed, Spark New Zealand undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

# Spark New Zealand

## Group result - reported

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Operating revenues and other gains	1,824	1,799	1,796	1,797	1,890	1,830	3,593	3,720	127	3.5%
Operating expenses	(1,327)	(1,189)	(1,296)	(1,178)	(1,352)	(1,218)	(2,474)	(2,570)	(96)	(3.9%)
<b>EBITDAI</b>	<b>497</b>	<b>610</b>	<b>500</b>	<b>619</b>	<b>538</b>	<b>612</b>	<b>1,119</b>	<b>1,150</b>	<b>31</b>	<b>2.8%</b>
Finance income	18	18	17	17	14	12	34	26	(8)	(23.5%)
Finance expense	(46)	(48)	(43)	(38)	(37)	(37)	(81)	(74)	7	8.6%
Depreciation and amortisation expense	(237)	(250)	(262)	(259)	(257)	(263)	(521)	(520)	1	0.2%
Net investment income	(1)	2	-	(1)	(1)	-	(1)	(1)	-	-%
<b>Net earnings before income tax</b>	<b>231</b>	<b>332</b>	<b>212</b>	<b>338</b>	<b>257</b>	<b>324</b>	<b>550</b>	<b>581</b>	<b>31</b>	<b>5.6%</b>
Tax expense	(69)	(78)	(65)	(104)	(78)	(93)	(169)	(171)	(2)	(1.2%)
<b>Net earnings for the period</b>	<b>162</b>	<b>254</b>	<b>147</b>	<b>234</b>	<b>179</b>	<b>231</b>	<b>381</b>	<b>410</b>	<b>29</b>	<b>7.6%</b>
Capital expenditure excluding spectrum	244	124	190	159	218	192	349	410	61	17.5%
Free cash flows excluding spectrum	50	388	113	320	183	113	433	296	(137)	(31.6%)
Reported EBITDAI margin	27.2%	33.9%	27.8%	34.4%	28.5%	33.4%	31.1%	30.9%	(0.2%)	
Reported effective tax rate	29.9%	23.5%	30.7%	30.8%	30.4%	28.7%	30.7%	29.4%	(1.3%)	
Capital expenditure to operating revenues and other gains	13.4%	6.9%	10.6%	8.8%	11.5%	10.5%	9.7%	11.0%	1.3%	
Reported basic and earnings per share (cents)	8.8	13.9	8.0	12.5	9.6	12.4	20.6	21.9	1.3	6.3%

## Gross margin by product

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Mobile	405	424	407	430	437	467	837	904	67	8.0%
Voice	123	119	87	93	86	79	180	165	(15)	(8.3%)
Broadband	175	166	166	173	166	152	339	318	(21)	(6.2%)
Cloud, security and service management	173	175	179	179	176	167	358	343	(15)	(4.2%)
Procurement and partners	20	25	20	23	26	27	43	53	10	23.3%
Managed data, network and services	70	68	72	73	65	72	145	137	(8)	(5.5%)
Other product	15	33	28	42	33	47	70	80	10	14.3%
<b>Total product gross margin</b>	<b>981</b>	<b>1,010</b>	<b>959</b>	<b>1,013</b>	<b>989</b>	<b>1,011</b>	<b>1,972</b>	<b>2,000</b>	<b>28</b>	<b>1.4%</b>
Other gains	4	31	4	24	16	10	28	26	(2)	(7.1%)
<b>Total gross margin</b>	<b>985</b>	<b>1,041</b>	<b>963</b>	<b>1,037</b>	<b>1,005</b>	<b>1,021</b>	<b>2,000</b>	<b>2,026</b>	<b>26</b>	<b>1.3%</b>

## Connections

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	000's	000's	000's	000's	000's	000's	000's	000's	000's	%
Mobile connections <sup>1</sup>	2,500	2,519	2,431	2,421	2,445	2,503	2,421	2,503	82	3.4%
Voice connections by type <sup>2</sup>										
POTS and ISDN	288	220	197	168	140	113	168	113	(55)	(32.7%)
VoIP	54	61	69	69	69	66	69	66	(3)	(4.3%)
Voice over wireless	26	24	23	24	20	17	24	17	(7)	(29.2%)
	368	305	289	261	229	196	261	196	(65)	(24.9%)
Broadband connections by technology										
Copper	211	186	157	131	113	95	131	95	(36)	(27.5%)
Fibre	340	367	381	395	402	415	395	415	20	5.1%
Wireless <sup>3</sup>	141	156	166	178	187	194	178	194	16	9.0%
	692	709	704	704	702	704	704	704	-	-%
IoT Connections	239	271	372	476	623	832	476	832	356	74.8%

<sup>1</sup> Mobile connections excluding MVNO connections but including legacy machine to machine and SIM based SmartWatch connections.

<sup>2</sup> Voice connections include all voice technology types, including POTS, ISDN, VoIP and wireless voice. Voice connections exclude connections where Spark also provide a bundled broadband service, but include all wholesale voice connections (including those where the underlying customer has a bundled broadband service).

<sup>3</sup> FY21 wireless broadband connections have been restated to include data only connections of 2,394.



# Spark New Zealand

## Group FTE's

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
FTE permanent	5,119	4,983	4,961	4,889	4,921	4,924	4,889	4,924	35	0.7%
FTE contractors	200	146	121	150	190	208	150	208	58	38.7%
Total FTE	5,319	5,129	5,082	5,039	5,111	5,132	5,039	5,132	93	1.8%

## Dividends

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
Ordinary dividends (cents per share)	12.50	12.50	12.50	12.50	12.50	12.50	25.00	25.00	-	-%
Special dividends (cents per share)	-	-	-	-	-	-	-	-	-	-%
	12.50	12.50	12.50	12.50	12.50	12.50	25.00	25.00	-	-%

# Spark New Zealand

## Group operating revenues and other gains

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
<b>Operating revenues</b>										
Mobile										
Service revenue	425	423	420	432	441	458	852	899	47	5.5%
Non-service revenue	228	212	231	228	237	215	459	452	(7)	(1.5%)
	653	635	651	660	678	673	1,311	1,351	40	3.1%
Voice										
Access	95	85	62	67	57	52	129	109	(20)	(15.5%)
Calling	79	81	71	67	70	68	138	138	-	-%
Other voice revenue	23	23	21	20	19	19	41	38	(3)	(7.3%)
	197	189	154	154	146	139	308	285	(23)	(7.5%)
Broadband <sup>1</sup>	345	335	337	333	324	315	670	639	(31)	(4.6%)
Cloud, security and service management	209	211	217	226	224	222	443	446	3	0.7%
Procurement and partners	207	200	236	178	301	237	414	538	124	30.0%
Managed data, network and services	134	143	140	142	140	143	282	283	1	0.4%
Other operating revenue <sup>2</sup>	75	55	57	80	61	91	137	152	15	10.9%
<b>Total operating revenues</b>	<b>1,820</b>	<b>1,768</b>	<b>1,792</b>	<b>1,773</b>	<b>1,874</b>	<b>1,820</b>	<b>3,565</b>	<b>3,694</b>	<b>129</b>	<b>3.6%</b>
Other gains	4	31	4	24	16	10	28	26	(2)	(7.1%)
<b>Total operating revenues and other gains</b>	<b>1,824</b>	<b>1,799</b>	<b>1,796</b>	<b>1,797</b>	<b>1,890</b>	<b>1,830</b>	<b>3,593</b>	<b>3,720</b>	<b>127</b>	<b>3.5%</b>

<sup>1</sup> Wireless broadband revenues and connections are included in broadband revenues and connections.

<sup>2</sup> Other operating revenues includes revenues from Consumer, Business, Wholesale and other customer segments.

## Operating revenues and other gains by customer segment

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
<b>Operating revenues and other gains</b>										
Consumer	824	757	769	779	777	757	1,548	1,534	(14)	(0.9%)
Business	901	916	935	897	1,018	952	1,832	1,970	138	7.5%
Wholesale and other	99	126	92	121	95	121	213	216	3	1.4%
	1,824	1,799	1,796	1,797	1,890	1,830	3,593	3,720	127	3.5%

## Finance income

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
<b>Finance income</b>										
Finance lease interest income	7	6	6	7	6	3	13	9	(4)	(30.8%)
Other interest income	11	12	11	10	8	9	21	17	(4)	(19.0%)
	18	18	17	17	14	12	34	26	(8)	(23.5%)

## Net investment income

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
<b>Net investment income</b>										
Dividend income	-	-	-	-	-	-	-	-	-	-%
Share of associates' and joint ventures' net losses	(1)	2	-	(1)	(1)	-	(1)	(1)	-	-%
	(1)	2	-	(1)	(1)	-	(1)	(1)	-	-%

# Spark New Zealand

## Group operating expenses

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
<b>Product costs</b>										
Mobile	248	211	244	230	241	206	474	447	(27)	(5.7%)
Voice	74	70	67	61	60	60	128	120	(8)	(6.3%)
Broadband	170	169	171	160	158	163	331	321	(10)	(3.0%)
Cloud, security and service management	36	36	38	47	48	55	85	103	18	21.2%
Procurement and partners	187	175	216	155	275	210	371	485	114	30.7%
Managed data, network and services	64	75	68	69	75	71	137	146	9	6.6%
Other product costs	60	22	29	38	28	44	67	72	5	7.5%
	839	758	833	760	885	809	1,593	1,694	101	6.3%
Labour	268	245	256	237	263	232	493	495	2	0.4%
<b>Other operating expenses</b>										
Network support costs	37	32	44	42	44	21	86	65	(21)	(24.4%)
Computer costs	49	49	51	50	55	56	101	111	10	9.9%
Accommodation costs	33	30	32	35	30	35	67	65	(2)	(3.0%)
Advertising, promotions and communication	47	31	44	28	34	26	72	60	(12)	(16.7%)
Bad debts	7	10	(1)	(6)	3	1	(7)	4	11	NM
Impairment expense	-	2	-	2	2	-	2	2	-	-%
Other	47	32	37	30	36	38	67	74	7	10.4%
	220	186	207	181	204	177	388	381	(7)	(1.8%)
<b>Total operating expenses</b>	<b>1,327</b>	<b>1,189</b>	<b>1,296</b>	<b>1,178</b>	<b>1,352</b>	<b>1,218</b>	<b>2,474</b>	<b>2,570</b>	<b>96</b>	<b>3.9%</b>
<b>Finance expense</b>										
<b>Finance expense</b>										
Finance expense on debt	25	28	21	22	23	22	43	45	2	4.7%
Other interest and finance expense	7	5	6	4	4	7	10	11	1	10.0%
Lease interest expense	15	16	15	11	10	9	26	19	(7)	(26.9%)
Leased customer equipment interest expense	3	3	4	4	3	4	8	7	(1)	(12.5%)
	50	52	46	41	40	42	87	82	(5)	(5.7%)
Capitalised interest	(4)	(4)	(3)	(3)	(3)	(5)	(6)	(8)	(2)	(33.3%)
	46	48	43	38	37	37	81	74	(7)	(8.6%)
<b>Depreciation and amortisation expense</b>										
<b>Depreciation and amortisation expense</b>										
Depreciation - property, plant and equipment	119	114	124	118	116	118	242	234	(8)	(3.3%)
Depreciation - right-of-use assets	28	36	35	42	40	40	77	80	3	3.9%
Depreciation - leased customer equipment assets	15	12	19	17	18	19	36	37	1	2.8%
Amortisation of intangible assets	75	88	84	82	83	86	166	169	3	1.8%
	237	250	262	259	257	263	521	520	(1)	(0.2%)

# Spark New Zealand

## Analysis & KPI's - Mobile

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
<b>Mobile revenue by type (Consumer and Business)</b>										
Mobile service revenue	421	419	415	427	435	451	842	886	44	5.2%
Mobile non-service revenue <sup>1</sup>	216	197	223	221	229	205	444	434	(10)	(2.3%)
	637	616	638	648	664	656	1,286	1,320	34	2.6%
Wholesale and other customer segment mobile revenue <sup>2</sup>	16	19	13	12	14	17	25	31	6	24.0%
<b>Total mobile revenue</b>	<b>653</b>	<b>635</b>	<b>651</b>	<b>660</b>	<b>678</b>	<b>673</b>	<b>1,311</b>	<b>1,351</b>	<b>40</b>	<b>3.1%</b>
Mobile product costs <sup>3</sup>	(248)	(211)	(244)	(230)	(241)	(206)	(474)	(447)	27	5.7%
<b>Mobile gross margin</b>	<b>405</b>	<b>424</b>	<b>407</b>	<b>430</b>	<b>437</b>	<b>467</b>	<b>837</b>	<b>904</b>	<b>67</b>	<b>8.0%</b>
Mobile gross margin %	62.0%	66.8%	62.5%	65.2%	64.5%	69.4%	63.8%	66.9%	3.1%	
	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
<b>Total mobile revenue by customer segment</b>										
Consumer	443	419	438	441	454	444	879	898	19	2.2%
Business	194	197	200	207	210	212	407	422	15	3.7%
Wholesale and other	16	19	13	12	14	17	25	31	6	24.0%
	653	635	651	660	678	673	1,311	1,351	40	3.1%
	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$ per month	\$ per month	\$ per month	\$ per month	\$ per month	\$ per month	\$ per month	\$ per month	\$ per month	%
<b>Average revenue per user (ARPU) - 6 month active (Consumer and Business)</b>										
Total ARPU	28.48	28.05	28.51	29.66	30.19	30.84	29.09	30.52	1.42	4.9%
Pay-monthly ARPU	42.82	41.19	39.97	40.31	40.17	41.01	40.14	40.60	0.46	1.1%
Prepaid ARPU	13.28	13.37	14.36	15.42	16.26	16.47	14.89	16.37	1.48	9.9%
	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	000's	000's	000's	000's	000's	000's	000's	000's	000's	%
<b>Number of mobile connections at period end - 6 month active (Consumer and Business) <sup>4</sup></b>										
Pay-monthly connections	1,287	1,330	1,355	1,386	1,416	1,437	1,386	1,437	51	3.7%
Prepaid connections	1,181	1,161	1,047	1,008	1,001	1,038	1,008	1,038	30	3.0%
Internal connections	4	4	4	4	4	4	4	4	-	-%
<b>Total mobile connections</b>	<b>2,472</b>	<b>2,495</b>	<b>2,406</b>	<b>2,398</b>	<b>2,421</b>	<b>2,479</b>	<b>2,398</b>	<b>2,479</b>	<b>81</b>	<b>3.4%</b>

<sup>1</sup> Mobile non-service revenue includes handset sales and mobile interconnect.

<sup>2</sup> Includes MVNO revenue.

<sup>3</sup> Includes handset, interconnect and cellphone tower access costs.

<sup>4</sup> Excludes MVNO connections but includes SIM based SmartWatch connections.

# Spark New Zealand

## Analysis & KPI's - Voice

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
<b>Revenue by type</b>										
Access	95	85	62	67	57	52	129	109	(20)	(15.5%)
Calling	79	81	71	67	70	68	138	138	-	-%
Other voice revenue	23	23	21	20	19	19	41	38	(3)	(7.3%)
<b>Total voice revenue</b>	<b>197</b>	<b>189</b>	<b>154</b>	<b>154</b>	<b>146</b>	<b>139</b>	<b>308</b>	<b>285</b>	<b>(23)</b>	<b>(7.5%)</b>
Voice product costs <sup>1</sup>	(74)	(70)	(67)	(61)	(60)	(60)	(128)	(120)	8	6.4%
<b>Voice gross margin</b>	<b>123</b>	<b>119</b>	<b>87</b>	<b>93</b>	<b>86</b>	<b>79</b>	<b>180</b>	<b>165</b>	<b>(15)</b>	<b>(8.3%)</b>
Voice gross margin %	62.4%	63.0%	56.5%	60.4%	58.9%	56.8%	58.4%	57.9%	(0.5%)	

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	000's	000's	000's	000's	000's	000's	000's	000's	000's	%
<b>Voice connections by type</b>										
POTS and ISDN	288	220	197	168	140	113	168	113	(55)	(32.7%)
VoIP	54	61	69	69	69	66	69	66	(3)	(4.3%)
Voice over wireless	26	24	23	24	20	17	24	17	(7)	(29.2%)
<b>Total voice connections<sup>2</sup></b>	<b>368</b>	<b>305</b>	<b>289</b>	<b>261</b>	<b>229</b>	<b>196</b>	<b>261</b>	<b>196</b>	<b>(65)</b>	<b>(24.9%)</b>

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	000's	000's	000's	000's	000's	000's	000's	000's	000's	%
<b>Voice connections by customer segment</b>										
Consumer	93	49	58	60	47	37	60	37	(23)	(38.3%)
Business	161	157	149	138	132	119	138	119	(19)	(13.8%)
Wholesale and other	114	99	82	63	50	40	63	40	(23)	(36.5%)
<b>Total voice connections<sup>2</sup></b>	<b>368</b>	<b>305</b>	<b>289</b>	<b>261</b>	<b>229</b>	<b>196</b>	<b>261</b>	<b>196</b>	<b>(65)</b>	<b>(24.9%)</b>

<sup>1</sup> Includes voice access (baseband), interconnect, and international calling costs.

<sup>2</sup> Excludes Cloud Telephony which has been moved to Managed Networks.

## Analysis & KPI's - Broadband

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
<b>Total broadband revenue</b>	<b>345</b>	<b>335</b>	<b>337</b>	<b>333</b>	<b>324</b>	<b>315</b>	<b>670</b>	<b>639</b>	<b>(31)</b>	<b>(4.6%)</b>
Broadband product costs <sup>3</sup>	(170)	(169)	(171)	(160)	(158)	(163)	(331)	(321)	10	3.0%
<b>Broadband gross margin</b>	<b>175</b>	<b>166</b>	<b>166</b>	<b>173</b>	<b>166</b>	<b>152</b>	<b>339</b>	<b>318</b>	<b>(21)</b>	<b>(6.2%)</b>
Broadband gross margin %	50.7%	49.6%	49.3%	52.0%	51.2%	48.3%	50.6%	49.8%	(0.8%)	

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	000's	000's	000's	000's	000's	000's	000's	000's	000's	%
<b>Broadband connections by technology</b>										
Copper	211	186	157	131	113	95	131	95	(36)	(27.5%)
Fibre	340	367	381	395	402	415	395	415	20	5.1%
Wireless <sup>4</sup>	141	156	166	178	187	194	178	194	16	9.0%
<b>Total broadband connections</b>	<b>692</b>	<b>709</b>	<b>704</b>	<b>704</b>	<b>702</b>	<b>704</b>	<b>704</b>	<b>704</b>	<b>-</b>	<b>-%</b>

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	000's	000's	000's	000's	000's	000's	000's	000's	000's	%
<b>Broadband connections by customer segment</b>										
Consumer	591	605	598	595	593	595	595	595	-	-%
Business	100	103	103	105	105	104	105	104	(1)	(1.0%)
Wholesale and other	1	1	3	4	4	5	4	5	1	25.0%
<b>Total broadband connections</b>	<b>692</b>	<b>709</b>	<b>704</b>	<b>704</b>	<b>702</b>	<b>704</b>	<b>704</b>	<b>704</b>	<b>-</b>	<b>-%</b>

<sup>3</sup> Includes broadband access (UBA/UCLL/Fibre), modem and e-mail platform support costs.

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# Spark New Zealand

## Analysis & KPI's - Cloud, Security and Service management

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Cloud revenue	111	114	113	116	119	114	229	233	4	1.7%
Security revenue	18	19	19	20	18	19	39	37	(2)	(5.1%)
Service management revenue	80	78	85	90	87	89	175	176	1	0.6%
Cloud, Security and Service management revenue	209	211	217	226	224	222	443	446	3	0.7%
Cloud, Security and Service management product costs	(36)	(36)	(38)	(47)	(48)	(55)	(85)	(103)	(18)	(21.2%)
<b>Cloud, Security and Service management gross margin</b>	<b>173</b>	<b>175</b>	<b>179</b>	<b>179</b>	<b>176</b>	<b>167</b>	<b>358</b>	<b>343</b>	<b>(15)</b>	<b>(4.2%)</b>
Cloud, Security and Service management gross margin %	82.8%	82.9%	82.5%	79.2%	78.6%	75.2%	80.8%	76.9%	(3.9%)	
Contribution margin (approximated) % <sup>1</sup>	34.4%	39.3%	34.6%	38.5%	34.8%	37.4%	38.5%	37.4%	(1.1%)	
<b>Cloud KPI's</b>	<b>H1 FY20</b>	<b>H2 FY20</b>	<b>H1 FY21</b>	<b>H2 FY21</b>	<b>H1 FY22</b>	<b>H2 FY22</b>	<b>FY21</b>	<b>FY22</b>	<b>FY21 vs FY22</b>	
Number of private cloud clients <sup>2</sup>	361	347	329	359	346	346	359	346	(13)	(3.6%)
Number of public cloud clients	293	305	304	335	335	353	335	353	18	5.4%
Power usage efficiency for dedicated data-centre sites			1.50	1.48	1.49	1.50	1.48	1.50	0.02	1.4%
Megawatt hours for dedicated data centre sites			22,091	22,874	21,664	22,181	44,965	43,845	(1,120)	(2.5%)
<b>Security KPI's</b>	<b>H1 FY20</b>	<b>H2 FY20</b>	<b>H1 FY21</b>	<b>H2 FY21</b>	<b>H1 FY22</b>	<b>H2 FY22</b>	<b>FY21</b>	<b>FY22</b>	<b>FY21 vs FY22</b>	
Number of security clients <sup>2</sup>	1,191	1,183	1,153	1,174	1,110	1,107	1,174	1,107	(67)	(5.7%)
Average monthly revenue per security client	2,519	2,677	2,746	2,839	2,703	2,861	2,839	2,861	22	0.8%
<b>Service management KPI's</b>	<b>H1 FY20</b>	<b>H2 FY20</b>	<b>H1 FY21</b>	<b>H2 FY21</b>	<b>H1 FY22</b>	<b>H2 FY22</b>	<b>FY21</b>	<b>FY22</b>	<b>FY21 vs FY22</b>	
Number of service management clients <sup>2</sup>	681	730	671	694	712	688	694	688	(6)	(0.9%)
Average monthly revenue per service management client	19,579	17,808	21,113	21,614	20,365	21,560	21,614	21,560	(54)	(0.2%)

<sup>1</sup> Contribution margin is defined as reported gross margin less labour and other costs that are directly attributable to the implementation and ongoing support of specific contract services.

<sup>2</sup> The client count measures for private cloud, security and service management have been retrospectively updated following improvements in the classification of clients that consume more than one variant of a service across the Spark Group.

## Analysis & KPI's - Procurement and partners

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Procurement and partners revenue	207	200	236	178	301	237	414	538	124	30.0%
Procurement and partners product costs	(187)	(175)	(216)	(155)	(275)	(210)	(371)	(485)	(114)	(30.7%)
<b>Procurement and partners gross margin</b>	<b>20</b>	<b>25</b>	<b>20</b>	<b>23</b>	<b>26</b>	<b>27</b>	<b>43</b>	<b>53</b>	<b>10</b>	<b>23.3%</b>
Procurement and partners gross margin %	9.7%	12.5%	8.5%	13.0%	8.6%	11.4%	10.4%	9.9%	(0.5%)	

## Analysis & KPI's - Managed data, network and services

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Collaboration	30	35	33	35	38	40	68	78	10	14.7%
Managed data and networks	104	108	107	107	102	103	214	205	(9)	(4.2%)
<b>Managed data, network and services revenue</b>	<b>134</b>	<b>143</b>	<b>140</b>	<b>142</b>	<b>140</b>	<b>143</b>	<b>282</b>	<b>283</b>	<b>1</b>	<b>0.4%</b>
Managed data, network and services product costs <sup>3</sup>	(64)	(75)	(68)	(69)	(75)	(71)	(137)	(146)	(9)	(6.6%)
<b>Managed data, network and services gross margin</b>	<b>70</b>	<b>68</b>	<b>72</b>	<b>73</b>	<b>65</b>	<b>72</b>	<b>145</b>	<b>137</b>	<b>(8)</b>	<b>(5.5%)</b>
Managed data, network and services gross margin %	52.2%	47.6%	51.4%	51.4%	46.4%	50.3%	51.4%	48.4%	(3.0%)	

<sup>3</sup> Includes wide area network access, international data, network backhaul and videoconferencing platform costs.

# Spark New Zealand

## Statement of cash flows

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
<b>Cash flows from operating activities</b>										
Cash received from customers	1,861	1,733	1,828	1,719	1,901	1,755	3,547	3,656	109	3.1%
Interest receipts	17	17	16	16	13	11	32	24	(8)	(25.0%)
Payments to suppliers and employees	(1,399)	(1,104)	(1,321)	(1,137)	(1,327)	(1,279)	(2,458)	(2,606)	(148)	(6.0%)
Payments for income tax	(82)	(58)	(118)	(70)	(93)	(67)	(188)	(160)	28	14.9%
Payments for interest on debt	(26)	(26)	(23)	(23)	(23)	(25)	(46)	(48)	(2)	(4.3%)
Payments for interest on leases	(14)	(16)	(16)	(10)	(10)	(9)	(26)	(19)	7	26.9%
Payments for interest on leased customer equipment assets	(3)	(3)	(4)	(4)	(3)	(3)	(8)	(6)	2	25.0%
<b>Net cash flows from operating activities</b>	<b>354</b>	<b>543</b>	<b>362</b>	<b>491</b>	<b>458</b>	<b>383</b>	<b>853</b>	<b>841</b>	<b>(12)</b>	<b>(1.4%)</b>
<b>Cash flows from investing activities</b>										
Proceeds from sale of property, plant and equipment	13	-	-	6	-	-	6	-	(6)	(100.0%)
Proceeds from sale of business	-	23	8	22	-	-	30	-	(30)	(100.0%)
Proceeds from long-term investments	-	-	-	6	3	1	6	4	(2)	(33.3%)
Receipts from finance leases	2	4	2	4	2	1	6	3	(3)	(50.0%)
Receipts from loans receivable	-	-	-	1	-	-	1	-	(1)	(100.0%)
Payments for purchase of businesses net of cash acquired	(11)	-	-	(25)	-	(7)	(25)	(7)	18	72.0%
Payments for, and advances to, long-term investments	(30)	(5)	(4)	(9)	(39)	(20)	(13)	(59)	(46)	NM
Payments for purchase of property, plant and equipment, intangibles (excluding spectrum) and capacity	(270)	(117)	(212)	(118)	(216)	(209)	(330)	(425)	(95)	(28.8%)
Payments for spectrum intangible assets	-	-	-	(51)	-	-	(51)	-	51	100.0%
Payments for capitalised interest	(4)	(4)	(3)	(3)	(3)	(5)	(6)	(8)	(2)	(33.3%)
<b>Net cash flows from investing activities</b>	<b>(300)</b>	<b>(99)</b>	<b>(209)</b>	<b>(167)</b>	<b>(253)</b>	<b>(239)</b>	<b>(376)</b>	<b>(492)</b>	<b>(116)</b>	<b>(30.9%)</b>
<b>Cash flows from financing activities</b>										
Net proceeds from/(repayments of) debt	207	(177)	100	(138)	99	115	(38)	214	252	NM
Payments for dividends	(229)	(230)	(167)	(163)	(225)	(224)	(330)	(449)	(119)	(36.1%)
Payments for leases	(19)	(23)	(20)	(36)	(33)	(36)	(56)	(69)	(13)	(23.2%)
Payments for leased customer equipment assets	(13)	(15)	(16)	(18)	(25)	(21)	(34)	(46)	(12)	(35.3%)
<b>Net cash flows from financing activities</b>	<b>(54)</b>	<b>(445)</b>	<b>(103)</b>	<b>(355)</b>	<b>(184)</b>	<b>(166)</b>	<b>(458)</b>	<b>(350)</b>	<b>108</b>	<b>23.6%</b>
<b>Net cash flows</b>	<b>-</b>	<b>(1)</b>	<b>50</b>	<b>(31)</b>	<b>21</b>	<b>(22)</b>	<b>19</b>	<b>(1)</b>	<b>(20)</b>	<b>NM</b>
Opening cash position	54	54	53	103	72	93	53	72	19	35.8%
<b>Closing cash position</b>	<b>54</b>	<b>53</b>	<b>103</b>	<b>72</b>	<b>93</b>	<b>71</b>	<b>72</b>	<b>71</b>	<b>(1)</b>	<b>(1.4%)</b>

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# Spark New Zealand

## Analysis & KPIs - Free cash flows and movement in working capital

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
EBITDAI	497	610	500	619	538	612	1,119	1,150	31	2.8%
<i>Excluding</i>										
Other gains and impairments	4	29	4	22	14	10	26	24	(2)	(7.7%)
<b>EBITDAI ex. other gains and impairments</b>	<b>493</b>	<b>581</b>	<b>496</b>	<b>597</b>	<b>524</b>	<b>602</b>	<b>1,093</b>	<b>1,126</b>	<b>33</b>	<b>3.0%</b>
<i>Less</i>										
Cash paid on capital expenditure	274	121	215	121	219	214	336	433	97	28.9%
Cash paid on interest	26	28	27	21	23	26	48	49	1	2.1%
Cash paid on tax payments	82	58	118	70	93	67	188	160	(28)	(14.9%)
Cash paid on leases	30	34	34	50	56	56	84	112	28	33.3%
<b>Total cash payments on capital expenditure, interest, tax and lease</b>	<b>412</b>	<b>241</b>	<b>394</b>	<b>262</b>	<b>391</b>	<b>363</b>	<b>656</b>	<b>754</b>	<b>98</b>	<b>14.9%</b>
<b>Underlying free cash flows</b>	<b>81</b>	<b>340</b>	<b>102</b>	<b>335</b>	<b>133</b>	<b>239</b>	<b>437</b>	<b>372</b>	<b>(65)</b>	<b>(14.9%)</b>
<i>Less increases in working capital</i>										
Change in receivables	(45)	50	(92)	104	(42)	104	12	62	50	NM
Change in payables	12	(43)	61	(45)	(63)	78	16	15	(1)	(6.3%)
Change in inventory	41	(46)	(11)	(20)	29	14	(31)	43	74	NM
Change in contract assets	(7)	(9)	(11)	(2)	(5)	3	(13)	(2)	11	84.6%
Change in prepayments (excluding CAPEX)	19	(18)	12	(27)	37	(37)	(15)	-	15	100.0%
<b>Total change in working capital - increase/(decrease)</b>	<b>20</b>	<b>(66)</b>	<b>(41)</b>	<b>10</b>	<b>(44)</b>	<b>162</b>	<b>(31)</b>	<b>118</b>	<b>149</b>	<b>NM</b>
<i>Less</i>										
Non-cash adjustments	11	18	30	5	(6)	(36)	35	(42)	(77)	NM
<b>Free cash flows</b>	<b>50</b>	<b>388</b>	<b>113</b>	<b>320</b>	<b>183</b>	<b>113</b>	<b>433</b>	<b>296</b>	<b>(137)</b>	<b>(31.6%)</b>
<i>Less</i>										
Spectrum	-	-	-	51	-	-	51	-	(51)	(100.0%)
<b>Free cash flows (including spectrum)</b>	<b>50</b>	<b>388</b>	<b>113</b>	<b>269</b>	<b>183</b>	<b>113</b>	<b>382</b>	<b>296</b>	<b>(86)</b>	<b>(22.5%)</b>
Cash conversion	94%	108%	102%	97%	110%	79%	97%	79%	-18%	

# Spark New Zealand

## Group capital expenditure

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Cloud	16	8	9	11	7	8	20	15	(5)	(25.0%)
Converged Communications Network (CCN)	11	7	15	12	11	11	27	22	(5)	(18.5%)
International cable construction and capacity purchases	-	11	1	8	1	6	9	7	(2)	(22.2%)
IT systems	70	53	64	53	87	63	117	150	33	28.2%
Mobile network	92	24	58	48	74	51	106	125	19	17.9%
Core sustain and resiliency	50	15	34	21	26	27	55	53	(2)	(3.6%)
Data centres				1	9	22	1	31	30	NM
Other	5	6	9	5	3	4	14	7	(7)	(50.0%)
<b>Total capital expenditure excluding spectrum</b>	<b>244</b>	<b>124</b>	<b>190</b>	<b>159</b>	<b>218</b>	<b>192</b>	<b>349</b>	<b>410</b>	<b>61</b>	<b>17.5%</b>
Total capital expenditure excluding spectrum to operating revenue and other gains	13.4%	6.9%	10.6%	8.8%	11.5%	10.5%	9.7%	11.0%		
Mobile spectrum	-	-	-	51	-	-	51	-	(51)	(100.0%)
<b>Total capital expenditure including spectrum</b>	<b>244</b>	<b>124</b>	<b>190</b>	<b>210</b>	<b>218</b>	<b>192</b>	<b>400</b>	<b>410</b>	<b>10</b>	<b>2.5%</b>
Total capital expenditure including spectrum to operating revenue and other gains	13.4%	6.9%	10.6%	11.7%	11.5%	10.5%	11.1%	11.0%		

Capital expenditure is the additions to property, plant and equipment and intangible assets (excluding goodwill, acquisitions and other non-cash additions that may be required by NZ IFRS, such as decommissioning costs) and additions to capacity right-of-use assets where such additions are paid upfront. Refer to note 2.5 in the financial statements.

## Analysis & KPI's - Capital expenditure depreciation and amortisation

On adoption of NZ IFRS 16 *Leases*, assets associated with capacity arrangements which were previously recognised within intangible assets have been reclassified to right-of-use assets. Payments for capacity purchases remain within Spark's definition of capital expenditure. Total depreciation on property, plant and equipment, depreciation on capacity right-of-use assets and amortisation of intangible assets is reconciled below:

	H1 FY20	H2 FY20	H1 FY21	H2 FY21	H1 FY22	H2 FY22	FY21	FY22	FY21 vs FY22	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Depreciation - property, plant and equipment	119	114	124	118	116	118	242	234	(8)	(3.3%)
Depreciation - right-of-use assets <sup>1</sup>	10	11	11	11	11	11	22	22	-	-%
Amortisation of intangible assets	75	88	84	82	83	86	166	169	3	1.8%
<b>Total capital expenditure depreciation and amortisation</b>	<b>204</b>	<b>213</b>	<b>219</b>	<b>211</b>	<b>210</b>	<b>215</b>	<b>430</b>	<b>425</b>	<b>(5)</b>	<b>(1.2%)</b>

<sup>1</sup> Includes depreciation on capacity right-of-use assets only as these are included within Spark's definition of capital expenditure.



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Spark Annual Corporate  
Governance Statement 2022

**CORPORATE**

**GOVERNANCE**



# Annual Corporate Governance Statement 2022

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 23 August and is accurate as at that date.

## Principle 1:

### 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 online portal or other avenues.

Online training modules 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. We also embed relevant aspects of the Code into Spark 'plays'. Plays are one-page online guides on how to carry out common activities at Spark. The Directors' Code of Ethics is provided to new Directors as part of their induction.

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 2022 Annual Report. This year we have also included ethnicity data for our Board members, which can be found in the 'Creating value for our people' section of the 2022 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 Spark. 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, the Companies Act 1993 and relevant stock exchange listing rules. 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 Spark's Constitution and 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 experience, 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 New Zealand's gender, ethnicity, culture and experience. Spark's Board believes 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. Improving diversity is a Company-wide ambition. This year we have included ethnicity data for our people, including our Leadership Squad and Board. This can be found in the 'Creating value for our people' section of the 2022 Annual Report. The Board also believes that a highly inclusive, adaptive culture will unlock future growth and ultimately deliver enhanced customer experiences and business performance. One of Spark's major initiatives is to invite 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.

## Principle 2 continued:

**Board Composition and Performance**

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

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 annually reviews and reports to the Board on the relative proportion of gender diversity that makes up 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 'Creating value for our people' section of the 2022 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 receive educational briefings from companies in relevant industries. 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 February 2022.

**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, or perceived 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 132 of the 2022 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)
- 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 reviews the charters of the Board committees annually and their performance against those charters, with the last review conducted in November 2021. 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 Board 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 129 & 131 of the 2022 Annual Report.

### ARMC

The Board has delegated responsibility to the ARMC for reviewing Spark's principal risks on an at least annual basis. This ensures an established risk management framework that:

- includes policies and procedures to effectively identify, treat and monitor principal business risks

- assesses the effectiveness of the risk management system and ensures it is fit for purpose
- monitors compliance with the risk management framework

The ARMC is also tasked with ensuring the quality, credibility and objectivity of Spark's accounting processes, including financial reporting. The ARMC will discuss interim financial statements with the Leadership Squad, 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 Spark'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 personal qualities); 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 stock 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 stock 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.

The Board requires that, prior to its approval of financial statements, the CEO and Finance Director make a declaration that, in their opinion, Spark's financial records 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.

Spark's 2022 Annual Report has been prepared in accordance with the Integrated Reporting International <IR> Framework and with the Global Reporting Initiative (GRI) Core Option and also incorporates climate risk disclosure aligned to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Spark published its first Modern Slavery Statement and Greenhouse Gas Inventory Report in 2021. The FY22 Modern Slavery Statement and FY22 Greenhouse Gas Inventory Report are published alongside this Corporate Governance Statement and the 2022 Annual Report.

**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 2022 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 77, 129 & 130 of the 2022 Annual Report.

Further details on Directors' Spark shareholdings can be found at pages 132 & 136 of the 2022 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 Spark. 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 pages 75 & 76 of the 2022 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 FY22 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 on pages 76, 77, 130 & 131 of the 2022 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 receives an annual assessment to confirm the Managing Risk Framework is designed and operating effectively. The last assessment was undertaken by Spark's Risk Team in May 2022. Every three years Spark also has its Managing Risk Framework externally reviewed to ensure it continues to be fit for purpose and is operating effectively. The next review is scheduled and will be completed by November 2022.

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' section of the 2022 Annual Report.

**Health and Safety**

The health, safety and wellbeing 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. Furthermore, Spark has reframed wellbeing to support our people's work-life balance with a framework that focusses on four pillars:

- Healthy work environment
- Connection and collaboration
- Mind Health
- Energy

This framework is a key part of building an inclusive environment for our people.

Further details regarding Spark's health and safety performance can be found in the 'Creating value for our people' section of the 2022 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 (subject to shareholder approval). 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 confirms to the Board the independence 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.

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 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, objectives and key results 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. Priorities for the next meeting are approved following consultation with the ARMC and other relevant stakeholders e.g., Leadership Squad Members.

## 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 stock 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. presentation materials).

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

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 with virtual participation via webcast and audio
5. An annual report, corporate governance statement, modern slavery statement and greenhouse gas inventory report
6. Investor briefing days (where appropriate)
7. Regular investor roadshows.

Over the last few years, Spark's Investor Relations Programme has adapted with investor engagement being held virtually due to Covid-19 travel disruptions. However, the lifting of border restrictions has meant that in-person international engagement was able to resume in FY22 with Australian investors and will continue in the first half of FY23 with Australian, US and UK investors.

Management continues to keep a watching brief on the Asian market and intends to return to in-person engagement when Covid-19 travel restrictions allow. Spark remains committed to maintaining its investment profile in key investment markets in the US, UK, Asia and Australasia to ensure that its strategies and opportunities are understood, and the market is fully informed.

### 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](https://investors.sparknz.co.nz)) which contains market releases, 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 in person and virtually via an online annual meeting platform or audio conference, 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:

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



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Spark Modern Slavery  
Statement 2022

# MODERN SLAVERY STATEMENT

# Modern Slavery Act Statement 2022

This modern slavery statement is made on behalf of Spark New Zealand Limited ("**Spark**" and together with its subsidiaries, the "**Spark Group**") for the period from 1 July 2021 to 30 June 2022. It has been prepared pursuant to the requirements of the Australian Modern Slavery Act 2018.

This report was approved by the Spark New Zealand Board on 23 August 2022.

**Spark New Zealand Limited (NZX: SPK, ASX: SPK)**



Justine Smyth, CNZM  
Chair

Modern slavery is a complex and important human rights challenge. It is defined as severe exploitation that a person cannot leave due to threats, violence, or deception. It includes forced labour, debt bondage, forced marriage, slavery, and human trafficking.

At Spark we are committed to upholding human rights within our own operations and to implementing processes to assess, prevent, mitigate and remedy human rights impacts across our operations and value chain. This means the fair and respectful treatment of all our people, and a focus on providing fulfilling and rewarding employment. It means complying fully with the law, but also going above and beyond compliance - acting professionally, ethically, and responsibly as we deliver customer outcomes, contribute to the community, and create shareholder value. It means sourcing our products and services from suppliers that provide safe working conditions, treat workers with respect and dignity, and conduct business in an environmentally and socially responsible manner.

This report provides a summary of our approach to addressing modern slavery, including actions taken over the past year to strengthen our systems and processes.

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## About Spark

Spark is New Zealand's largest telecommunications and digital services company. Our customers range from consumers and households to small businesses, government, and large enterprise clients. Across all our services - mobile, broadband, cloud services, digital services, and entertainment - we have relevance for almost every New Zealander.

**98%**

of New Zealanders reached by our 4G network

**99%**

of the population reached by our Cat-M1 IoT network

**67**

retail stores

**704k**

Broadband connections

**24**

regional business hubs

**16**

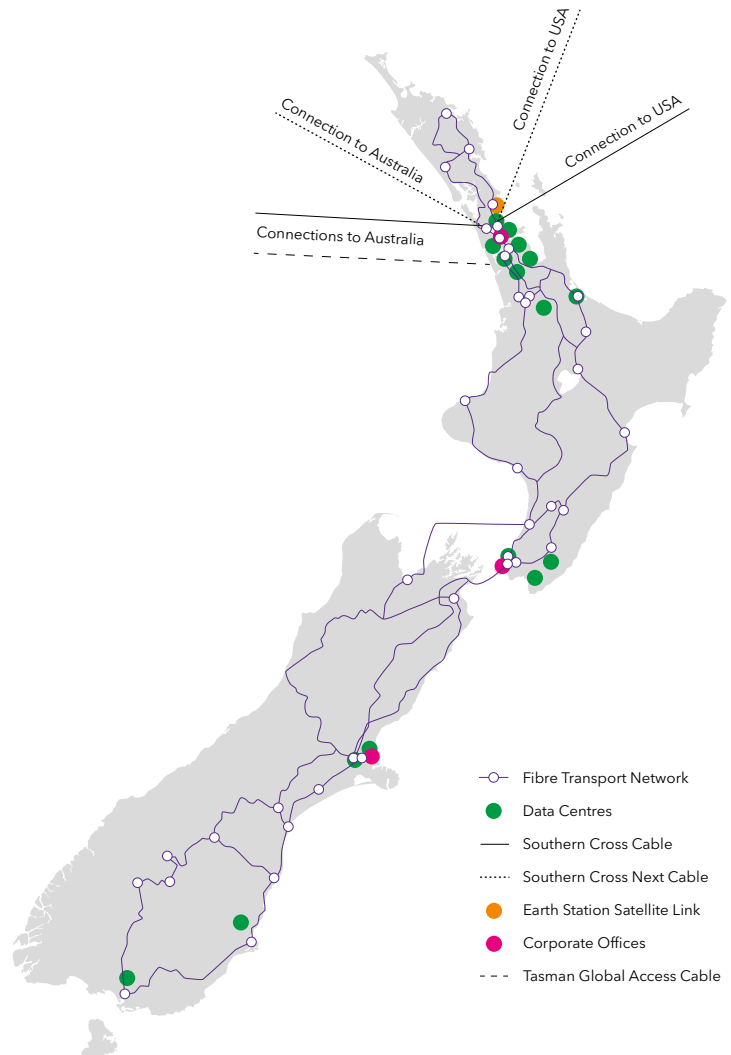
data centres

**~1,500**
















mobile sites supporting more than 2.5 million mobile connections

**5,144<sup>1</sup>**

New Zealand employees



## We operate the following brands and businesses

Consumer	Business	Community	Growth markets	Other brands
  	<p>Spark Business Group</p>    	 	 	   

Spark New Zealand Limited is the parent entity of the Spark Group. Spark is publicly listed, and our issued shares are quoted on the New Zealand Stock Exchange (NZX) and Australian Securities Exchange (ASX).

Spark is a reporting entity for the purposes of the Modern Slavery Act (Commonwealth) 2018. Spark engaged and consulted with the relevant companies we own or control (the Spark Group) in the development of this statement. As at 30 June 2022 the Spark Group comprised 26 controlled entities. See Appendix 1 for a full list of Spark subsidiaries.

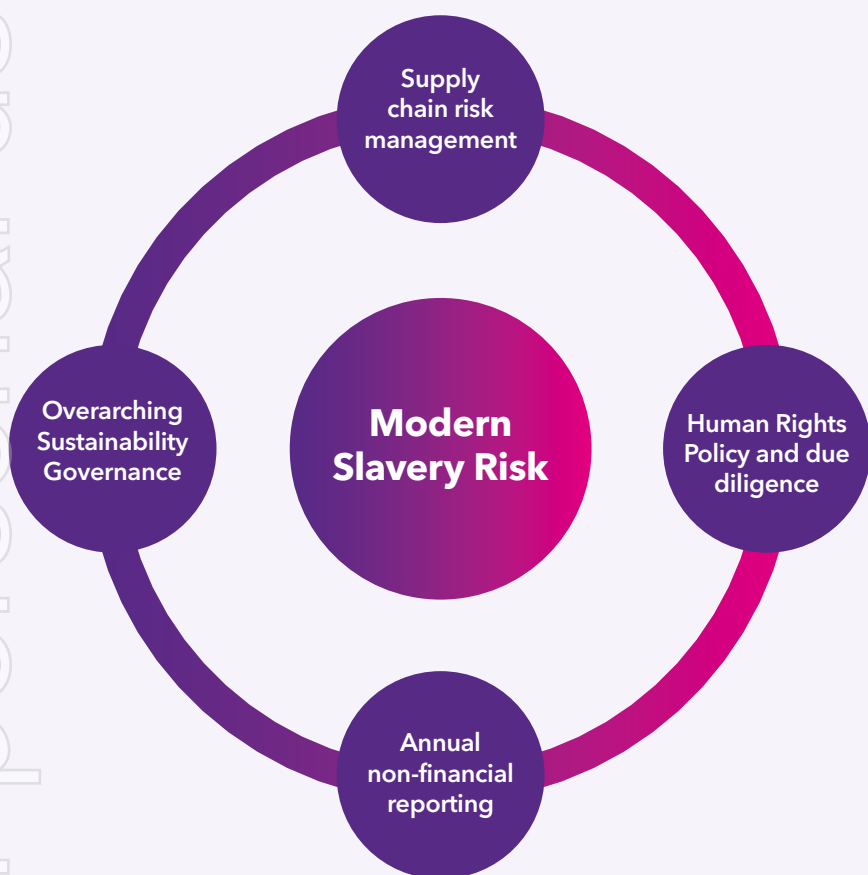
More information on our financial performance and business strategy may be found on our corporate website at <https://investors.sparknz.co.nz/Investor-Centre>

1. Total headcount including full-time, part-time and fixed-term employees.

## Spark's approach to modern slavery

Spark addresses modern slavery through a combination of policies and systems that operate as part of our overarching sustainability and risk management approach. This approach is described in our Modern Slavery Framework, which is part of our broader Sustainability Framework. Further detail can be found in our Sustainability at Spark overview on our corporate website: [www.spark.co.nz/sustainability](http://www.spark.co.nz/sustainability)

### Spark's Modern Slavery Framework



#### Risk identification:

Modern slavery risk will be identified through an ongoing human rights due diligence process, aligned to our annual sustainability materiality process, an annual process of supply chain risk identification, supplier self-assessments, independent audits conducted through our membership of the Joint Audit Cooperation Initiative (JAC), and additional local audits where needed. New suppliers are screened for risk as they are onboarded.

#### Risk mitigation:

The supply chain risk management process identifies issues to be rectified with suppliers, tracked through our SAP Ariba system and, where relevant, via the shared JAC database. Any non-supply chain risks identified have mitigation actions agreed and tracked by the ESG Squad and through our overarching sustainability governance.

#### Governance framework:

Modern Slavery reporting is integrated into quarterly reporting to our Leadership Squad, including issues identified and progress against mitigation actions. Our Leadership Squad and Board are also engaged in the preparation of our annual Modern Slavery Statement. Key policies include our Human Rights Policy and our Supplier Code of Conduct.

#### Reporting:

We report our progress, the effectiveness of our approach and actions, and future improvements in our annual Modern Slavery Statement and in the Our Suppliers section of our Annual Report.



## Spark's approach to modern slavery (continued)

Our approach is supported by our high standards of operational performance, corporate governance, and risk management. The Board regularly reviews and assesses Spark's governance structures and processes to ensure they are consistent with international best practice. Spark's corporate governance policies, practices, and processes, including Spark's Annual Corporate Governance Statement, can be found on the governance section of our website: [www.spark.co.nz/about/governance](http://www.spark.co.nz/about/governance)

In the past year we established a dedicated **Human Rights Policy**, making an explicit commitment to respect all internationally recognised human rights, and setting clear expectations on how we will address human rights issues across our value chain. In developing the policy we identified a number of human rights topics that were relevant to our broader value chain, many of which were already addressed through existing policies and processes, including our **Supplier Code of Conduct**.

We have a range of **reporting mechanisms** for our people to pursue if they are concerned about Spark or people within Spark not living up to our values, our **Code of Ethics**, or Human Rights Policy, including any instances relating to modern slavery.

These are set out in detail in our whistleblowing process, which is documented and available to all Spark people. Spark's **Honesty Box** process is an online reporting tool that enables investigation by specialist employees of any concerns raised, while maintaining the confidentiality of the reporter. We also provide avenues where people can raise concerns without providing any information about their identity at all.

These policies and systems are underpinned by our **Values**, *Tūhono: we connect, Māia: we are bold, Whakamana: we empower and, Matomato: we succeed together*. Our values are the cornerstones of our culture and guide our behaviour.

## Our people

### Our direct workforce

As at 30 June 2022, Spark directly employed 5,144 people, with more than 99% of these people located in New Zealand.

We employ people with a broad range of skillsets, ranging from customer service to engineering to professional services.

Spark meets all the requirements of New Zealand employment law for our NZ-based direct workforce, and in many cases goes above and beyond statutory requirements. Our Hiring People Policy ensures that 'right to work' checks are undertaken, and work cannot commence without valid documentation.

Spark seeks to remunerate our people with competitive salaries, paying in line with the market so we can recruit and retain the best talent. In February 2022, the Board approved a salary review allocation for FY23 (salaries from 1 July 2022) which lifted our minimum full-time salary to \$49,200, above the Living Wage. As part of this process, we also reviewed several salary staircases to ensure that they were competitive against the market.

Spark has a diverse workforce and has a strong diversity and inclusion programme to ensure our people feel valued, respected, and confident to bring their whole selves to work. We use an open employee feedback tool which enables our people to share their views and ideas, and other internal communication tools to ensure openness and transparency regarding the way we work. Spark people undertake compliance training on a range of topics including (but not limited to) our Code of Ethics, health and safety, security and privacy, and our policies around discrimination, bullying, diversity and inclusion and harassment. In addition, our people leaders receive training through our People and Culture team, as well as leadership development programmes that ensure they have an understanding of the robust standards and expectations in place for the protection of our people.

Spark employs interns across our business in a range of areas. We have a general policy of paying our interns at least the minimum wage (rather than requiring them to give their time for free), and we ensure they are given meaningful career opportunities. Around one in five of these interns are engaged through programmes such as the First Foundation<sup>1</sup> as part of our focus on diversity and inclusion. These interns are supported with scholarships, work experience and mentoring. Occasionally we have people that volunteer their time to gain work experience or knowledge in a particular area - for example our Agile transformation. These are short-term arrangements, and we will continue to monitor this practice to ensure it is always beneficial for the volunteer.

### Our indirect workforce

We have an indirect workforce of almost 3,000 with the majority of these located in New Zealand and approximately 400 people located offshore. We recognise our indirect workforce could potentially face higher risks of modern slavery than those employed directly by Spark, and we have checks and balances in place to mitigate this.

Our indirect workforce in New Zealand is a diverse mix of agency contractors, consultancy firms, independent contractors, and people employed by our Business Hubs - which operate under a licensing model. It includes people such as cleaners and security staff who work in Spark buildings.

Our New Zealand-based indirect employees are all protected by New Zealand labour laws and employed on a range of different contractual arrangements depending on the type of work they do and where we have engaged them. Our independent contractors and agency staff who contract directly to Spark are all engaged in accordance with our own employment hiring process in terms of proof of right to work and rates of pay.

<sup>1</sup> See <http://www.firstfoundation.org.nz/> for more information.

## Our people (cont.)

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Of our people located offshore, the majority are in the Philippines, where we contract with an offshore partner to run customer care centres to service our customer base in New Zealand. We require our partner in the Philippines to make formal commitments around its mitigation of modern slavery risk. Our partner has confirmed that it adheres to fair pay practices, including paying employees for all time worked, and that all its employees, contractors, and suppliers must comply fully with its Equal Employment Opportunity Policy and applicable employment laws.

We also outsource some IT Services work to contract staff at two different IT services businesses, both headquartered in India. The number of contractors from these businesses who are working with Spark fluctuates depending on the work required, but at 30 June 2022 it was a little over 100 people, with around two thirds based in New Zealand and a third offshore in India or Australia. Both organisations have signed up to our Supplier Code of Conduct. These suppliers will be prioritised through our supplier risk management process for self-assessment and potential third-party auditing.

### Our retail network

We operate 67 retail stores and 24 Business Hubs located throughout New Zealand. We also have dealership arrangements with major retail chains across New Zealand to sell Spark products and services.

Spark owns all its retail stores, and all the people working in Spark stores have an Employment Agreement directly with Spark.

Our Business Hubs are operated by third-party licensees. We require within the licence terms that the terms of employment between the licensee and the staff member must "comply with all statutory and legal requirements". We have recently revised the licence agreement, under which licensees must now offer employment on terms substantially consistent with a template agreement provided by Spark (being a fit-for purpose agreement that meets minimum legal requirements).

## Our supply chain

### About our supply chain

As a New Zealand-based telecommunications and digital services company we rely on a combination of local and global suppliers and partners to operate our business. We have around 2,000 suppliers, ranging from the largest global technology businesses to small local operators providing local services. Each year we spend around \$2 billion to support our business and meet our customers' needs.

Our global supply chain is complex, with many indirect suppliers providing the source materials and components required to deliver consumer electronics and network infrastructure. We set clear expectations for our suppliers related to social and environmental performance through our Supplier Code of Conduct. Over the past year we have worked hard to implement processes and systems to improve our monitoring of supply chain risk and compliance, and to better engage with our suppliers.

Spark's biggest categories of spend include:

- The purchase of equipment and services for our customers (primarily business customers) either when Spark is acting as a reseller or a provider of managed services. This includes items such as mobile devices, IT equipment services, and support;
- Goods and services sold to Spark for the purposes of maintaining and providing telecommunication networks; and
- Goods and services sold to Spark to enable our IT environment.

The remainder is spent on a range of services such as marketing, corporate services, content rights, electricity, travel, freight and courier, office supplies, and leasing.

Of our total spend, around 90% is with our top 100 suppliers. Around 47% of our spend with these top 100 suppliers is with suppliers offshore and 53% with New Zealand-based suppliers.

### Managing modern slavery risks in our supply chain

Spark is committed to sourcing our products and services from suppliers that provide safe working conditions, treat workers with respect and dignity, and conduct business in an environmentally and socially responsible manner. Our **Supplier Code of Conduct** sets out the minimum standards we expect from all our suppliers across labour and human rights, health and safety, environmental sustainability, and ethical business practices.

The Supplier Code of Conduct was first introduced in FY18. To embed the Code, we worked with our top 100 suppliers by contract value to ensure they were signed up to the Code or could demonstrate they were adhering to an existing equivalent code of practice.

Since the introduction of the Supplier Code of Conduct we have completed a small number of supplier audits. Given travel restrictions these have focused on New Zealand suppliers. We completed four audits at the end of FY21 and beginning of FY22, covering New Zealand-based suppliers of accommodation, software, IT services, and infrastructure businesses. These audits did not find any material issues of non-compliance with the Spark Code of Conduct.

### Improving our Risk Management and Supplier Engagement processes

We recognised the need to improve the effectiveness of our actions taken to assess and address modern slavery risks. In FY22 we began transitioning our supplier management system to the SAP Ariba platform. This system provides improved processes for data collection from suppliers, including self-assessment questionnaires and compliance declarations, covering topics such as modern slavery and science-based emissions reduction targets.

The system also includes a risk module that enables us to monitor suppliers across 300+ incident types (such as ethical practices, labour compliance, legal incidents, and operational disruption), and then segment suppliers into risk profiles as a result.

## Our supply chain (cont.)

The migration process is enabling us to refresh and update our supplier database, with suppliers required to re-register and provide a fresh commitment to our existing Supplier Code of Conduct. We are also collecting more detailed supplier information to help us identify risk and prioritise suppliers for audits. We completed an initial risk assessment and supplier prioritisation at the end of FY22. This included data from the risk monitoring, geographic risk aligned to World Economic Forum risk factors, and a prioritisation of strategic suppliers. This process identified 53 suppliers for further engagement, with 21 considered higher risk.

In the past year one of our strategic suppliers notified us of a suspected breach of their policies related to child or forced labour. This related to a subcontractor in their supply chain in the Philippines and is not connected to product or services provided to Spark. The supplier made the decision to permanently block the supplier and is undertaking remedial actions.

We will continue to evaluate the effectiveness of our supplier engagement processes as we implement these new systems.

### Auditing international suppliers - Membership of Joint Audit Cooperation (JAC)

Spark was accepted as a new member of JAC in FY22. JAC is an international association of telecommunications operators aiming to align around a common set of requirements and KPIs for ICT suppliers to uphold human rights, social, labour, and environmental standards. JAC has been running for over a decade and has been gradually growing as new operators join the initiative.

JAC enables us to audit global suppliers against a common industry methodology. As a JAC member Spark is required to audit a minimum of five supplier locations each year which we will begin to implement in FY23. The suppliers and locations are mutually agreed and allocated across the members. Findings and corrective actions are also shared among all JAC members, which provides visibility of risk across a larger number of suppliers than Spark would be able to audit individually and a platform for collective industry engagement to improve performance.

JAC also runs a number of working groups for telecommunications companies to collaborate on shared issues. These include groups focused on the circular economy, human rights, and climate change. For more information see: [www.jac-initiative.com](http://www.jac-initiative.com)



## Appendix:

### Spark Group structure and subsidiaries

Information on significant subsidiaries and controlled entities in the Spark Group as at 30 June 2022 (including ownership percentages and principal activity information) is available in the Spark Annual Report on page 122.

Spark New Zealand Trading Limited is the main trading entity within the Spark Group and is the parent company of many of Spark's operating subsidiaries.

Spark Finance Limited is the finance company for the Spark Group and raises debt funding in New Zealand and Internationally. The majority of these funds are then advanced to other members of the Spark Group in order to assist in funding the group's operations. Spark Finance has debt securities listed on the NZDX as SPF.

### Spark subsidiaries

SUBSIDIARY COMPANY	PRINCIPAL ACTIVITY
Computer Concepts Limited	IT infrastructure and Cloud services
Connect 8 Limited	Mobile infrastructure business
Digital Island Limited	Business telecommunications provider
Entelar Limited	Mobile phone repair and equipment distribution
Gen-i Australia Pty Limited	Provides international wholesale and outsourced telecommunications services
MATTR Limited	Software company focussed on decentralised identity and verifiable data
Qrious Limited	Data analytics business
Revera Limited	IT infrastructure and data centre provider
Spark Finance Limited	Group finance company
Spark New Zealand Cables Limited	Investment company
Spark New Zealand Trading Limited	Telecommunications and digital services company
Spark TowerCo Limited	Telecommunications infrastructure provider <sup>1</sup>
Spark Trustee Limited	Trustee company
TCNZ Australia Investments Pty Limited	Australian operations
TCNZ (Bermuda) Limited	Holding company
TCNZ Financial Services Limited	Investment company
TCNZ (United Kingdom) Securities Limited	Holding/investment company
Teleco Insurance Limited	Group insurance company
Teleco Insurance (NZ) Limited	Mobile phone insurance
Telecom Capacity Limited	Holding company
Telecom Enterprises Limited	Investment company
Telecom New Zealand (UK) Enterprises Limited	Holding/investment company
Telecom New Zealand USA Limited	Provides international wholesale telecommunications services
Telecom Pacific Limited	Holding company
Telecom Southern Cross Limited	Holding company
Telecom Wellington Investments Limited	Investment company

1. Principal activity effective from 1 July 2022.

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# GREENHOUSE GAS INVENTORY

Spark Greenhouse Gas  
Inventory Report 2022

# About this report

This document is the 2022 Greenhouse Gas Inventory Report for Spark New Zealand Limited ("Spark" and together with its subsidiaries, the "Spark Group"). This report covers the emissions for FY22 (1/7/2021 to 30/06/2022) and the previous two financial years, FY20 and FY21. It has been prepared in accordance with ***The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)*** ('the GHG Protocol'). For a detailed summary of our organisational and operational boundaries please see the Appendix.

This report has been approved by the Spark New Zealand Board and is dated 24 August 2022.



Justine Smyth, CNZM  
Chair

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**Spark New Zealand Limited (NZX: SPK, ASX: SPK)**

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## Spark's science-based emissions reduction target

# 56%

Spark New Zealand commits to **reduce absolute Scope 1 and 2 GHG emissions 56% by 2030** from a FY2020 base year.

# 70%

Spark New Zealand commits that **70% of its suppliers by spend** covering purchased goods and services and capital goods, **will have SBTi-aligned targets in place by 2026.**

In August 2021, Spark received verification of its science-based emissions reduction target. The Science Based Targets initiative (SBTi) is established as the global standard for corporate emissions reduction targets. Over 1400 organisations have set verified emissions reduction targets since it launched in 2015. In New Zealand 14 companies have set targets, with a further six committed to set targets within two years.

All SBTi targets must have a strict absolute reduction target for scope 1 and 2 emissions, and also include a separate scope 3 target if these emissions are greater than 40% of the total footprint.

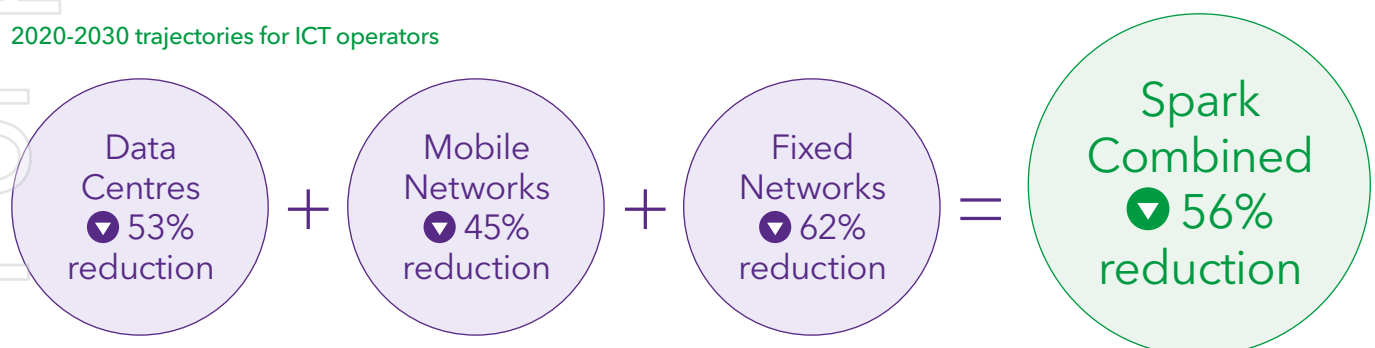
- **Scope 1:** Direct emissions from sources owned or controlled by Spark
- **Scope 2:** Indirect emissions from purchased electricity
- **Scope 3:** Indirect emissions from other sources in the value chain - e.g., production of purchased materials, transportation, business travel and use of sold products

SBTi targets are set against sector-specific emissions trajectories. The ICT sector pathways were developed with the International Telecommunications Union (ITU) and provide specific emissions reductions for mobile and fixed networks, and data centres, based on projected growth and efficiency gains. These reductions are then calculated against our own emissions profile and the share of our emissions from each activity, giving Spark a reduction target of 56% over the next decade.

The SBTi also set rules for recalculating targets for organisations that have significant changes to their structure, for example when investing or divesting business from group structures. This is to ensure targets maintain a consistent level of ambition. In FY22 there were no significant changes in our operation structure that would warrant this. However, changes related to the planned sale of 70% of TowerCo and the investment to take full ownership of Connect 8 as a fully owned subsidiary will mean that we will assess any need to adjust or re-baseline our emissions target in FY23.

### Setting our scope 1 and 2 emissions target:

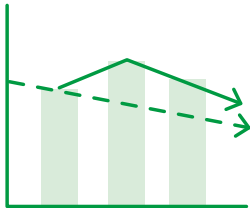
2020-2030 trajectories for ICT operators



Source: Guidance for ICT companies setting science based targets, ITU, GESI, GSMA, SBTi

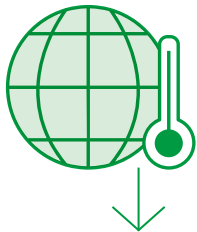


# Performance summary FY22



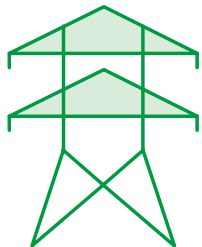
**18,299**  
tonnes CO<sub>2</sub>e

Scope 1 and 2 emissions tracking above our SBTi reduction target pathway



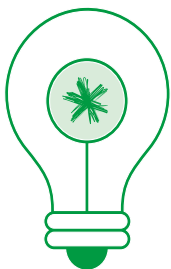
**-15.2%**  
scope 1 and 2 emissions

Scope 1 and 2 emissions reduced year-on-year, reversing growth from FY21 caused by more non-renewable electricity on the grid



**-11.2%**  
grid emissions intensity

Greater share of renewable generation in FY22 has driven down emissions per unit of electricity consumed



**-3.9%**  
electricity consumption

Our programme of network simplification has reduced electricity consumption by retiring legacy equipment

## About Spark

Spark is New Zealand's largest telecommunications and digital services company. Our customers range from consumers and households to small businesses, government, and large enterprise clients. Across all our services - mobile, broadband, cloud services, digital services, and entertainment - we have relevance for almost every New Zealander.

# 98%

of New Zealanders reached by our 4G network

# 67

retail stores

# 24

regional business hubs

# ~1,500

mobile sites supporting more than 2.5 million mobile connections

# 99%

of the population reached by our Cat-M1 IoT network

# 704k

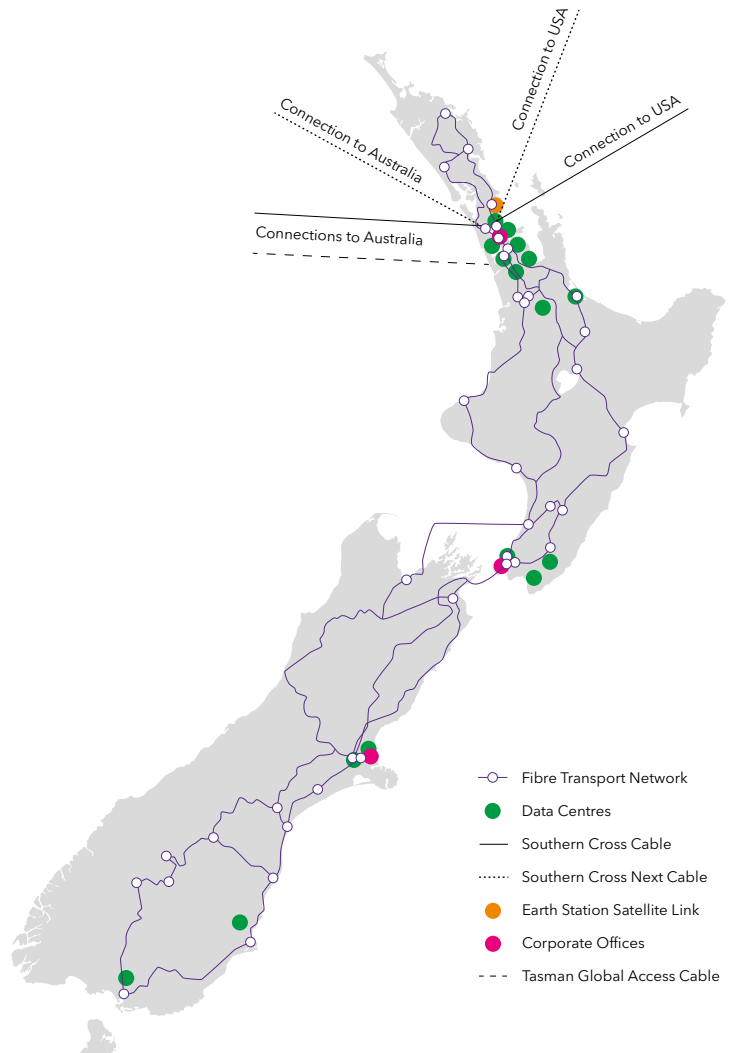
Broadband connections

# 16

data centres

# 5,144<sup>1</sup>

New Zealand employees



## We operate the following brands and businesses

### Consumer



### Business

Spark Business Group



Digital Island\*

Qrious

leaven.

### Community



### Growth markets

Spark Health

Spark<sup>nz</sup> IoT

### Other brands



MATT R



1. Total headcount including full-time, part-time and fixed-term employees.

## Our base year for reporting

FY20 is our baseline year for emissions reporting and for our SBTi-verified emissions reduction target. In setting our target we refreshed our approach to emissions reporting to bring our processes in-house to provide more frequent internal reporting, better inform decision making, and support progress towards our emissions reduction target.

Our previous reporting prior to FY20 provides a long-term view of our emissions reduction performance. However, it is not directly comparable to our current reporting due to updated emission factors, updated measurement protocols, and updated assumptions covering waste, water, retail stores, and customer electricity use.

For future reports we will be consistent in our reporting approach. We will re-baseline our emissions for significant changes in Spark's operational footprint or reporting boundary, including acquisitions and divestments, or outsourcing and insourcing of activities that have a 5% or greater impact on our scope 1 and 2 emissions. A recalculation of baseline emissions will also be triggered by discovery of significant errors, a number of cumulative errors that are cumulatively significant, changes in calculation methodology, improvements in the accuracy of emissions factors, or activity data that results in a significant impact on the base year.

In FY22 Spark increased its shareholding of Connect 8 to make it a wholly owned subsidiary. Connect 8 is an infrastructure provider to the telecommunications, water, and power sectors. In FY23 Spark also announced the sale of 70% of TowerCo – a towers business with approximately 1,263 sites, with completion anticipated to occur in the first half of FY23, conditional on Overseas Investment Office approval. These changes are not represented in our FY22 inventory report but will be factored into future reporting from FY23 onwards.

## Greenhouse gas emissions

### Greenhouse gas emissions by scope and category

SCOPE/CATEGORY	GHG EMISSIONS (t CO <sub>2</sub> e)		
	2020	2021	2022
<b>Scope 1</b>	<b>2,042</b>	<b>2,142</b>	<b>1,690</b>
Fugitive emissions	654*	656*	655
Mobile combustion – Vehicle fleet	947	1,002	701
Stationary combustion – Diesel generators	426	470	325
Natural gas combustion	15	15	8
<b>Scope 2</b>	<b>15,855</b>	<b>19,428</b>	<b>16,609</b>
Corporate/Retail	1,450	1,722	1,361
Mobile Network	2,589	3,535	3,546
Fixed Network	9,061	10,725	8,474
Data centre	2,756	3,446	3,228
<b>Scope 3 (total C3,C6 &amp; C13)</b>	<b>6,277</b>	<b>4,127</b>	<b>3,805</b>
Category 3 – Fuel- & energy- related activities	1,394	1,356	1,458
Category 6 – Business Travel	3,236	707	620
Category 13 – Downstream leased assets	1,647	2,063	1,728
<b>Total Scope 1 and 2 (SBTi target emissions)</b>	<b>17,898</b>	<b>21,570</b>	<b>18,299</b>
<b>Total Scope 1, 2 and 3 (C3,C6 &amp; C13)</b>	<b>24,175</b>	<b>25,697</b>	<b>22,104</b>

#### Notes:

Please see Appendix A and B for information on methodologies used to calculate and measure emissions, and specific exclusions of sources.

We split our scope 2 electricity reporting across four categories – Corporate/Retail, Mobile Network, Fixed Network, and Data Centre. These operational categories align with the ICT sector pathways developed with the International Telecommunications Union (ITU) in their guidance for setting a science-based emissions reduction target.

Numbers may not sum due to rounding.

\* We have restated our FY20 and FY21 fugitive emissions due to a change in reporting methodology. See Appendix B page 12, Scope 1 Fugitive Emissions, for an explanation of our reporting methodology.

## Greenhouse gas emissions (cont.)

### Greenhouse gas emissions by gas type

#### FY22

SCOPE/CATEGORY	GHG EMISSIONS (t CO <sub>2</sub> e)	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	HFC
<b>Scope 1</b>	<b>1,690</b>	<b>1,004</b>	<b>8</b>	<b>23</b>	<b>655</b>
Fugitive emissions	655	-	-	-	655
Mobile combustion - Vehicle fleet	701	672	7	22	-
Stationary combustion - Diesel generators	325	323	1	1	-
Natural gas combustion	8	8	0	0	-
<b>Scope 2</b>	<b>16,609</b>	<b>16,144</b>	<b>430</b>	<b>35</b>	<b>-</b>
Corporate/Retail	1,361	1,322	35	3	-
Mobile Network	3,546	3,447	92	7	-
Fixed Network	8,474	8,237	220	18	-
Data centre	3,228	3,138	84	7	-

**Note:** Spark does not have emissions of SF<sub>6</sub>, NF<sub>3</sub>, and PFCs. We exclude scope 3 emissions from our reporting by gas type due to incomplete data.

Numbers may not sum due to rounding.

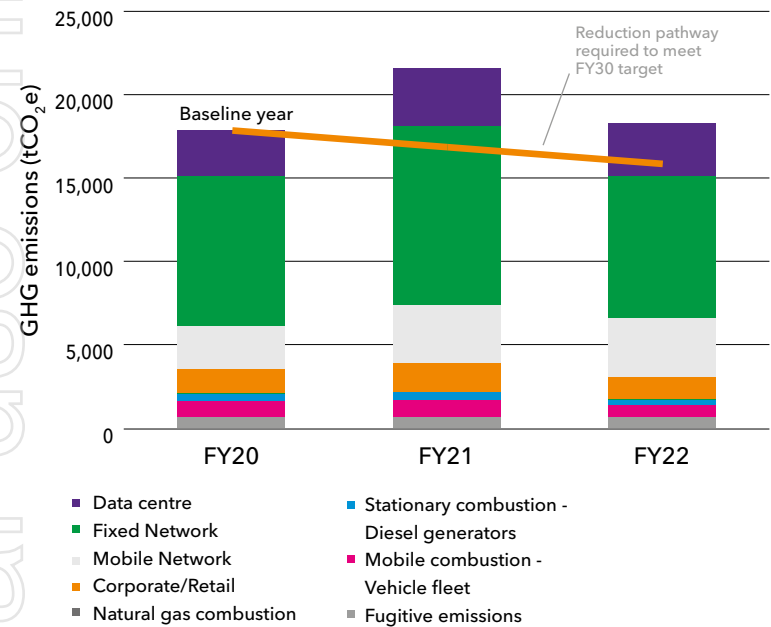
### Scope 1 and scope 2 energy usage by type

SCOPE/CATEGORY	ENERGY USAGE		
	2020	2021	2022
<b>Scope 1</b>			
Fugitive emissions	N/A	N/A	N/A
Vehicle fleet - premium petrol (litres)	54,547	53,928	12,559
Vehicle fleet - regular petrol (litres)	211,622	200,343	171,197
Vehicle fleet - diesel (litres)	10,372	11,405	4,406
Stationary combustion - Diesel generators (litres)	160,004	176,367	121,763
Natural gas combustion (KWh)	78,927	75,731	43,460
<b>Scope 2</b>			
Corporate/Retail (GWh)	14.67	13.83	12.28
Mobile Network (GWh)	26.18	28.38	32.02
Fixed Network (GWh)	91.62	86.12	76.50
Data Centre (GWh)	27.87	27.67	29.14

**Note:** Excludes CCL vehicle fuel usage as CCL fuel emissions were calculated on a per-km basis for FY20.



Our emissions performance



Our emissions reduction performance

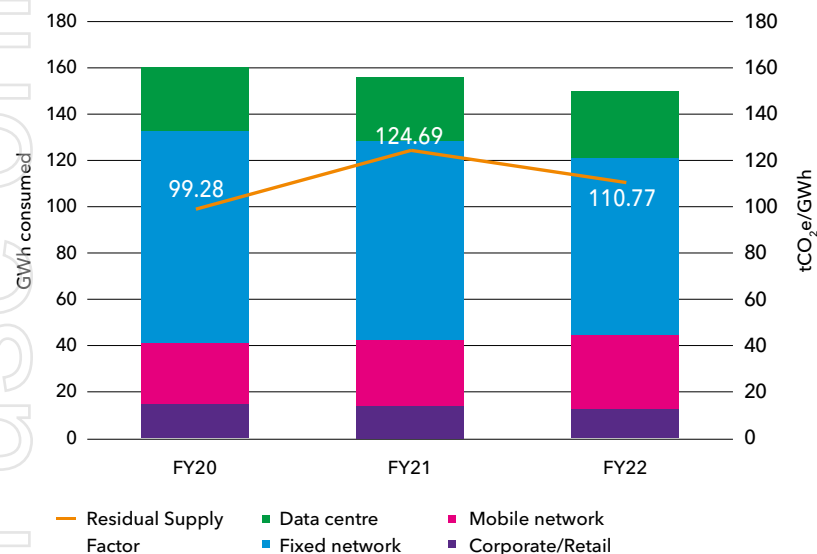
Our emissions reduced 15.2% over the past year, with 9.7% driven by a reduction in the emissions intensity of the electricity we consume on the New Zealand grid and 5.5% driven by a reduction in underlying energy use. Last year dry hydrological conditions saw a significant increase in non-renewable electricity generation on the New Zealand grid. While this has reduced in FY22, this year's emissions factor remains 11.6% above the FY20 factor used to set the baseline measures for our SBTi target.

As a result, our emissions are tracking down towards our SBTi pathway, although we are not yet aligned with a straight-line pathway set from our FY20 baseline. We are pleased that our underlying performance is laying the foundation for future emissions reductions, and despite the higher emissions factor, our emissions are now close to our FY20 baseline starting point due to significant reductions in the energy we used across our business. This was led by the continued reduction in electricity used by our fixed networks, as we decommission legacy equipment.

We have established an emissions reduction programme to drive our ongoing performance. The main focus in our network infrastructure, which includes our exchange sites, mobile towers, and data centres. We also have teams focused on the emissions from offices, retail, and fleet and business travel. Aligned to Spark's Agile ways of working, teams are responsible for managing workflow and a backlog of potential projects, prioritising and allocating resources. We have also established efficiency targets to ensure we are focused on improving underlying efficiency.

More information on our approach is available in the Environment section of our Annual Report ([www.sparknz.co.nz/about/governance](http://www.sparknz.co.nz/about/governance)) or on the sustainability section of our website: [www.sparknz.co.nz/sustainability/environment](http://www.sparknz.co.nz/sustainability/environment)

## Our electricity use



The **Residual Supply Factor** indicates the quantity of emissions per unit of electricity consumed. This is a market-based factor calculated on an annual basis considering the mix of electricity generation sources supplying the New Zealand grid.

### Electricity consumption

We have continued our programme of network simplification over the past year. This includes the decommissioning of legacy equipment such as the public switched telephone network (PSTN). We have also reported reduced electricity usage at operational sites we share with Chorus. As our equipment is removed from these sites, we have been adjusting down the share of electricity we account for.

In order to achieve our emissions reduction target we need to further reduce the emissions intensity of our electricity. It is projected that the New Zealand grid will continue to decarbonise over the next decade, aligned with New Zealand's national emissions reduction budgets and plans. In the past year the emissions factor reduced 11.2% from 124.69 to 110.77 tCO<sub>2</sub>e/GWh. In addition to expected national improvements, Spark is actively pursuing options to link our electricity purchasing to new renewable electricity generation capacity, to create an incentive for new investment and to have greater control of how the energy mix of electricity from the grid will influence our ability to reduce emissions against our SBTi pathway.

In FY22 we reviewed our electricity supply contracts, with sustainability a key selection criterion in this process and a deciding factor in our purchasing decision. Our new energy partnership includes a commitment from our energy provider to work with Spark to achieve its SBTi target, through partnership in creating an emissions reduction plan, and through endeavours to link Spark's electricity use to new renewable energy generation assets.

## Appendix A: Organisational boundary

Our organisational emissions reporting boundary takes an operational control approach as defined by the GHG Protocol and includes Spark and its subsidiaries.

Spark New Zealand Limited is the parent entity of the Spark Group. Spark is publicly listed, and our issued shares are quoted on the New Zealand Stock Exchange (NZX) and

Australian Securities Exchange (ASX). As at 30 June 2022 the Spark Group comprised 26 controlled entities.

More information on significant subsidiaries and controlled entities in the Spark Group as at 30 June 2022 (including ownership percentages and principal activity information) is available in the **Spark FY22 Annual Report**.

### Significant Spark subsidiaries

NAME	PRINCIPAL ACTIVITY	EMISSIONS REPORTING INCLUSIONS
Computer Concepts Limited (NZ)	IT infrastructure and business cloud services	Electricity, business travel, fleet
Connect 8 Limited	Mobile infrastructure business	Excluded as previously a joint venture. To be included in FY23 reporting
Digital Island Limited (NZ)	Business telecommunications provider	Electricity, fleet
Gen-i Australia Pty Limited (Australia)	Provides international wholesale and outsourced telecommunications services	Excluded as no significant emissions
MATTR Limited (NZ)	Software company focussed on decentralised identity and verifiable data	Office electricity on a headcount estimate basis
Qrious Limited (NZ)	Data analytics business	Included in Spark Corporate Reporting
Revera Limited (NZ)	IT infrastructure and data centre provider	Electricity, business travel
Spark Finance Limited (NZ)	A Group finance company	Excluded as not an operating company
Spark New Zealand Trading Limited (NZ)	Telecommunications and digital services company	Included in Spark Corporate reporting
TCNZ (Bermuda) Limited	A holding company	Excluded as not an operating company
Teleco Insurance Limited (Bermuda)	A Group insurance company	Excluded as not an operating company
Telecom New Zealand USA Limited (USA)	Provides international wholesale telecommunications services	Excluded as no significant emissions
Telecom Southern Cross Limited (NZ)	A holding company	Excluded as not an operating company
Entelar Limited (NZ) (previously Telegistics Limited)	Mobile phone repair and equipment distribution	Electricity

### Investments in associates and joint ventures (at 30 June 2022)

Investments, associates and joint ventures are excluded from emissions disclosures as they are outside our operational control.

NAME	TYPE	COUNTRY	PRINCIPAL ACTIVITY
Adroit Holdings Limited	Associate	New Zealand	Environmental IoT solutions
Flok Limited	Associate	New Zealand	Hardware and software development
Pacific Carriage Holdings Limited, Inc.	Associate	United States	A holding company
Rural Connectivity Group Limited	Joint Venture	New Zealand	Rural broadband
Southern Cross Cables Holdings Limited	Associate	Bermuda	A holding company
TNAS Limited	Joint Venture	New Zealand	Telecommunications development

## Appendix B: Operational boundary

### Greenhouse gas emissions source inclusions

NAME	ACTIVITIES	METHODOLOGY, DATA QUALITY, UNCERTAINTY
Scope 1: Fugitive Emissions	Refrigerant top ups / leakage	<p>Refrigerant emissions data is based on a 3% annual loss estimate (based on <i>Ministry for the Environment - Guidance for voluntary greenhouse gas reporting</i>) applied to gases held across Spark operations. For our FY22 emissions reporting we have reset our baseline gas stock levels against cooling system data held in our eMaint asset management system, including estimated holdings for equipment without recorded refrigerant volume or type. We have restated our FY20 and FY21 emissions based on adjustments to this baseline for known system removals and additions over the previous two years. Data on CCL and Revera holdings of refrigerants is not available meaning their estimated leakage has been excluded.</p> <p>We have identified an opportunity to improve our future refrigerant reporting. We are looking to implement processes with our suppliers to capture refrigerant top-up data to more accurately record actual losses.</p>
Scope 1: Stationary Combustion	Diesel generator fuel usage	Records from supplier invoices and reporting.
Scope 1: Natural Gas	Gas usage for heating	Records from supplier invoices and reporting.
Scope 1: Mobile Combustion Fleet	Petrol and Diesel use for Spark vehicles	<p>Records from vehicle lease supplier reporting, including reporting of fuel card purchases. Fuel used by Spark franchisees is excluded where fuel use data is captured under the Spark lease agreement but fuel cost is paid by franchisees.</p> <p>For FY20 CCL fleet emissions used a per-km emissions factor due to unavailability of data in litres.</p>
Scope 2: Electricity	Electricity usage	<p>Reporting of monthly electricity billing for all sites. Includes Spark electricity usage in shared Chorus sites based on billing records between Spark and Chorus.</p> <p>FY20/FY21 Spark retail store electricity use is based on an extrapolation of available FY21 data. FY22 data is from billing records.</p> <p>The split in data across four categories (Corporate/Retail, Mobile Network, Fixed Network, and Data Centre) is based on records from electricity supplier billing against site type, e.g. data centre, telephone exchange, mobile sites. For sites with multiple category types, including exchange sites with significant office space and sites sharing fixed network and data centre equipment we adjust allocation of electricity based on a standard per-employee or per-rack calculation. For our mobile sites use we assume an additional 10% electricity use in the 'mobile core' based on a conservative estimate referencing a number of industry reports.</p> <p>Electricity consumed by customer equipment hosted in our data centres is reported as Scope 3, Category 13: Downstream leased assets (see below).</p> <p>We report our emissions using a market-based residual supply emissions factor.</p>
Scope 3, Category 3: Fuel and Energy Related Activities	Transport and distribution losses for electricity consumption	<p>We report our electricity Transport and Distribution losses because electricity usage is our most material source of emissions under our scope 1 and 2 emissions reduction target.</p> <p>Electricity usage collected for scope 2 reporting as above.</p>
Scope 3, Category 6: Business Travel	Flights, taxis, hire cars and accommodation	<p>We report our Business Travel emissions as they are a material source of emissions. They are also an emission source we can reduce through business policy, employee behaviour and adoption of new technologies.</p> <p>Records from business travel partners, including kms flown, hotel nights, and hire car usage. Taxi expenditure extracted from finance reports and expense claim data.</p>
Scope 3, Category 13: Downstream leased assets	Electricity use on-billed to customers	<p>In many of our data centres we host customer equipment. This equipment draws electricity which is on-billed to our hosted customers.</p> <p>Records from customer billing data based on automated direct metering systems, manual meter and load readings, and maximum input power of customer equipment.</p> <p>Revera's FY20 on-billed electricity is estimated from its FY20 total electricity usage based on the proportion of on-billed electricity to total electricity usage in FY21.</p> <p>Electricity use to power data centre services, including cooling and lighting, are included in our scope 2 reporting.</p>

## Appendix B: Operational boundary (cont.)

### GHG emissions source exclusions

NAME	ACTIVITIES	METHODOLOGY, DATA QUALITY, UNCERTAINTY
Category 1	Purchased goods and services	Excluded due to lack of available data and high degree of uncertainty. To shape our science-based emission reduction target we gathered supplier emissions data, including equipment life-cycle emissions data. Complete data is unavailable. However, analysis of supplier and category spend shows this is a material source of emissions and is included in our scope 3 SBTi target.
Category 2	Capital goods	
Category 4	Upstream transportation and distribution	Excluded due to low materiality, lack of available data, and high degree of uncertainty.
Category 5	Waste generated in operations	
Category 7	Employee commuting	
Category 8	Upstream leased assets	
Category 9	Downstream transport and distribution	
Category 10	Processing of sold products	
Category 11	Use of sold products	
Category 12	End-of-life treatment of sold products	
Category 14	Franchisees	
Category 15	Investments	

### Guidance documents used in the preparation of Carbon Footprint

- *Greenhouse Gas Protocol – Scope 2 Guidance*
- *Greenhouse Gas Protocol – Scope 3 Calculation Guidance*
- *Ministry for the Environment – Guidance for voluntary greenhouse gas reporting – 2022 detailed guide (MfE 2022)*
- The majority of emissions factors are sourced from MfE 2022.
- For our scope 2 reporting we have used the electricity residual supply factor sourced from NZECS: [www.certifiedenergy.co.nz](http://www.certifiedenergy.co.nz)
- For our reporting of refrigerant R438C we have used a factor published by The California Air Resources Board.





## Independent Assurance Report

### Independent Assurance Report on Spark New Zealand Limited's Greenhouse Gas Emissions Inventory Report for the year ended 30 June 2022

#### To the Board of Directors of Spark New Zealand Limited

#### Report on Greenhouse Gas Inventory Reports

We have undertaken a limited assurance engagement relating to the Greenhouse Gas Emissions Inventory Report (the 'inventory report') of Spark New Zealand Limited (the 'Group') for the year ended 30 June 2022, comprising the Emissions Inventory and the explanatory notes set out on pages 6 to 13.

The inventory report provides information about the greenhouse gas emissions of the Group for the year ended 30 June 2022 and is based on historical information. This information is stated in accordance with the requirements of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) ('the GHG Protocol') which can be accessed at <https://ghgprotocol.org/corporate-standard>.

#### Board of Directors' Responsibility

The Board of Directors are responsible for the preparation of the inventory report, in accordance with the GHG Protocol. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation of an inventory report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a limited assurance conclusion on the inventory report based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3410: *Assurance Engagements on Greenhouse Gas Statements* ('ISAE (NZ) 3410'), issued by the New Zealand Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the inventory report is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE (NZ) 3410 involves assessing the suitability in the circumstances of the Group's use of the GHG Protocol as the basis for the preparation of the inventory report, assessing the risks of material misstatement of the inventory report whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the inventory report. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included enquiries, observations of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Through enquiries, obtained an understanding of the Group's control environment and information systems relevant to emissions quantification and reporting, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- Evaluated whether the Group's methods for developing estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate the Group's estimates.
- Reviewed adherence to the principles and requirements outlined in GHG Protocol, which included a consideration of completeness.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Spark New Zealand Limited's inventory report has been prepared, in all material respects, in accordance with the GHG Protocol.

## Independent Assurance Report (cont.)

### Inherent Limitations

GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* ('PES-1') issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Other than this engagement and our role as auditor of the financial statements, our firm carries out other assignments for Spark New Zealand Limited in relation to regulatory audit, other assurance related services (such as trustee reporting), taxation compliance and non-assurance services provided to the Corporate Taxpayers Group of which Spark New Zealand Limited is a member. These services have not impaired our independence as auditor of the Group. In addition to this, the Chief Executive has both a sister and brother-in-law that are partners at Deloitte. These Deloitte partners are not involved in the provision of any services to the Group and its subsidiaries, and this matter has not impacted our independence. Also, partners and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. The firm has no other relationship with, or interest in the Group.

The firm applies Professional and Ethical Standard 3 (Amended): *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* issued by the New Zealand Auditing and Assurance Standards Board, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Use of Report

This report is provided solely for your exclusive use in accordance with the terms of our engagement. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept or assume no duty, responsibility or liability to any other party in connection with the report or this engagement, including without limitation, liability for negligence in relation to the opinion expressed in this report.

### Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Spark New Zealand Limited's inventory report for the year ended 30 June 2022 is not prepared, in all material respects, in accordance with the requirements of the GHG Protocol.



### Chartered Accountants

24 August 2022

Auckland, New Zealand

This limited assurance report relates to the Greenhouse Gas Emissions Inventory Report of Spark New Zealand Limited for the year ended 30 June 2022 included on Spark New Zealand Limited's website. Spark New Zealand Limited's Board of Directors is responsible for the maintenance and integrity of Spark New Zealand Limited's website. We have not been engaged to report on the integrity of Spark New Zealand Limited's website. We accept no responsibility for any changes that may have occurred to the Greenhouse Gas Emissions Inventory Report since they were initially presented on the website. The limited assurance report refers only to the Greenhouse Gas Emissions Inventory Report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these Greenhouse Gas Emissions Inventory Report. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the Greenhouse Gas Emissions Inventory Report and related limited assurance report dated 24 August 2022 to confirm the information included in the Greenhouse Gas Emissions Inventory Report presented on this website.

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