MARKET RELEASE

18 August 2021

Spark New Zealand Limited H2 FY21 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 FY21 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

Spark New Zealand's Chief Executive, Jolie Hodson, and Chief Financial Officer, Stefan Knight, will discuss the H2 FY21 Results at 10:00am New Zealand time today.

ASX Appendix 3A.1 will follow this release.

Authorised by:
Alastair White
GM Capital Markets

- ENDS –

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MARKET RELEASE

18 August 2021

Spark New Zealand delivers to guidance despite ongoing Covid-19 disruption, in first year of new strategy

- Top-line revenue decline driven by the loss of roaming revenues
- Strong underlying performance in mobile and cloud, security, and service management revenues
- Delivered FY21 EBITDAI[1] growth at the top end of the guidance range through disciplined cost management
- NPAT[2] decline driven by higher depreciation and amortisation costs and increase in tax expense
- Declared FY21 dividend of 25 cents per share, 100% imputed, supported by resilient free cash flow
- Accelerated 5G rollout and datacentre capacity expansion mark a significant investment into New Zealand's connectivity and resilience

Spark New Zealand (Spark) today announced that resilient revenues and disciplined cost reduction had delivered EBITDAI growth of 1% to $1,124 million, towards the top end of the guidance range.

The loss of $38 million in roaming revenues led to a revenue decline of 0.8% to $3,593 million, masking a strong underlying performance in mobile and cloud, security, and service management.

Mobile service revenue grew 0.5%, or 4.3% when adjusting for the impact of roaming, while mobile service revenue market share grew 1.1 percentage points to 41.5%. Cloud, security, and service management revenue grew 5.5%, as businesses continued to digitise.

The broadband market remained challenging, with continued competitive pressure and slower overall market growth leading to a revenue decline of 1.5%. Wireless broadband growth was below target, however momentum picked up in the final quarter with Spark finishing the year with connection growth of 19,000.

Spark New Zealand Chair Justine Smyth said: "The New Zealand economic recovery has been stronger than expected, but with recent travel bubble pauses, uncertainty remains. Closed international borders continue to impact Spark through the loss of roaming revenues, lower overall growth in some markets, and talent scarcity within the technology sector.

"In this context, we're pleased with the strong underlying growth we are experiencing in our core markets, and in Spark's ability to adapt at pace and execute disciplined cost management to deliver EBITDAI growth. This resilience in customer demand for our core services has supported free cash flow and enabled us to maintain the total FY21 dividend at 25 cents per share for our shareholders."

NPAT declined by $36 million, or 8.6%, primarily driven by higher depreciation and amortisation costs due to the shift to shorter asset lives and increased customer and commercial lease activity, as well as a $21 million increase in tax expense as Spark cycles the one-off decrease in FY20[3].

While the loss of roaming negatively impacted free cash flow, disciplined cost and capital management mitigated the majority of the impact, with Spark generating $433 million of free cash flow[4] for the year.

Spark announced an H2 FY21 dividend per share of 12.5 cents, bringing the total FY21 dividend to 25 cents per share, 100% imputed. Spark will continue to operate the Dividend Re-investment Plan for H2 FY21[5].

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[1] 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
[2] Prior year net earnings have been restated to reflect a reduction in net earnings of $7 million for the amortisation of reacquired rights that were previously regarded as indefinite life and therefore not amortised
[3] A one-off decrease in tax expense was recorded in FY20 for depreciation allowances being reintroduced for commercial building structures, plus a higher proportion of non-taxable gains
[4] Spark's free cash flow is defined as underlying free cash flow plus movements in working capital. This excludes dividends from Southern Cross; proceeds from asset sales; payments for business acquisitions; and payments for mobile spectrum
[5] Shares issued under the DRP will be issued at prevailing market price as determined around the time of issue.

CEO Jolie Hodson said Spark was already seeing progress against its strategy translate into improved customer experiences and growth in the market.

"We are simplifying our business to make it easier for our customers to interact with Spark. The number of customer journeys completed digitally increased 32%[6] during the year, and we retired 210, or 30%, of our legacy mobile and broadband plans.

"A key enabler of better customer experiences is having a deep understanding of what our customers need, and when they need it, and we finished FY21 with a robust data capability that is providing us with that insight – increasing our marketing efficiency by 16%."

Spark continued to invest in the infrastructure underpinning its products and services during the year, with 5G wireless broadband and mobile services launching in nine locations, rural connectivity expanding, and improved automation and resilience of the optical transport network.

With the first phase of the Company's infrastructure asset review complete, further significant infrastructure investments are planned for FY22.

Jolie continued: "We have a clear view of the infrastructure assets that are currently critical to our competitive advantage and resilience, and that we want to invest in – including the 'active[7]' components of our mobile network, multi-access edge compute[8], our critical network exchanges, and datacentre capacity.

"We have today announced an additional $35 million investment to accelerate our 5G rollout, bringing our total investment in mobile connectivity to $125 million in FY22 and supporting us to deliver 90% population coverage by the end of calendar year 2023, assuming the necessary spectrum is made available by the Government.

"We will be upgrading our Mayoral Drive exchange and intend to invest in approximately 10MW additional capacity at our Takanini datacentre – which will make it the largest in New Zealand once completed. We are in advanced negotiations to contract at least 60% of this capacity."

The infrastructure review also identified assets that can be shared, such as the 'passive[7]' components of Spark's mobile network and fibre. Spark is actively exploring shared ownership models; however, discussions are ongoing and there is no certainty that any transaction will proceed.

Spark continued to grow its position in future markets, with Spark Health supporting the digitisation of the healthcare sector and delivering cloud, telecommunications, and collaboration revenue growth of 10.6%. IoT connections grew to over 450,000, an increase of 83%, and Spark Sport delivered its first cricket season in partnership with NZ Cricket, with 99.9% platform availability and positive reception to the new production format.

Jolie pointed to the strength of Spark's people in delivering the results: "We have a talented and passionate team at Spark, and I am particularly proud of the progress we made building a high-performing and inclusive culture during the year. We have invested significantly in learning and development to build a culture of innovation and growth, we have grown engagement 10 points[9], and we have made solid progress towards our 40/40/20 gender target – with 42% of senior roles outside the Board and Leadership Squad now held by women.

"We continue to focus on how we can support the growth of the digital economy in New Zealand, which will be a critical enabler of productivity and progress in a 'Covid-normal' world. We are investing in critical infrastructure, working to build digital skills locally, including the digitisation of small businesses, helping to improve digital equity, and supporting the establishment of a digital trust framework."

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[6] Across sales and plan changes
[7] Active assets include anything in the core network, as well as the radio equipment that creates the mobile network, including the antennas and their connection back to the core network. Passive assets include the physical towers that support the active equipment, including standalone lattice towers, rooftops, and lamppost towers.
[8] Multi-access edge compute reduces the physical distance from an end user to compute and networking service, reducing latency, and supporting new use cases that require real-time performance to work e.g. cloud gaming
[9] eNPS grew +10 from FY20 to 76

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Results announcement

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

Results for announcement to the market		
Name of issuer	Spark New Zealand Limited	
Reporting Period	12 months to 30 June 2021	
Previous Reporting Period	12 months to 30 June 2020	
Currency	NZD – New Zealand Dollar	
	Amount (000s)	**Percentage change**
Revenue from continuing operations	$3,593,000	-0.8%
Total Revenue	$3,593,000	-0.8%
Net profit/(loss) from continuing operations	$384,000	-8.6%
Total net profit/(loss)	$384,000	-8.6%
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	17 September 2021	
Dividend Payment Date	1 October 2021	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	As at 30 June 2021 NZD$0.34	As at 30 June 2020 NZD$0.34
A brief explanation of any of the figures above necessary to enable the figures to be understood	Movements from the prior year are compared to restated amounts for the 12 months ended 30 June 2020 following the reassessment of useful lives of reacquired rights. The prior comparable period for net tangible assets per Quoted Equity Security is also based on restated amounts following the reclassification of work in progress. 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.	
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	18 August 2021

Audited financial statements accompany this announcement.

Addendum:

	Amount (000s)	Percentage change
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	NZD$1,124,000	1.0%

Spark nz

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 TELE0001S4			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year	X	Quarterly	
	Half Year		Special	
	DRP applies	Yes		
Record date	17 September 2021			
Ex-Date (one business day before the Record Date)	16 September 2021			
Payment date (and allotment date for DRP)	1 October 2021 AUST & NZ; 15 October 2021 USA			
Total monies associated with the distribution	NZD $233,390,637 (1,867,125,093 shares @ $0.125 per share)			
Source of distribution (for example, retained earnings)	Retained earnings			
Currency	NZD			
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			
	~~Partial imputation~~			
	~~No imputation~~			
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)	0%	
Start date and end date for determining market price for DRP	16 September 2021	22 September 2021
Date strike price to be announced (if not available at this time)	23 September 2021	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	New Issue	
DRP strike price per financial product		
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	20 September 2021	
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	18 August 2021	

WHAKAAHU WHAKAMUA

Moving forward

Spark Annual Report 2021


DOES PLAYING OUTSIDE
MAKE YOU SMARTER?

Look around you. A lot has changed.

The pandemic is still about and we're not out of the woods yet, but we're looking forward to what lies ahead. It hasn't been easy, but we've learned to adapt to rapidly changing alert levels, and with the vaccine rollout underway, there is change on the horizon.

Covid-19 has accelerated new ways of working, learning, connecting, and the role technology plays in our lives. As we face into the greatest challenge of our generation, climate change, we will need to harness the power of technology to solve new problems and do things differently.

Both Covid-19 and climate change bring the need for transformative, system-wide change across New Zealand, and bold, decisive action – so we can build back better and accelerate our progress as a nation. We're ready to play our part to create a low carbon, high-tech Aotearoa, and a positive digital future for all.

FY21 highlights

Mobile revenue grew $23M

despite the loss of roaming revenues. Pay monthly mobile connections grew by 56,000.

Improved digital customer experiences

leading to a 32% increase in customer journeys taken digitally across sales and plan changes.

5G rollout moving at pace

with 5G wireless broadband and mobile services now available in nine locations, including Auckland, Hamilton, Christchurch, Dunedin, and Palmerston North.

Cloud, security, & service management revenue grew $23M

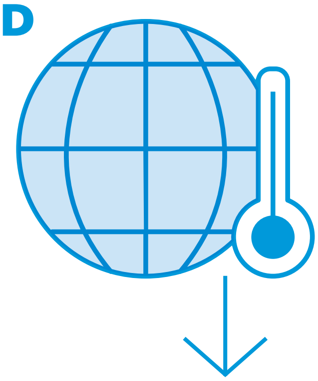
as we supported businesses to digitise and transform.

Employee engagement up 10 points

with our eNPS at +76.

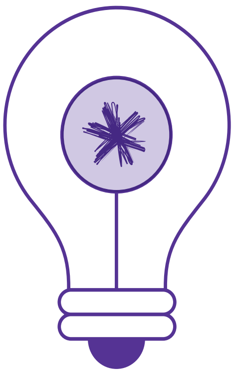
Set a verified science-based emissions reduction target

to support global climate change action.



IoT connections grew 83%

to over 450,000, with the launch of our Innovation Studio driving the adoption of new technologies.



Skinny Jump connections grew 58%

to 15,121, helping to lift digital equity by connecting those in need.

Contents

Whakaahu whakamua

Financial statements

Other information

About this report

We have evolved our approach to reporting over the past three years to show an integrated view of our performance across financial and non-financial measures.

- Our 2019 Annual Report combined our financial statements with non-financial performance measures, adopting the Global Reporting Initiative (GRI) Standards, the most widely used global sustainability reporting standard.
- Our 2020 Annual Report also adopted the International <IR> Framework for integrated reporting. Integrated reporting 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.
- This 2021 report is prepared in accordance with the International <IR> Framework and with the GRI Core Option. It also incorporates climate risk disclosure aligned to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

We have not sought external assurance over the non-financial information in this report. We intend to adopt external assurance of our key sustainability measures, including our emissions reporting, in FY22.

This report covers the activities of Spark New Zealand Limited and its subsidiaries. The report is for the period 1 July 2020 to 30 June 2021. This report is dated 18 August 2021 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

Key dates

Annual Meeting	05 November 2021
FY22 half-year results announcement	23 February 2022
FY22 year-end results announcement	17 August 2022

Our Te Korowai Tupu Strategy

Te Korowai Tupu (our Māori Strategy) 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 content relating to this strategy has been highlighted using the Kora Aotearoa (Spark New Zealand) logo.

= **Relates to Te Korowai Tupu**

How we create value

WHAT WE RELY ON

Our customers

Social capital
Consumers and organisations that are enabled by our products and services

Financial capital

Financial capital
Equity, debt and cash generated through our operations

Our network and technology

Manufactured + intellectual capital
Our mobile sites, data networks, systems, processes and digital services capability

Our people

Human + intellectual capital
Engaged, adaptive and inclusive teams that are the heart of our business

Our environment

Natural capital
Energy, materials and impacts of our operations

Our communities

Social + human capital
Our communities around New Zealand and the communities across our global supply chain

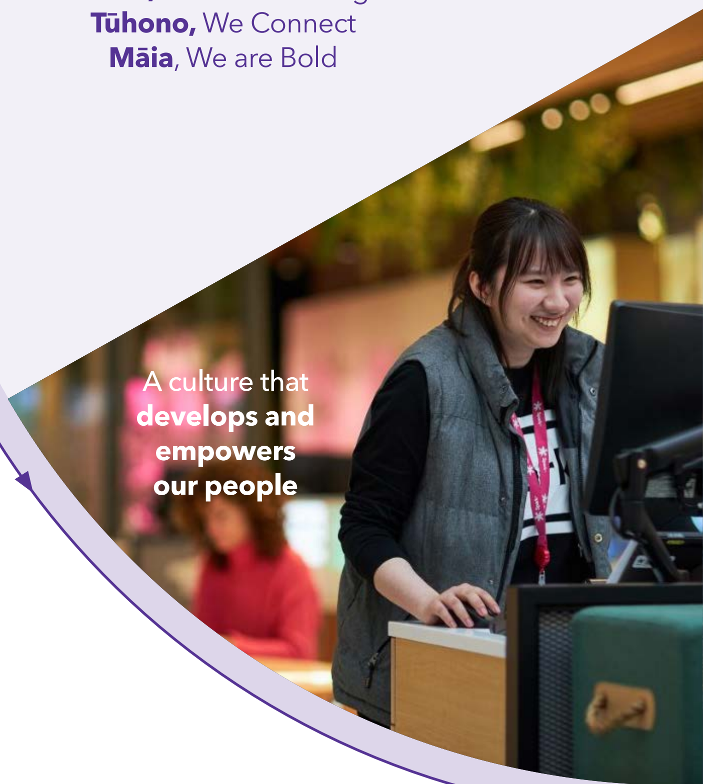
OUR BUSINESS MODEL

Our Purpose

TO HELP ALL OF NEW ZEALAND WIN BIG IN A DIGITAL WORLD

Āwhinatia ngā tāngata katoa o Aotearoa kia matomato te tipu i te ao matihiko.

Our Values
Whakamana, We Empower
Matomato, We Succeed Together
Tūhono, We Connect
Māia, We are Bold



OUTPUTS FY21

Connected customers

- 2,421 million mobile connections
- 701,000 broadband connections
- Increase in customer interaction Net Promoter Score

→ **See page 21**

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

Financial returns

- $3,593 million operating revenues and other gains
- $384 million net earnings
- 25 cents per share dividend

→ **See page 16**

Enhanced network and technology

- 40% increase in wireless broadband traffic
- 10% increase in mobile calling at peak
- 5G rolling out at pace

→ **See page 28**

Engaged and inclusive teams

- Positive growth in employee Net Promoter Score to +76
- 50/50 gender split on Leadership Squad and 57% female and 43% male on the Board
- 42% women in senior leadership roles
- Investment in training

→ **See page 32**

Environmental impact

- Net emissions 25.9 kilotonnes CO_2-e
- 638 tonnes e-waste recovered
- 28,715 mobiles recycled

→ **See page 38**

Supported communities

- Skinny Jump reaching 15,121 high-need households
- 445 connections under the Digital Marae Initiative

→ **See page 42**

OUTCOMES

Spark's operations

Spark is New Zealand's largest telecommunications and digital services company. Our customers range from consumers and households to small businesses, government, and large enterprises. Across all our services – mobile, broadband, cloud services, digital services, and entertainment – we have relevance for almost every New Zealander.

5,083[1] **employees**

24 regional business hubs

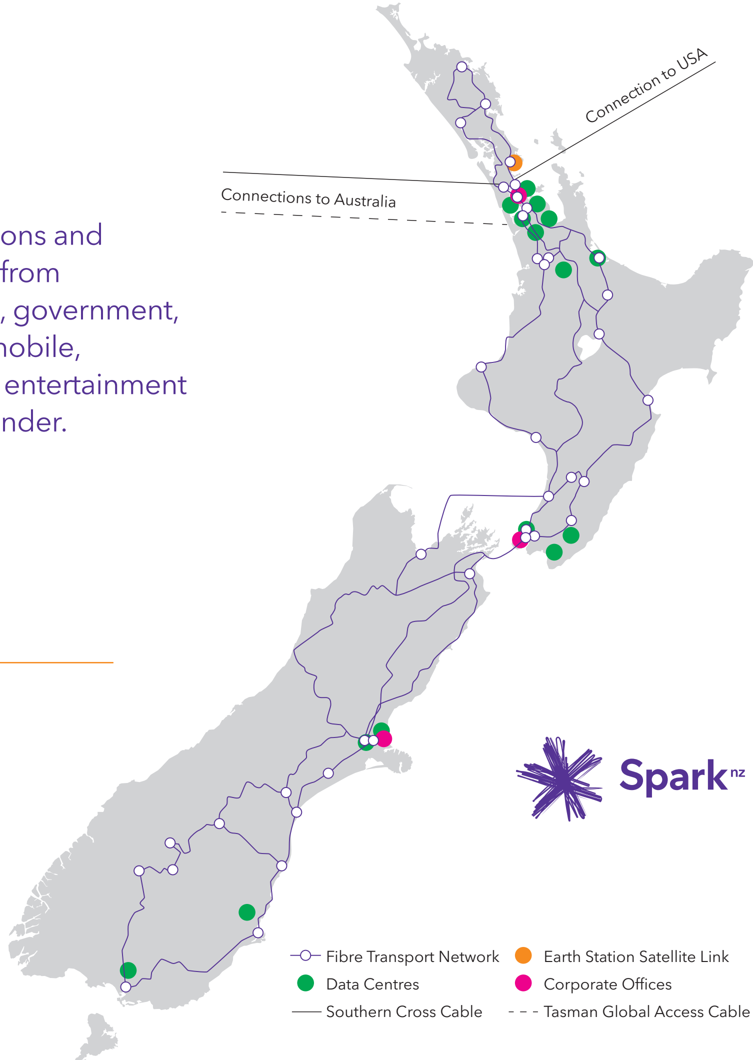
67 retail stores

18 datacentres

701,000 broadband connections

1,500 mobile sites supporting more than 2.4 million mobile connections

98% of New Zealanders reached by our 4G network



1. Total headcount including full-time, part-time and fixed-term employees.

In addition to our Spark brand, we operate the following brands and businesses

Business	Consumer	Growth markets	Other brands
CCL, Digital Island, Qrious, leaven.	Skinny, Spark Foundation	Spark Health, Spark IoT, Spark Sport	Spark Wholesale, telegistics, MATTR

Spark performance snapshot FY21

Operating revenues and other gains

$3,593M

0.8%

EBITDAI[1]

$1,124M

1.0%

Net earnings

$384M

8.6%[2]

Mobile revenue

$1,311M

1.8%

Broadband revenue

$670M

1.5%

Cloud security and service management revenue

$443M

5.5%

Voice revenue

$308M

20.2%

Capital expenditure[1]

$354M

5.3%

Consumer and small business iNPS[3]

+23

1 point[4]

Employee NPS[5]

+76

10 points

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. Capital expenditure excludes spectrum additions of $51 million and $3 million of finance lease receivable assets being reclassified to property, plant and equipment due to lease terminations.

2 Prior year net earnings have been restated to reflect a reduction in net earnings of $7 million for the amortisation of reacquired rights that were previously regarded as indefinite life and therefore not amortised.

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

4 FY20 iNPS has been restated to +22 as detailed on page 58.

5 Employee Net Promoter Score, a measure of employee engagement.

Moving forward

Tēnā koutou

Over the past year Spark embarked on its new three-year strategy, with a clear focus on building the core capabilities that will fuel our growth in our established markets and those of the future.

Justine Smyth, Chair (right) and
Jolie Hodson, Chief Executive (left)

While significant uncertainty remains as a result of Covid-19, overall, the New Zealand economy fared better than expected. Unemployment remains low and GDP is back in growth. We recognise however that some sectors have been more impacted than others and recent pauses to the trans-Tasman bubble have demonstrated how quickly our situation can change.

For Spark, the impacts of Covid-19 on our business persist in some areas. Sustained border closures continue to impact roaming revenues and have contributed to lower overall growth in the broadband and prepaid markets.

Reduced migration has also contributed to labour shortages within the technology sector. We are working collaboratively with industry groups and tertiary institutions to create pathways to employment that will help meet our demand in the future, but we anticipate the pressure to remain in the short-term.

Within this context, our purpose – Āwhinatia ngā tangata katoa o Aotearoa, kia matomato te tipu i te ao matihiko – to help all of New Zealand win big in a digital world – is more important than ever before as the shift from physical to digital accelerates.

We have continued to create a culture of inclusion and invested in the development and wellbeing of our people. This has grown engagement, with our eNPS increasing 10 points to +76.

With a high-performing and highly engaged team, and a common purpose, we have been able to maintain our momentum in key markets and adapt at pace to our changing competitive landscape – delivering EBITDAI growth towards the top end of our guidance range.

Our FY21 performance

The loss of $38 million in roaming revenues led to a revenue decline of 0.8% to $3,593 million, masking a strong underlying performance in mobile and cloud, security, and service management.

Mobile service revenue grew 0.5%, or 4.3% when adjusting for the impact of roaming, while mobile service revenue market share grew 1.1 percentage points to 41.5%.

Our cloud, security, and service management revenue grew 5.5%, with demand increasing from businesses looking to digitise and transform. We were proud to support our customers and stand behind some of the most important events and services New Zealanders relied on this year – including Whakarongorau Aotearoa's Covid-19 hotline, the digital delivery of APEC, and the Marae Digital Connectivity Initiative.

In broadband our revenue declined 1.5% in a market that remains highly competitive, with continued pricing pressure and lower overall market growth. Our wireless broadband performance was below target; however, momentum picked up in the final quarter and we finished the year with connection growth of 19,000. With a focus on maintaining our base, we remain the number one broadband provider in the market.

We continue to grow our position in future markets. Spark Health is supporting the digital transformation of the New Zealand healthcare sector, and delivered cloud, telecommunications, and collaboration revenue growth of 10.6% during the year.

We grew our IoT connections to over 450,000 – an increase of 83% – and Spark Sport delivered its first cricket season in partnership with New Zealand Cricket, with 99.9% platform availability and widespread positive reception to our production.

In FY22 we have an ambition to return to revenue growth through continued strong performance in established markets and accelerating growth in future markets.

Operating expenses decreased $41 million, or 1.6%, due to our cost out programme, lower bad debt expense as the economy recovered faster than anticipated, lower marketing expenses, and reduced travel costs.

With our long-term focus on disciplined cost reduction, EBITDAI grew 1% to $1,124 million, towards the top end of the guidance range.

NPAT declined by $36 million, or 8.6%, primarily driven by higher depreciation and amortisation costs due to the shift to shorter asset lives and increased customer and commercial lease activity, as well as a $21 million increase in tax expense as we cycle through the one-off decrease experienced in FY20 when depreciation allowances were reintroduced for commercial building structures.

With resilient customer demand for our core services during ongoing Covid-19 uncertainty, we generated $433 million of free cash flow, which supported a total FY21 dividend at 25 cents per share, 100% imputed, for our shareholders.

Delivering the highest value from our infrastructure assets

At our half year results we announced a review of our infrastructure assets to drive greater capital efficiency, increased resilience, and better experiences for our customers.

We have completed the first phase of this review, and now have a clear view of the infrastructure assets that are currently important for competitive advantage and resilience, that we want to invest in. These include the 'active' components of our mobile network, multi-access edge compute, our critical network exchanges, and datacentre capacity.

We have announced an additional $35 million investment to accelerate our 5G rollout, bringing our total investment in mobile connectivity to $125 million in FY22 and supporting us to deliver 90% population coverage by the end of calendar year 2023, assuming the necessary spectrum is made available.

We will be upgrading our Mayoral Drive exchange and intend to invest in approximately 10MW of additional capacity at our Takanini datacentre – which will make it the largest in New Zealand once completed. We are in advanced negotiations to contract at least 60% of this capacity.

For assets that can be shared, such as the 'passive' components of our mobile network and fibre, we are actively exploring shared

$1,124M

EBITDAI grew 1% to $1,124 million, towards the top end of the guidance range

41.5%

Mobile service revenue market share up 1.1 percentage points to 41.5%

ownership models; however, discussions are ongoing and there is no certainty that any transaction will proceed.

Clear progress against our strategy

We are now a year into our three-year strategy to FY23, and we are already seeing our progress against our core capabilities translate into better experiences for our customers and growth in the market.

We are a simpler business than a year ago, with the number of customer journeys completed digitally across sales and plan changes increasing 32% and 210 legacy mobile and broadband plans now retired. A key enabler of better customer experiences is having a deep understanding of what our customers need, and when they need it, and we finished FY21 with a robust data capability that is providing us with that insight – increasing our marketing efficiency by 16%.

We continued our 5G rollout at pace, with services for both wireless broadband and mobile now live in nine locations, including major centres such as Auckland, Christchurch, Dunedin, and Hamilton.

We have made significant progress creating a culture of belonging where our people lean into challenges, champion the customer, and adapt at pace. Alongside engagement we grew our Agile maturity, with 86% of squads with a measure greater than 3.5 out of 5. To further fuel our Agility, we have focused on building a culture of innovation, and opportunities for progression through comprehensive learning experiences.

The health and safety of our people is always a priority. No Spark employees or contractors suffered serious injury or death over the year, and our TRIFR[1] was 3.69 for FY21, compared to 4.11 in FY20. The external review of our health and safety performance by IMPAC demonstrated good progress against our Gold Standards.

We continued to embed diversity and inclusion into our business. We have been intentional in weaving Te Korowai Tupu, our Māori Strategy, throughout our business, and our people continue to embrace our Blue Heart Kaupapa, to celebrate diversity. We have made strong progress against our 40/40/20 gender target – with 42% of senior roles outside our Board and Leadership Squad now held by women.

Our median pay gap has increased slightly to our FY19 starting position of -28%, compared to -26% in FY20. The driver of this difference is the makeup of New Zealand's technology sector, which has a significantly higher proportion of men than women, and this challenge was exacerbated in recent years as talent scarcity increased. This will be a focus in FY22.

Supporting the growth of Aotearoa's digital economy

Covid-19 continued to highlight the critical importance of the digital economy in Aotearoa.

Modernising our economy and making better use of technology to grow productivity and transition our workforce to smarter ways of working will deliver clear and compelling benefits. We believe we should be focusing on four key areas – smart infrastructure investments; helping to build digital skills within New Zealand, including through the digitisation of small businesses; taking meaningful steps towards digital equity; and establishing a digital trust framework.

We launched a new Innovation Studio in Auckland to showcase use cases for emerging technologies like 5G and IoT, supporting Kiwi businesses to bridge the gap between understanding and action and harness technology to adapt, transform, and grow.

We joined the Digital Boost Alliance – a collaboration between the Ministry of Business, Innovation and Employment (MBIE) and private sector organisations – to accelerate the use of digital business tools and new technologies by small businesses across the country.

Our subsidiary MATTR is leading the conversation on digital trust in Aotearoa and globally and making a significant contribution to the global mahi on the next generation of internet standards.

And through the work of the Spark Foundation, we continue to champion digital equity by focusing on digital access, digital skills and pathways, and digital wellbeing. We grew connections to our not-for-profit wireless broadband product, Skinny Jump, to 15,121 – a 58% increase on FY20.

Supporting Aotearoa's climate change ambitions

We have matured our approach to sustainability in FY21 and continue to improve our environmental, social, and governance performance.

We undertook a significant programme of work to establish and verify an emissions reduction target through the Science Based Target initiative (SBTi). This ensures we are supporting global efforts to keep warming below 1.5 degrees. We commit to reduce our absolute Scope 1 and 2 GHG emissions by 56% by FY30, from a FY20 base year, and will focus on our supply chain to ensure that at least 70% of our suppliers by spend for purchased goods and services and capital goods have science-based targets in place by FY26.

1 Total Recordable Incident Frequency Rate.

This is an ambitious target, but achievable over time. We expect to see efficiency gains as we decommission legacy equipment such as the PSTN, shift to electric vehicles, and optimise our office footprint, which will be offset by the rollout of our 5G network, expanded datacentre operations and investment in our core infrastructure.

Electricity accounts for over 80% of our emissions and we are therefore highly reliant on the decarbonisation of the national grid. As is the case for our peers both locally and globally, the transition to renewable electricity production is critical to our ability to meet our reduction target.

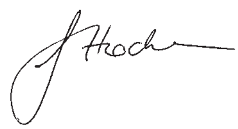
Thank you

We are both personally very proud of how Spark has responded to another unique and challenging year. This would not have been possible without the dedication and hard work of our people and the support of our customers, suppliers, and partners – and of course our shareholders.

Spark is an enabling business, which means our success is measured in the success of others. We will grow by helping our customers do what they do best. In the coming year, as New Zealand looks to rebuild and transform our economy, we have an opportunity to accelerate into what we know will be an increasingly digital future. We are ready to move forward and support New Zealand to build back better.

Noho ora mai

Justine Smyth, CNZM
Chair



Jolie Hodson
Chief Executive

Our strategy

SPARK'S PLAN ON A PAGE

During the year we launched our three-year strategy, which sets out our ambitions for FY23 and how we will grow in our established markets of wireless, broadband, and cloud, and accelerate in the markets that we intend to be a bigger part of our business in the future – including digital health, IoT, and sport.

Our ambition for FY23:

- **A primarily wireless business**, with approximately 80% of our customer relationships on wireless technology (across mobile and broadband).
- **'Digitally native'** – meaning our customers will predominantly choose digital channels and we will deliver the same consistent experience no matter how they choose to engage with us.
- **A leading cloud provider**, with expertise in on-shore and off-shore cloud platforms, experience in helping large organisations migrate sizeable workloads successfully, expert in-country support and service desk capabilities, and ongoing digital transformation consultation services.
- **Delivering unconstrained capacity** across high quality and low latency networks, with 5G and IoT deployed nationwide.
- **A top decile, inclusive culture**, where all our people feel they can bring their full selves to work each day.

Our strategy identifies four world-class capabilities that will give us a sustainable competitive advantage:

1. Simple intuitive customer experiences

We will offer customers a simple range of modular products, and customer interactions with Spark that "just work". Our customer journeys and internal processes will be simple, intuitive, and primarily digital.

2. Deep customer insights

We will offer customers the right products at the right time, by using data to drive our decision-making.

3. Automated smart network

Working towards our ambition of unconstrained capacity across high quality and low latency networks, supporting the growing demand for data from our customers.

4. Growth Mindsets

Our people will lean into challenges, champion the customer, and adapt at pace.

OUR PLAN ON A PAGE

Our Purpose

TO HELP ALL OF NEW ZEALAND WIN BIG IN A DIGITAL WORLD

Āwhinatia ngā tangata katoa o Aotearoa kia matomato te tipu i te ao matihiko.

Our 3 Year Goals

- **Brand Strength**
- Improve **Customer Engagement** (iNPS)
- Grow **Employee Engagement** (eNPS)
- **Sustainable Free Cash Flow Growth** and **Top Decile TSR**
- **Best Cost**
- Lift **Digital Equity**

Our Strategic Pillars

- World Class **Capabilities and Culture**
- Grow **Established Markets**
- Accelerate **Future Markets**
- A **Positive Digital Future** for all of NZ

Our Values

- **Whakamana,** We Empower
- **Matomato,** We Succeed Together
- **Tūhono,** We Connect
- **Māia,** We are Bold

A positive digital future for all of New Zealand

Our strategy includes our commitment to sustainability, and 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 and Māori Strategy.

Spark's Sustainability Framework

Our Sustainability Framework guides how we will harness the power of technology to create a positive digital future for all of New Zealand. We will do this by ensuring that we are environmentally, financially, and socially sustainable ourselves; doing our part to help New Zealand transform to a high-productivity, low-carbon economy; and by championing digital equity.

Spark's Māori Strategy

Te Korowai Tupu o Kora Aotearoa (the cloak of growth of Spark New Zealand) is inspired, driven, and led by kawa (protocol), tikanga (process), and kaupapa Māori. It takes the threads of a tangata whenua world view that can be woven across Kora Aotearoa – into our strategic pillars, business strategies, Spark values and shared Māori values to embrace the physical and spiritual nature of te ao Māori.

Our performance

EBITDAI[1]

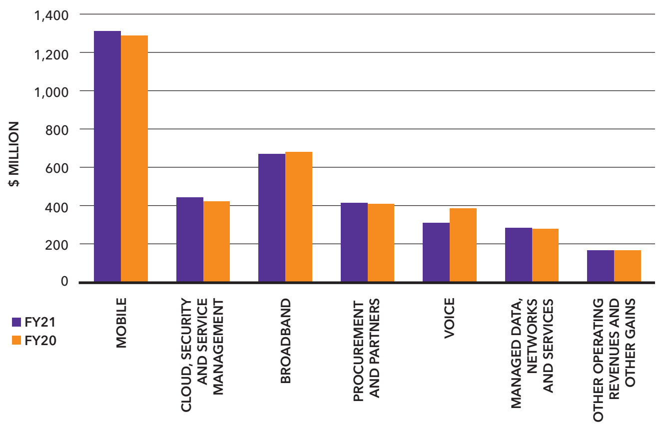
$1,124M

▲ 1.0%

Operating revenues and other gains

- Mobile revenue growth of $23 million, or 1.8%, has been driven by non-service revenue which has increased by $19 million, or 4.3%, due to increased handset and accessories revenue. Service revenue has increased by $4 million, or 0.5%, due to pay monthly connection growth and existing customers transferring to our Endless plans[2]. These were largely offset by declines in outbound roaming revenue of $31 million due to ongoing Covid-19 travel restrictions and border closures. Additionally, included in non-service revenue was a decline of $7 million in inbound roaming revenue.
- Cloud, security and service management revenue growth of $23 million, or 5.5%, was driven largely by strong growth in annuity revenues and service management revenues.
- Voice revenues declined due to a combination of continued connection losses as voice becomes a smaller part of the business, lower voice usage of existing customers, and non-recurring refunds of $16 million for historic wire maintenance charges.
- Other gains of $28 million, down $7 million from FY20, were mainly generated from the sale of mobile network equipment and gains on lease modifications as we renegotiated property leases.

$3,593M ▼ 0.8% 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 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

$384M

8.6%[1]

Earnings per share

20.7 CENTS

9.6%[1]

Dividends per share

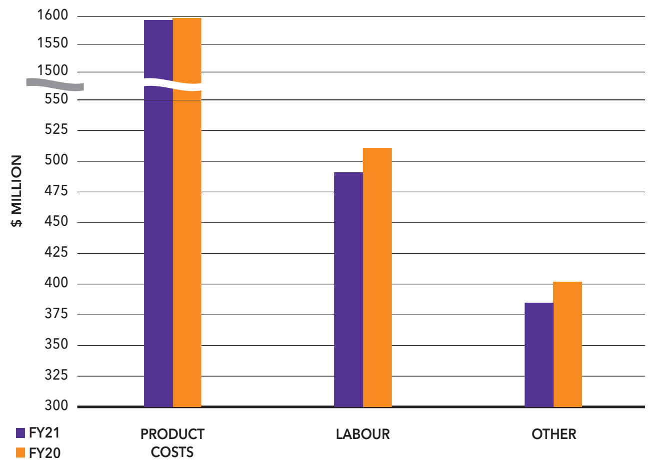
25.0 CENTS

No change

Operating expenses

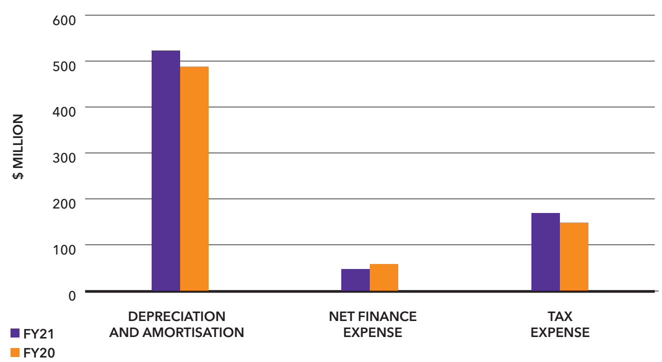
- Product costs decreased by $4 million, driven by declines in voice and in broadband as our wireless base grew. Other product costs also fell as the prior year included costs for Lightbox which has been divested. However these declines were mostly offset by increased costs in mobile and cloud, security and service management that supported our revenue growth.
- Labour cost reduction of $20 million, or 3.9%, was due to a combination of Spark needing fewer employees and contractors, as services transition to digital and customers can access an expanded range of self-service options.
- Other operating expenses decreased by $17 million, or 4.2%, due to lower bad debt expense as the predicted economic impacts of Covid-19 were less than expected, lower marketing expenses, and reduced travel costs. This was partially offset by increased expenditure on direct contractors for projects and increased repairs and maintenance on cell towers.

$2,469M 1.6% year-on-year



Other

- Depreciation and amortisation was $13 million higher for property, plant, and equipment and intangibles, reflecting shorter asset lives, and $22 million higher for right-of-use assets and leased customer equipment assets due to increased customer lease activity and property leases.
- Net finance expense decreased by $11 million due to lower interest rates on debt and lower interest expense on leases modified or entered into in the year.
- Tax expense increased by $21 million largely due to one-off decreases in tax expense recorded in the prior year for depreciation allowances being reintroduced for commercial building structures, plus a higher proportion of non-taxable gains.



1 Prior year net earnings and earnings per share have been restated to reflect a reduction in net earnings of $7 million for the amortisation of reacquired rights that were previously regarded as indefinite life and therefore not amortised.

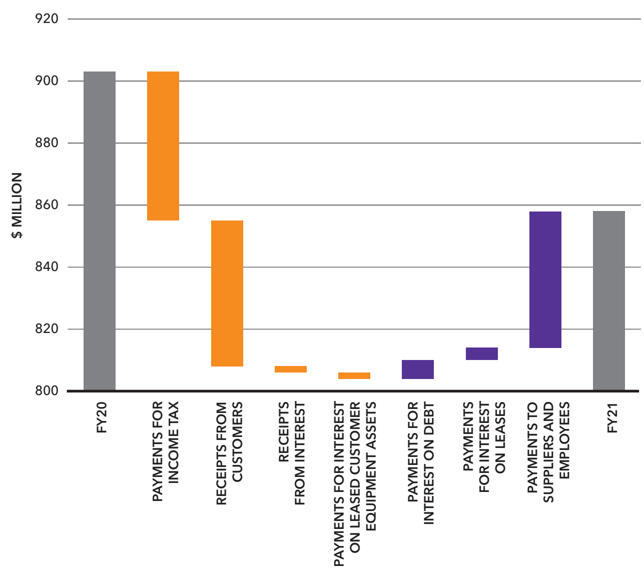
Cash flows

YEAR ENDED 30 JUNE	2021 $M	2020 $M
Net cash flows from operating activities	858	903
Net cash flows from investing activities	(388)	(411)
Net cash flows from financing activities	(451)	(493)
Net cash flows	**19**	**(1)**

- Operating cash flows decreased by $45 million, with the primary driver being a $48 million year-on-year increase in tax payments due to an increase in provisional tax paid during the period. Lower receipts from customers were largely offset by lower payments to suppliers and employees in line with movements in operating revenues and expenses relative to last year.
- Investing cash outflows were $23 million lower than the prior year due to fewer contributions to long-term investments.
- Financing cash outflows decreased by $42 million as a result of lower payments for dividends due to uptake of the dividend reinvestment plan, partially offset by net repayments of debt, compared to net proceeds in the prior year.

Operating cash flows

$858M ▼ 5.0%



Capital expenditure[1]

$354M

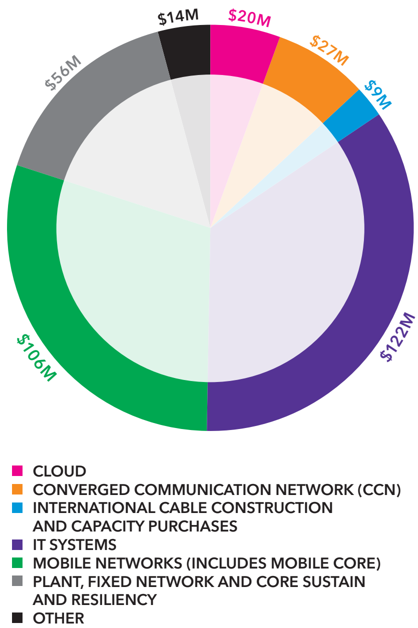
Key capital expenditure projects for the year included:

- Continued investment in Spark's mobile core and radio access network (RAN) delivering an uplift in network capacity and coverage and, through the 5G rollout, faster home wireless broadband and mobile speeds.
- IT systems investment included lifecycle investment and licensing for internal IT systems, enhancements to products and IT systems to improve the customer experience and work to integrate the new enterprise resource planning solution into Spark systems.
- Plant, fixed network and core sustain included investment in the fibre build programme, Optical Transport Network (OTN), fixed network broadband and Carrier Ethernet expansions to meet customer demand for services and traffic growth across the network, as well as various investments in Spark-owned properties; FY21 also saw the introduction of OTN 2.0, which provides more resilient technology and significant capacity increases.
- Continued investment in the converged communication network (CCN), advancing our exit of the legacy PSTN network, will enable us to deliver IP-based voice services in the future.

This excludes Spectrum additions of $51 million and $3 million of property, plant and equipment additions from finance lease receivable terminations.

Capital expenditure to operating revenues

9.9% (FY20 10.3%)



1 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

As New Zealand's largest telecommunications and digital services company, we have relevance for almost every New Zealander. Our services span mobile, broadband, IT and managed services (including cloud services and security), and sports streaming. Our customers are individuals and households through to small businesses, government agencies, and large enterprises.

We want to support New Zealanders as our country recovers from the impacts of Covid-19 and transitions to a high-productivity, low-carbon economy. We will connect and empower our customers, supporting them to become more productive and sustainable through technology.

Customer experience

Over the course of FY21, we further embedded our 'Unified Frontline' operating model. This is an approach to customer experience which sees our customer care and retail teams move between different customer touchpoints (such as online chat, call centres or retail stores) depending on where the customer demand is at the time. It offers our customers skilled assistance through a channel that works best for them, builds the capabilities of our team members, and makes the best use of our customer care resources.

We launched the next generation of our MySpark App – the remote control to your life with Spark – alongside a range of new digital features. We now have 600,000 unique MySpark App users, completing 3.6 million interactions per month.

When combined with a broader shift of customers towards digital self-service interactions, we saw a 32% increase in customer journeys taken digitally across sales and plan changes during the year. This delivered a corresponding 4% decrease in customer interactions with our teams through call centres or online messaging. Our self-service channels empower customers by giving them direct access to trouble-shooting information where and when they need it, without having to wait for assistance from a team member.

As a result of customer feedback, we enhanced our messaging functionality to enable customers to contact Spark via a messaging service of their choice – such as the MySpark app, WhatsApp, Facebook Messenger, iMessage or Google chat.

We continue to invest in our in-store experience with the opening of new stores in Auckland's Commercial Bay, Cuba Mall in Wellington, and Palmerston North.

An enabler of better customer experiences is having a deep understanding of our customers and their needs. In FY21 we developed a robust data capability that generates insights into what New Zealanders want and need from our products and allows us to improve the relevance of our offers. We developed approximately 22 core machine learning models that match our products and services to the customers who are most likely to want them, which supported a 16% improvement year-on-year in our marketing efficiency.

Our Consumer and SME iNPS is the measure we use to determine the level of satisfaction our customers have with their interactions with Spark. At the end of FY21 our iNPS was +23 which is a change of +1 on FY20.

Connecting with New Zealanders

Spark continued to engage with New Zealanders through our brand campaigns and experiences, bringing to life how technology can help them to win big in a digital world. With our 5G rollout underway, the next generation of mobile technology was a big focus in FY21.

Emirates Team New Zealand

We were proud to sponsor Emirates Team New Zealand in their successful campaign to defend the 36th America's Cup. We helped the boat go faster through the power of 5G, building a dedicated 5G network for the team.

Technology and innovation have always been critical elements of successful America's Cup campaigns and our 5G network provided Emirates Team New Zealand with new ways to collect and visualise essential data – helping them to predict the course and set the boat up to make the most of the conditions.

5G Starter Fund

In October, we selected four innovative New Zealand businesses as winners of Spark's 5G Starter Fund, securing a share of $625,000 to bring some of the country's first 5G-powered ideas to life.

Selected from more than 200 entries that spanned four categories – Next Gen Health, Good for New Zealand, Industry Disruptors, and Immersive Experiences – these businesses demonstrated how 5G is an enabling technology that has the potential to solve some of today's biggest problems.

Robotics company Rocos, VR gaming creator Beyond, and health businesses – Objective Acuity and oDocs Eye Care – were the successful recipients of a share of the funding and technology support from Spark. This involved an exclusive opportunity to test and co-create each 5G-powered solution inside Spark's Innovation Studio.

5G-powered Esports Hub

In April we opened our 5G-powered Esports gaming hub at Eden Park, in partnership with Guinevere Capital. Gaming is a large and growing opportunity for Spark, and the hub will be the home training ground for both professional and aspiring gamers, offering them a dedicated space connected via both fibre and 5G. The space is fully equipped with dedicated training rooms, broadcast capabilities, a 5G mobile gaming area, and a venue to host future major Esports events.

5G Race Zone

We also teamed up with Emirates Team New Zealand to create a 5G Race Zone in Auckland's Wynyard Quarter. Spark's 5G Race Zone brought together sailing and technology in seven interactive zones, each showing the different benefits of 5G – speed, low latency, and mass connectivity. The free showcase was available to all and gave Kiwis a multi-sensory experience – including a visualised wind tunnel and an immersive experience on board Te Aihe as it took flight on the harbour. Over 30,000 people went through the Race Zone.

In partnership with the Genesis School-gen programme, over 900 Auckland students from low decile schools visited the 5G Race Zone for a technology-focused, Emirates Team New Zealand-themed learning experience. Students got to see and experience the latest in digital innovation, computational thinking, and robotics – learning opportunities falling under the Science, Technology, Engineering, and Maths (STEM) umbrella. The collaboration between Spark and Genesis brought to life our shared vision of encouraging and enabling young New Zealanders to access and engage with STEM learning, to better arm them with skills for their futures.

Spark Sport

Spark Sport offers a range of local and international sporting options including rugby, football, cricket, tennis, motorsports, basketball, MMA, racing, boxing, golf, hockey, e-sports, and athletics.

During FY21 we delivered our first 'summer of cricket' in our seven-year partnership with New Zealand Cricket – streaming over 3 million hours of live cricket into New Zealand, with nearly 240,000 Spark Sport viewers tuning in to watch the BLACKCAPS and WHITE FERNS.

We gained broadcast rights to the MotoGP for the next three years and ventured into the pay-per-view arena, exclusively streaming fights from some of the industry's biggest names including Joseph Parker, Dillian Whyte, Alexander Povetkin, and Israel Adesanya.

In June, we acquired the full and exclusive New Zealand rights to the UEFA (Union of European Football Associations) Champions League, UEFA Europa League and UEFA Europa Conference League for the next three seasons.

Spark Innovation Studio

We launched our new Innovation Studio during the year at our head office in Auckland, to support Kiwi businesses to identify how emerging technologies like IoT and 5G can help them adapt, transform, and grow.

The Studio is the first place in New Zealand where businesses can test technology solutions on all networks (4G, 5G, Cat M1, NB IoT, LoRaWAN) and co-create their own solutions alongside some of the best technology engineers and experts New Zealand has to offer.

The Studio bridges the gap between understanding and action by demystifying emerging technology and showcasing real-life examples of how they can help solve business challenges across a range

of sectors and use cases – such as end-to-end fleet management and asset visibility, and real-time water quality monitoring.

The studio is open to businesses, councils, and government to explore how technology solutions can enhance productivity, improve sustainability outcomes, and accelerate digitisation.

Supporting the growth of Aotearoa's digital economy

Covid-19 has accelerated the shift from physical to digital and highlighted the critical importance of the digital economy in Aotearoa. The Government has recognised this by expanding the Minister for Communications' portfolio to include the digital economy; a move we welcomed.

Modernising our economy and making better use of technology to grow productivity and transition our workforce to smarter ways of working will deliver clear and compelling benefits. We believe we should be focusing on four key areas:

1. Smart infrastructure investments, including the rollout of 5G and IoT;
2. Helping to build digital skills in New Zealand, including the digitisation of small and medium businesses;
3. Taking meaningful steps towards digital equity;
4. Establishing a digital trust framework.

In FY21 we pursued a number of initiatives to support the growth of our digital economy. Our work to improve digital equity and skills is outlined in the community section on page 42.

Digital Boost Alliance

We signed up as members of the Digital Boost Alliance – a collaboration between the Ministry of Business, Innovation and Employment (MBIE) and private sector organisations. The Alliance is focused on motivating and inspiring small businesses across Aotearoa to accelerate their use of digital business tools and new technologies, with the aim of helping New Zealand reach its economic and social potential. As part of this work, we partnered with Microsoft to offer our business customers Microsoft Office 365 free for 12 months if they joined our Endless Mobile and Business Flexible Broadband plans.

Spark Health

The digitisation of New Zealand's healthcare sector will be a critical enabler of its transformation. We identified digital health as a future growth market in our three-year strategy, and in FY21 we announced our new industry vertical, Spark Health.

Spark Health seeks to help all New Zealanders live healthier lives through the power of technology and has a 2023 ambition to deliver an open, modern, cloud-based Digital Health Platform.

The Digital Health Platform, named 'Kete Waiora' (the basket of health and wellness), will enable health providers to access a range of services across chronic disease management, population health management, consumer and patient activation, remote patient monitoring, and customer insights.

In FY21 Spark Health launched its brand identity into the market, with telecommunications, IT and business transformation solutions tailored to the healthcare sector. A vendor was selected to support the development of Kete Waiora, with a launch to customers targeted for the first quarter of FY22.

Supporting digital trust

Our subsidiary MATTR provides the infrastructure to solve historically difficult challenges facing digital security, privacy, and data verification. During the year it worked as part of the global standards community at W3C (World Wide Web Consortium), DIF (Decentralised Identity Foundation) and OIDF (Open ID Foundation) to contribute to the development of next generation internet standards.

In March, MATTR launched the first version of MATTR VII – an extensible platform for verifiable data and digital trust – and the team is working with a range of partners and customers locally and globally. MATTR has also been selected by the US Department of Homeland Security, Silicon Valley Innovation Programme and has successfully completed phase one of this four-phase programme.

Partnering with New Zealand businesses, big and small

Spark is an enabling business, and our success is measured in the success of others. This is particularly the case for our business customers – who are more reliant than ever on our technology and services as they rebuild from the impacts of Covid-19 and prepare for a low-carbon future. In FY21 we have worked to improve our offer to New Zealand businesses – from SMEs (small and medium enterprises) through to large enterprise and government customers.

Supporting small-medium kiwi businesses

We work with our SME customers through our locally-owned and operated Business Hubs, which provide a local point of connection and support for customers.

In FY21 we made changes to our Business Hub operating model, to further improve customer experience and efficiency. This included consolidating 26 territories into 12 regions, with regional owners actively involved in the day-to-day operations of our 24 local Hubs.

In recognition of the toll 2020 had taken on many businesses across the country, we launched our 'Recharge' campaign, which encouraged SMEs to focus on their most important asset – themselves. Customers who took part received exclusive access to offers and products from Spark partners designed to boost their wellbeing.

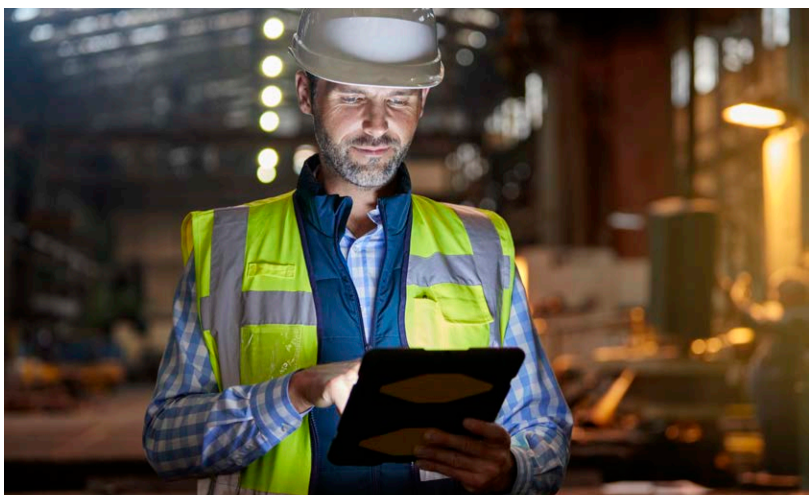
We continued our long-running Spark Lab event series, which provides our customers with inspiration and capability building opportunities. Throughout the year we hosted speakers from Microsoft, Xbox, Sidewalk Labs and Take a Breath, talking about a range of topics including wellbeing, diversity, the use of data, and cities of the future.

Supporting New Zealand's larger enterprise businesses

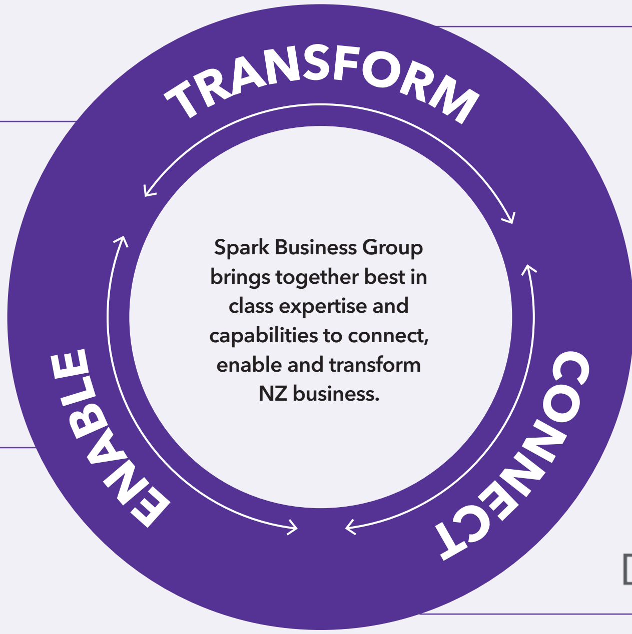
We provide B2B services to our larger enterprise customers through the Spark Business Group – which unites Spark, CCL, Leaven, Qrious, and Digital Island, and allows our customers to access our full suite of services through one key account lead.

Spark Business Group is locally unique in the end-to-end support it can provide to customers across the key areas of connect, enable, and transform.

To connect our customers, Spark offers a reliable and secure technology backbone through services such as network, connectivity, ICT, and security. Digital Island provides voice, internet, and cloud management services.



Spark Business Group



Qrious

Unleashing intelligence through data, analytics, AI and data powered customer engagement.

leaven.

Accelerating cloud adoption, digital innovation and business transformation.

Spark nz

New Zealand's most reliable and secure technology backbone for business; network, connectivity, security and ICT services.

CCL

Tailored and trusted expertise and support for all your managed services needs in a multi-cloud world.

Digital Island

Creating amazing customer experiences by delivering exceptional cloud communication and collaboration services.

During the year Digital Island saw strong demand for remote contact centre solutions as a result of Covid-19 lockdowns and responded by collaborating with Leaven to launch Amazon Connect – a cloud contact centre solution that brings together AWS technology, a custom user dashboard, and Digital Island's extensive contact centre expertise.

Our technology backbone is complemented by CCL, a multi-cloud specialist. During the year CCL's cloud platforms and support teams underpinned the technical delivery of several high-profile events, including the Electoral Commission and the systems supporting New Zealand's 2020 general election. CCL achieved certification against the ISO/IEC27001:2013 international standard, demonstrating its commitment to maintaining robust information security for clients and partners.

Our cloud consultancy business Leaven supports businesses to transform by accelerating cloud adoption and digital innovation. During the year Leaven supported the creation of the national health index for the Ministry of Health, helping to establish the underlying technology that supported the New Zealand Covid-19 Tracer App, and helped the implementation and operation of the vaccination platform rollout.

Qrious is a data, analytics, and artificial intelligence (AI) business and during FY21 delivered a number of smart data solutions for our customers – including a cloud-based dashboard to improve patient care at ADHB, and an AI solution to help save New Zealand's endangered Maui dolphins.

In October, Qrious was awarded the international gold standard for privacy information management, ISO 27701 certification, which is designed to ensure organisations have robust processes and systems in place to manage and protect personal data.

The Spark Business Group had some notable successes in delivering customer projects that combine skill sets and capability from across the group during the year.

Spark and CCL partnered with MFAT (Ministry of Foreign Affairs and Trade) to pioneer the concept of digital diplomacy and deliver the first ever virtual APEC host year, which is running throughout 2021. The combined team helped design and deliver the technical solution for a complex virtual conference that runs over multiple months, supporting 21 member economies across 11 time zones, and with up to 20,000 delegates.

Cybersecurity, customer safety and privacy

Spark puts cybersecurity, customer safety and privacy at the forefront of everything we do.

Cybersecurity

In the past 12 months, New Zealand has seen an unprecedented number of cybersecurity attacks across various industries, which have caused severe disruption to the affected organisations.

We govern our security programme using the industry's best practice frameworks, including ISO27001 and NIST CSF (National Institute of Standards and Technology Cybersecurity 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 the appropriate levels of security.

Spark people play a critical role in helping Spark to detect and defend against all known cybersecurity attacks. We have one of the largest security capabilities 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, data, and risks, with our cybersecurity subject matter experts providing oversight, and our processes independently assured by our risk and internal audit functions. We have invested heavily in building up our threat intelligence platform and adopting industry best practise framework 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

We play an active role in limiting the number of scam calls our customers receive by monitoring unusual calling activity and blocking offending numbers. 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.

We are a member of the NZ Telecommunications Forum's (TCF) Scam Prevention Code, which improves the process for the telecommunications industry to identify and share scamming information. Offending numbers are shared with members of the TCF and blocked across all networks.

We also work with the TCF to prevent customers receiving scam text messages. When we identify illegitimate activity, we work with the aggregator to block the messages. We also block access to the URL featured in the scam text to prevent customers inadvertently clicking on the link.

The most effective way to keep our customers safe is through education and awareness. We take any opportunity to empower our customers to be vigilant when it comes to scams and keeping their personal information safe – including through direct customer communications, sharing alerts about widespread scams on our social media channels, and providing comprehensive information about scamming on our website.

We have also partnered with Netsafe to produce an educational scam call brochure to distribute to organisations such as Age Concern and retirement villages.

Protecting the privacy of our customers

The protection of our customers' personal information is a responsibility we take seriously. Our approach to privacy is informed by the values of customer centricity, fairness, transparency, autonomy, and simplicity, and we are continually working to embed privacy capability across our organisation.

We want to make it easy for our customers to make informed decisions about their personal information. We do this by being clear and transparent about how we manage personal information and the choices our customers have when it comes to what data they share and how we use it.

Our Privacy Policy

Spark's Privacy Policy sets out our commitment to our customers on how we will handle their information – including how we collect, use, share, and store it. In our policy we commit to handling all personal information appropriately in compliance with the new Privacy Act 2020 (which came into force in December 2020) and our customers' expectations. We also set out customers' rights and choices in respect of their personal information. In FY21 we made our privacy policy shorter, simpler, and easier for our customers to read and understand.

See: **www.spark.co.nz/help/other/terms/policies/privacy-policy**

Improving transparency

In FY21 we also brought more transparency to our privacy management processes by publishing information about our privacy programme on our website. We also launched Spark Transparency Reports, which detail the way Spark manages requests by New Zealand government agencies for our customers' personal information and the number of instances we provided all, some, or none of the information requested.

See: **https://www.spark.co.nz/help/other/about-your-privacy-with-spark/**

Operationalising privacy capability into Spark

Spark people are required to treat customer information in a manner consistent with Spark's Privacy Policy and privacy-specific values that were introduced in FY21. This includes following Spark's data governance processes and standards for the collection, use, and disclosure of personal information and engaging with Spark's privacy and security teams for specialist guidance.

While we have senior expertise in privacy and security within our business, we also recognise the need for Spark people at all levels and in all business areas to understand what best practice in customer privacy entails. We provide online privacy training for all of our people to embed privacy competencies across our workforce.

Compliance and reporting

In the past year we maintained our focus on compliance and reporting and evolved our processes to align with the new requirements of the Privacy Act 2020. This included building an online data breach reporting tool for our people. The tool enables us to quickly identify and manage breaches should these arise, so we can take appropriate action to resolve issues, and to notify our customers and the Privacy Commissioner of any breaches that could cause serious harm. It also gives us a clear view of the opportunities in our business to improve data protections. Since launching the tool in December, Spark people have reported 72 data breaches, the vast majority of which were not deemed likely to cause serious harm. The tool enabled us to see that most data breaches were caused by human error. As a result, we were able to make system and process changes to help reduce the occurrence of these kinds of breaches.

In FY21 there were four 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. We continue to educate our customers around best-practice password management to help protect against this scenario.

In FY21 Spark received 13 substantiated privacy complaints from customers (some of these complaints related to the data breaches reported above) and no substantiated privacy complaints 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**

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 FY21. No Advertising Standards Authority decisions were upheld against Spark or Skinny in FY21.

Our wire maintenance service

In FY21 we removed our wire maintenance service from all fibre customers and undertook a process to refund all current and past customers who had paid for this service on a fibre connection with Spark.

Wire maintenance service was created at a time when our customers were predominantly using copper-based services, which require maintenance at times. The service had also been available for fibre customers. While some fibre broadband customers have benefited from the service, overall this has not been significant. As a result, the service was removed from all existing fibre customers in February 2021 and is no longer available for new fibre connections.

Creating value through **Our network & technology**

Manufactured + intellectual capital

For New Zealanders to effectively participate in the digital economy, they need access to affordable, fast, and reliable telecommunications and digital services. Our networks and technology provide the foundation for all the products and services we offer our customers, which in turn, creates value for our business, and for New Zealand.

Smart, automated networks

In our three-year strategy, we identify smart, automated networks as one of our core capabilities. Our ambition is to deliver unconstrained capacity across high quality 5G and IoT networks deployed nationwide. As 5G matures to a stand-alone network, new use cases will be possible due to the benefits of lower latency and mobile edge compute. We will have a network that is highly resilient, with a virtualised core and automated management – and our customers will have been migrated off legacy networks onto future-proofed, modern technologies. We've made significant progress towards this vision over the past financial year.

Rolling out 5G to New Zealand

Our 5G rollout has continued at pace, and we are well on track to having 5G deployed nationwide by 2023 – provided we can secure the necessary long-term rights to 5G spectrum.

Spark now has 5G live for both wireless broadband and mobile services in nine locations, including Auckland, Hamilton, Christchurch, Dunedin, and Palmerston North.

At this point in our deployment, the primary use case for 5G is to increase both speed and capacity in our wireless broadband and mobile products. However, as 5G matures and we deploy stand-alone, we will unlock 5G mobile edge compute and network slicing. These new technologies will allow for a big step change in what we can offer our business and enterprise customers – opening up opportunities for cloud gaming, enhanced virtual and augmented reality, industrial automation and 'massive IoT', which we define as more than 1 million IoT devices per square kilometre – making things like smart cities and connected factories possible.

It is critical to ensure the rollout of 5G can continue to happen at pace. 5G has the potential to add between $5.7 billion and $8.9 billion per year to the New Zealand economy over the next decade and we believe this technology will be critical as New Zealand's economy transforms.

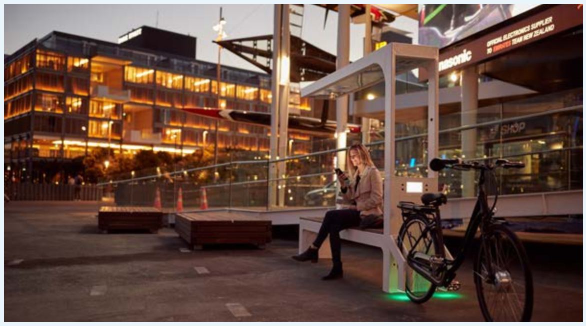
Since the conclusion of FY21 we have announced an acceleration of our 5G rollout in FY22. We will invest an additional $35 million to deliver 5G coverage to approximately 85% of Spark's sites and 90% of the New Zealand population by the end of 2023. This brings our total mobile network connectivity investment to $125 million in FY22.

Scaling the Internet of Things

Spark has identified IoT as a future growth market in our three-year strategy. We see significant opportunities for growth as New Zealand transitions to future ways of working and pursues productivity improvements across all sectors.

During FY21 we launched Spark IoT as a brand, with a campaign showing the tangible benefits IoT solutions offer businesses. We grew IoT connections 83% to over 450,000.

In October, we entered a Trans-Tasman agreement with Australia's longest running LoRaWAN network operator, The National Narrowband Network Co (NNNCo), which enables mutual access across the respective LoRaWAN IoT networks – meaning businesses on both sides of the Tasman can implement cost-effective smart solutions without needing to set up operations in the other country.



Solar powered smart benches have smart phone and e-scooter charging capabilities.

New Zealand's smartest street

The evolution to a stand-alone 5G network is expected to underpin the widespread deployment of IoT technology with its increased capacity, speed, low latency (or lag) and reliability. To bring this potential to life Spark, in partnership with AT (Auckland Transport), has installed IoT-enabled infrastructure at Auckland's Wynyard Quarter – including 5G-connected lighting, smart benches with charging capability, smart bins, and parking sensors.

Smart lighting has been installed in the streets surrounding Wynyard Quarter's Innovation Precinct, which can now generate heat maps of foot traffic to help AT identify any 'choke points' to better inform future infrastructure investments, as well as monitor air and noise pollution. Some lights are fitted with 5G-connected CCTV, which captures high-definition video even at night, and can be dimmed and brightened remotely to help reduce energy consumption.

Solar powered smart benches with convenient smart phone and electric scooter charging capabilities have also been installed at the Quarter, connected over Spark's low-powered IoT network. Sensors attached to bins can now detect when they're full and could contact the council for service, preventing overflow and reducing the number of rubbish trucks on the road.

Auckland Transport GM Digital and Technology Delivery, Chris Creighton said the installations at Wynyard Quarter were not just shiny new tech, but real solutions to existing and impending challenges.

"We're learning how to use smart infrastructure in a way that works for Auckland so we can leverage applications as they evolve and become more commonplace."

Creighton said that in the future, AT expects IoT applications powered by 5G could be used to detect incidents such as car crashes or pedestrian accidents and notify the appropriate authorities, reducing the time it takes for emergency services to respond and potentially saving lives.

Spark and AT have installed the IoT technology at Wynyard Quarter with key technology partners, NB Smart Cities, Glowbal NZ, SmartSensor Technologies and Parkable with the shared goal of using IoT and data to make better decisions and improve quality of life for people.

We have installed smart bins that alert council when these need to be serviced.

Marae Digital Connectivity Programme

Spark is working as a partner to Government on the Marae Digital Connectivity Programme.

The Marae Digital Connectivity programme is providing iwi, hapū, and whānau with access to key online services such as digital health, business, social, and educational services, helping to create stronger, safer, and more connected communities. With access to connectivity through the marae it will be easier than ever before to join zoom hui, participate in remote learning or working, or pay bills online.

Spark has taken an approach guided by tikanga Māori to deliver this programme alongside a range of partners including Crown Infrastructure Partners, Te Puni Kokiri and a handful of other broadband providers including WISPS (Wireless Internet Service Providers) and Satellite Internet Providers.

A total of 445 marae have been connected through the programme at the end of FY21.

Network resilience

Our customers rely on us more today than ever before, and ensuring our network is resilient in the face of high volumes and unexpected events – such as extreme weather events and Covid-19 lockdowns – is crucial to delivering our products and services and keeping New Zealand connected.

During FY21 we completed the first stage of our next generation Optical Transport Network, or OTN2 – which will strengthen our network resilience and capacity. The OTN is the fibre backbone of our network. It provides 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 has 'self-healing' capabilities, which allow 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 also has five times the data capacity of the previous OTN, which will support Spark's 5G rollout and give our network enough capacity to meet ongoing growth in data consumption.

The OTN2 rollout is a two-year project, which has started in Auckland, and will expand towards Hamilton, Wellington, and Christchurch – with completion expected by FY23. Initially the new OTN equipment will overlay the existing transport network, however it will be gradually replaced over time.

Connecting rural New Zealand

We have continued our investment into connecting rural communities through the Rural Connectivity Group (RCG) – a joint venture between Spark, Vodafone and 2degrees. The RCG is contracted by Crown Infrastructure Partners to deliver the Government's Rural Broadband Initiative Phase 2 (RBI2) and Mobile Blackspot Fund programmes. It is a unique partnership developed to help bridge the digital divide for rural communities, ensuring the rural sector can remain competitive internationally.

To date, the RCG has built more than 260 sites, delivering 4G wireless broadband coverage to 23,500 homes and businesses, and has provided mobile coverage to more than 600 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 4G Multi Operators Core Network to deliver broadband services, which helps make the most efficient use of the radio spectrum available, and lower network integration costs.

Migrating customers off legacy technology onto future-proof alternatives

We continue our work to migrate customers off end-of-life voice calling technology, and onto modern alternatives already used by the majority of Kiwis across the country – voice over wireless and voice over fibre. From a network perspective, this means moving the customer connections from the legacy PSTN (public switched telephone network) on to our new IP-based Converged Communication Network (CCN), over which we will provide the new services.

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 proactively. In 2017 we had over a million customers on the PSTN – by the end of June 2021 we had just under 300,000, with around 10,000 customers on average migrating off this technology every month.

We are taking an area-by-area approach to helping customers still using PSTN-based services to shift to modern technologies. Because Spark's copper broadband services also use systems associated with the PSTN, we have made the decision to withdraw our copper-based broadband services in these areas simultaneously.

In September 2020 we initiated a pilot in Devonport, Auckland and Miramar, Wellington – working with our PSTN customers in the area to migrate them on to the new CCN network.

To ensure our customers had the support they needed through this process, we established a specialist customer care team to provide extra support – offering in-home visits where required.

This pilot was very successful, with great feedback from customers and a number of lessons to use as we moved into other areas of the country. In the second half of FY21, we took our programme into more suburbs in both Auckland and Wellington, and to parts of Christchurch, Dunedin, Lower Hutt, Kapiti Coast and Ashburton.

Connecting New Zealand with the world

Southern Cross Next Cable

Construction work is underway by Southern Cross Cable Limited (SCCL) to build the NEXT cable between Australia, New Zealand, the United States and some of our neighbours in the Pacific. The new cable will expand New Zealand's global connectivity by an additional 72 terabits per second – almost doubling total international connectivity from what it is today.

The existing Southern Cross Cable Network is the primary connection for New Zealand with the world, carrying the majority of our global internet traffic.

Spark and Southern Cross celebrated a major milestone in June with the first landing of the new Southern Cross NEXT cable at Takapuna Beach in Auckland. We expect the new cable to be complete and live by the middle of the 2022 calendar year. The Southern Cross NEXT project is the first step towards replacing the existing cables, which are planned to be retired by 2030.

Spark is a founding shareholder of Southern Cross Cables Limited, and we continue to hold a shareholding of approximately 40%[1]. We have been working with Southern Cross to maintain the existing cables in New Zealand waters, and we will do the same for the new NEXT cable. The remaining shareholding in SCCL is owned by Telstra, Singapore's Singtel and US company Verizon.

Expansion of Tasman Global Access network

In September 2020 we announced a new access point for the Tasman Global Access (TGA) fibre optic network. This new access point, which is the first direct connection between Sydney and Hamilton, offers additional resilience to New Zealand's infrastructure and increases the amount of capacity available to be used on the cable.

The TGA forms part of the mission critical backbone of the internet, linking New Zealand with Australia. The cable also serves as an important digital link to Asia via the five major international cable systems currently connecting Australia.

Prior to this upgrade, the original TGA network included the trans-Tasman submarine cable and existing optic networks which connected PoPs (points of presence) in Sydney and Auckland only.

First transmitting data in 2017, the TGA encompasses 2,288 km of submarine fibre cable with a total design capacity of 20 terabits per second. It was built by a consortium of Vodafone NZ, Spark, and Telstra.

1 Our shareholding in Southern Cross Cables Limited will fluctuate through the Southern Cross Next funding period, but we expect it to sit at 40% when the Southern Cross Next cable is complete.

Creating value with **Our people**

Human + intellectual capital

Spark's success relies on our talented and diverse team. In our three-year strategy, we identified 'growth mindsets' as one of the four world-class capabilities we will build across our business for long-term success.

Growth mindsets is about creating a culture where our people lean into challenges, champion the customer, continuously grow, and adapt at pace. Our goals here are to improve engagement, our Agile maturity and readiness for the future of work, and our diversity and inclusiveness. 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.

Feedback from our people during FY21 has been very strong – with our Employee Net Promoter score (eNPS), a key measure of engagement, tracking at +76. This exceeds our FY23 target of +70 and is up 10 points from FY20.

With New Zealand's borders still mostly closed to migration, the technology industry is facing skills shortages in many areas. This has brought the need to develop digital skills that create pathways for New Zealanders of all backgrounds into the technology sector, into the spotlight. This is something we are committed to helping New Zealand achieve and are working with industry partners to explore.

Living and working with Covid-19

Responding to alert level changes – and providing the necessary support to our customers and our people – has become part of business as usual in FY21. Spark continues to refine our systems, protocols, and use of technology during these changing alert levels with a primary focus on our people's connection, safety and wellbeing, and the continuity of service for our customers.

Teams across Spark continued to experiment with the new ways of working forged during FY20, mixing remote and in-office working and trialling different ways to collaborate, establish weekly schedules and share team in-office time. We are proud that our Agile ways of working have supported our ability to adapt, and we will continue to learn and experiment in FY22.

Investing in the development of our people

To fuel our agility, we are focused on the growth of our people, a culture of experimentation and innovation, and opportunities for progression through comprehensive learning experiences. We pride ourselves on offering great experiences on the job, which we know make up over two thirds of development. We have evolved our approach over the past year to increase the digital delivery of our programmes, enabling us to maintain learning and development during changing alert levels and helping to scale learning across the organisation.

During the year we redeveloped our Gold Standard Leader Programme and delivered it to 130 potential and new leaders, with a focus on continuing to mature our agility. This programme runs over three months and combines self-directed learning with structured learning in cohorts of peers, with applied learning opportunities.

Our Agile Leaders Programme aims to create the conditions for innovation and adaptiveness across Spark by investing in the capability of our people in key leadership roles and those identified for development and succession planning. The programme runs over six months in cohort groups of up to 12 people, with a focus on leading innovation, inclusion and coaching for high performance. To date, seven cohorts, and a total of 80 leaders, have completed the programme and we will continue to roll it out in FY22.

Over the course of the year Spark has also improved the accessibility of learning enterprise-wide, to strengthen our future capabilities. In addition to our leadership programmes many of our employees have benefited from targeted learning opportunities that support our strategic ambitions focussed on storytelling, commercial acumen and both coaching and mentoring experiences, creating an environment which enables growth, movement, and progression for our people.

Ways of working – Agile

A key measure we focus on is our Agile maturity – which is the extent to which our people are using and integrating Agile best practice into their daily work. We evaluate this using a measure called our 'Agile Maturity Score' or AMA, which we rate on a scale of one to five. We have made steady progress and now have 86% of squads with an AMA of greater than 3.5 out of 5 (compared with 2.5 out of 5 in FY19). Spark is particularly strong in several areas of Agile best practice – including the use of quarterly objectives and key results (OKRs) across the business; heightened collaboration between and within teams; connection of daily work to strategic business goals and purpose; and better incorporation of experimentation and stakeholder engagement in the delivery of work.

In addition to the network of Agile Coaches we have within the business, who focus on developing and growing Agile maturity day-to-day, we have integrated Agile principles throughout our suite of induction, training, and development programmes.

Spark also operates formal Agile development programmes to further embed Agile best-practice into our business including our 'Leading Agility Foundations Programme', which runs over three months and combines self-directed learning with structured group learning, and opportunities to learn 'on the job'. In the past year 120 of our people completed the programme.

Future of work and skills pathways

With increasing labour and skills shortages, we are re-thinking how we mobilise, grow, and retain our talented people.

We have a programme of partnerships with tertiary institutions designed to help us identify, upskill, and recruit the best people with the skills we need, while also building diversity in our business. This includes direct engagement with lecturers and students at major universities, and in some cases working in partnership with lecturers to provide research assignments related to Spark's business issues to students.

In the coming financial year we will be testing a proof of concept called the Talent Marketplace. The marketplace will enable our people to share the depth and breadth of their experience company-wide, and will show all our internal job openings, links to smaller projects and mentoring opportunities across Spark.

Spark Contribution Models

The Spark Contribution Models are a key part of how we empower our people to grow and progress in their careers and how we drive pay equity. The Contribution Models are linked to our adoption of an Agile model that encourages flat organisational structures and focus on an individual's 'craft' over traditional titles and hierarchy – providing an objective system for remuneration. They define the skills, knowledge, experience, behavioural and mindset requirements for people working in different teams across Spark. The models guide our people on what Spark values, giving a clear description of how they can move to the next step in their role, while providing leaders with a tool to help coach, review and support their people to develop.

Health, safety, and wellbeing – the Spark Gold Standard

Health and safety

Spark has a well-established Health and Safety management system, focussed on our 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 3.69 for FY21, compared to 4.11 in FY20. Our target for FY22 is 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 FY21 we asked IMPAC health and safety consultants to review the progress we have made against our Health and Safety Gold Standard and ascertain the effectiveness of our systems and maturity levels of our current health and safety culture at Spark. IMPAC found that good improvements have been made since its first review undertaken in December 2018. The IMPAC report found that we have increased our health and safety culture maturity, with specific improvements demonstrated by:

- positive business outcomes from our handling and management of Covid-19 lockdowns, where it was found we had consistently demonstrated a clear focus on the care and wellbeing of our people;
- clear and continued demonstration of focussing on and working alongside several of our key business areas to effectively manage high risk health and safety matters; and
- our work to enable and empower a significant proportion of our people and leadership teams to take ownership of, manage and deliver health, safety and wellbeing outcomes in their areas of the business.

In the year ahead we will continue 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 are always looking for continuous improvement of highly visible health and safety leadership for our people. We will also continue 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.

Spark's Wellbeing Strategy

With the uncertainty brought about by Covid-19, there has never been a more important time for us to focus on authentic and holistic wellbeing, and we have evolved our strategy to respond to this need. We know a deep sense of wellbeing allows our people to bring their best self to work, supporting sustained healthy performance and results for everyone at Spark. Our new programme moves away from a traditional policy-based approach to one based on individual empowerment, connection, and empathy.

Wellbeing at Spark is focussed around four pillars – building a healthy work environment, helping people foster strong connections, fostering a healthy mindset, and giving our people ways to unlock energy. The programme seeks to support Spark people to look after themselves and each other, which we know will lead to higher performance, a more engaged, growth mindset culture, and ultimately better business outcomes.

As one of our first initiatives under this framework, we launched a partnership with Take a Breath. This is an app-based tool that teaches users how and why they need to breathe correctly – to manage stress and anxiety, and to improve focus, energy levels and performance. Under the partnership, we have given every one of our people access to the app at no cost.

Diversity and inclusion

We aspire for diversity and inclusion to be "how things are done at Spark" – embedded into our day-to-day activities, standards, and business practices. We have maintained our focus on gender and ethnic representation as well as addressing our median pay gap over the last year. In the year ahead we have several new initiatives to drive further improvements in representation and reductions in the pay gap, while also focussing on more opportunities to address enhanced accessibility.

Te Korowai Tupu

We have been intentional in weaving Te Korowai Tupu, our Māori Strategy, throughout our business informing how we develop strong connections with Māori businesses and partners, as well as uplifting our own understanding of Te Ao Māori. We have launched cultural responsiveness modules, Te Ara Reo (Language Pathway) classes, and other learning resources in line with our growth mindset commitment.

Our partnerships with established Māori organisations have ensured we remain authentic in our desire to uplift our capability in this domain. Our key partners include: Te Wānanga o Aotearoa, Whāriki, Kōkiri, Arataki Systems, Kiwa Digital, Te Taura Whiri and Te Ipukarea.

Spark's Blue Heart Kaupapa in action

Our Blue Heart Kaupapa sets the standard 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. We celebrated the wide range of cultures and communities that make up the Spark whānau over the course of the financial year. This included key moments such as International Women's Day (IWD) in March – when we ran a number of events and workshops for our people. This year's IWD theme was "choose to challenge", and we broadened this to encourage our people to "choose to challenge yourself" – asking them to look for ways to challenge their own beliefs and behaviours.

Pride

Spark has demonstrated its support of the Rainbow Community by endorsing several regional activations and events, including the annual Auckland Pride and Spark Empowerment Initiative – a month long festival celebrating rainbow events. This initiative helped resource Auckland's diverse rainbow communities by supporting those producing events for the festival.

We also continued our ongoing support of OUTline NZ, a national charity that offers a free support line for members of the LGBTQIA+ community and family and friends. This included the renewal of Genesys Cloud support for a further three years, the activation of an OUTline Chat service, and assistance with OUTline's rebranding.

www.outline.org.nz/workplace

Our diversity performance

Over the past year we have seen positive improvements in our gender diversity and gender pay ratio measures. By FY23 our ambition is 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%.

Our Board is 57% female and 43% male, with four female directors (including our CEO) and three male directors. Over the past year our Leadership Squad has remained unchanged with a 50% female and 50% male split. We have also seen an increase in females in other senior roles, up 3% to 42%. Our Diversity and Inclusion Policy sets out our framework in this area. See: **www.sparknz.co.nz/content/dam/telecomcms/sparknz/content/governance/Diversity-Policy.pdf**

Our median gender pay gap increased slightly during the year to our FY19 starting position of -28%, compared to -26% in FY20. The median gender pay gap is based on the percentage difference between the median hourly pay of male and female employees. It is not to be confused with equal pay for equal work, which we adhere to and deliver through the use of our Contribution Models.

At Spark there are two key drivers of our median gender pay gap. The first being a greater proportion of females in our customer channels and secondly a lower number of females in highly skilled technology roles.

We actively seek to address these challenges over time by helping to build a New Zealand-wide pipeline of female technology qualified employees – including through Women in Technology scholarships, and partnerships with external technology educators.

Spark is committed to encouraging authentic ethnic participation in our business, and we are working alongside credible partner organisations Diversity Works, Champions for Change, Global Women, and the Sustainable Business Council, to develop a framework and subsequent actions to support positive change. A key enabler of establishing meaningful approaches within our own business is having a clear picture of workforce ethnicity data, which we currently lack.

We are currently refreshing our Enterprise Resource Planning (ERP) systems across Spark, including our people systems. This will provide an opportunity to encourage our people to share their ethnicity data, to support our work in this space.

We are also currently participating in the Diverse Digitech 2040 Design kaupapa alongside Spark Foundation – an initiative focused on creating employment pathways for Māori and Pasifika youth.

Gender pay ratio

Category	Number of employees in category	Pay Ratio: Mean[1] (Year-on-year change)	Pay Ratio: Median[2] (Year-on-year change)
Leadership: Spark's wider leadership group, including the Leadership Squad	69	5% (+3%) FY20: 2%	-4% (-2%) FY20: -2%
Network, Infrastructure & Security: Employees that work in technology focused areas of the business	2,256	-15% (+3%) FY20: -18%	-21% (+5%) FY20: -26%
Customer Channels: People primarily employed within our contact centres and retail operations	1,137	-2% (-2%) FY20: 0%	0% (No change) FY20: 0%
Rest of Spark: including corporate, product, data, automation, marketing and customer units	1,621	-17% (-2%) FY20: -15%	-25% (-4%) FY20: -21%
Total	5,083	-16% (+1%) FY20: -17%	-28% (-2%) FY20: -26%

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 2021. Negative pay gap values indicate that women earn less on average than men.

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.

FY21 Parental leave numbers	Female	Male[1]
Employees who took parental leave	83	1
Employees who returned to work after taking parental leave	85	0
Employees who returned to work after taking parental leave that remain employed 12 months after their return to work	42	1
Return to work rate[2]	94%	100%
Retention rate[3]	64%	33%

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 2021.

		Gender				Age		
	Number of people	Female %	Male %	Female #	Male #	Under 30 years old	30 - 50 years old	Over 50 years old
Directors[1]	**7**	**57%**	**43%**	FY21: 4	FY21: 3	**0%**	**14%**	**86%**
	-1	+7%	-7%	FY20: 4	FY20: 4	No change	-11%	+11%
Leadership Squad[2]	**8**	**50%**	**50%**	FY21: 4	FY21: 4	**0%**	**100%**	**0%**
	No change	No change	No change	FY20: 4	FY20: 4	No change	No change	No change
Other leadership roles[3]	**59**	**42%**	**58%**	FY21: 25	FY21 34	**3%**	**75%**	**22%**
	+2	+3%	-3%	FY20: 22	FY20: 35	+3%	-4%	1%
Permanent starters	**715**	**39%**	**61%**	FY21: 281	FY21: 434	**48%**	**46%**	**6%**
	-14	+4%	-4%	FY20: 258	FY20: 471	+7%	-5%	-2%
Permanent leavers	**999**	**33%**	**67%**	FY21: 325	FY21: 674	**31%**	**53%**	**17%**
	+55	-10%	+10%	FY20: 402	FY20: 542	-2%	-1%	+4%
Total[4]	**5,089**	**35%**	**65%**	FY21: 1,770	FY21: 3,319	**24%**	**56%**	**20%**
	-142	+1%	-1%	FY20: 1,769	FY20: 3,462	+3%	+1%	-2%

1 Mr Leffler ceased to be a director in November 2020.
2 Excludes the CEO as she is included as a Director in the line above. 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 5,083.

50/50

Leadership Squad – 50% female and 50% male

57%

Board – 57% female and 43% male ratio

42%

Wider leaders group – 42% female (+3%) and 58% male

2,256

Employees that work in technology focused areas of the business

5,083[1]

Total employee headcount

1. Includes full-time, part-time and permanent employees.

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. Over the past year we have focused on maturing Spark's approach to environmental management, to build a strong foundation for the future and to ensure we are doing our part to help address Aotearoa's environmental challenges.

Our operational footprint is small compared to some other industries, but 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.

We also have a significant opportunity to use technology to address environmental challenges. A key pillar of our sustainability framework is to help New Zealand transform to a high productivity, low carbon economy. We will do this through our investment in infrastructure and innovation, and by supporting kiwi businesses to adapt to be more sustainable through technology.

Our approach to environmental management

Although Spark has had long-standing processes in place to manage many of our environmental impacts, we recognised the need to make improvements in some areas, including our policies and our reporting. In the past year we established a centralised Environment Squad to be accountable for environmental performance across Spark.

Aligned to Spark's Agile ways of working the squad is responsible for managing workflow and a backlog of potential projects, prioritising and allocating resources. In the past year the squad delivered a number of key initiatives to establish our baseline and long-term pathway. This included the creation of a new Spark Environmental Policy, and the development of a science-based emissions reduction target.

Spark's Environmental Policy 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. While a policy alone does not drive improved environmental performance, it is an important enabler that allows Spark to show commitment to environmental protection from the highest levels of the organisation.

We launched the Environmental Policy alongside the rollout of FutureFit across Spark – a tool developed by Auckland Council which allows employees to assess and reduce their own carbon footprint and compete for the largest reductions.

FutureFit

In April we partnered with Auckland Council to roll out FutureFit to our people. FutureFit is an online tool to engage people in sustainability and help them to reduce their personal emissions.

Spark was one of the first businesses to launch FutureFit. Over 600, or 10%, of our employees completed the online carbon footprint, with over 300 signing up for the ongoing programme.

FutureFit was successful in bringing environmental sustainability to life for our people. By giving them a tool to calculate their own personal carbon footprint and see what a difference their choices and actions make we've challenged people to think differently. We encouraged our people to join through a four-week challenge where they could compete for individual and team prizes.

Setting a science-based emissions reduction target

The Science Based Targets initiative (SBTi) is established as the global standard for corporate emissions reduction targets. Over 800 organisations have set verified emissions reduction targets since it launched in 2015.

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.

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 datacentres, 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 a reduction target of 56% over the next decade. Our analysis shows this is ambitious, but also achievable over time.

We expect to see efficiency gains across our operations, although this will be offset by growth as we rollout our 5G network, support our customers to move to the cloud, and invest in our core infrastructure.

SPARK'S SBTi-VERIFIED EMISSIONS REDUCTION TARGET

56%

Spark New Zealand commits to **reduce absolute Scope 1 and 2 GHG emissions 56% by FY30** from a FY20 base year.

70%

Spark New Zealand commits that **70% of its suppliers by spend** covering purchased goods and services and capital goods, **will have science-based targets in place by FY26.**

Electricity accounts for over 80% of our Scope 1 and 2 emissions and our biggest opportunity to reduce our emissions is therefore renewable electricity production. While we will benefit from expected grid decarbonisation, we must still focus on energy efficiency within our own operations and addressing other sources of emissions.

For our value chain target we analysed our Scope 3 emissions using a mix of supplier data and New Zealand-specific Consumption-based Greenhouse Gas Emissions Input-Output Model factors. This informed a target that 70% of our suppliers by spend, covering purchased goods and services and capital goods, will have SBTi-aligned targets in place by 2026.

Analysis of our largest suppliers shows that many are already leading the way, with existing SBTi-aligned targets in place covering approximately 25% of our current spend, with a further 24% by spend in the process of establishing SBTi-aligned targets.

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.

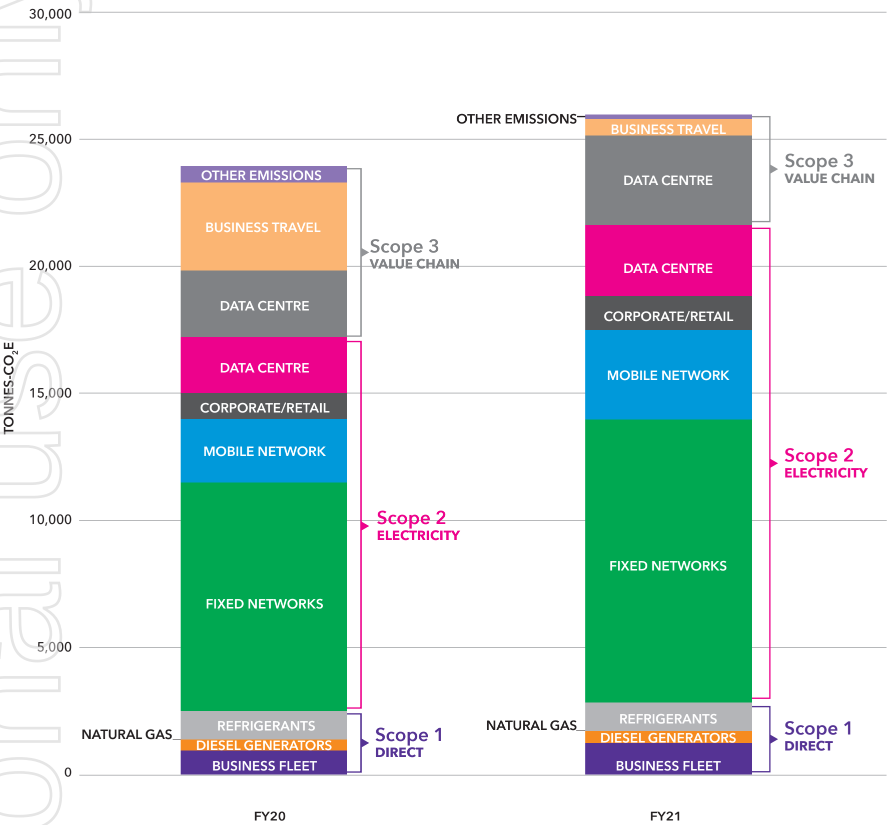
SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Setting our scope 1 and 2 emissions target:
2020-2030 trajectories for ICT operators

Data Centres ▼ 53% reduction + Mobile Networks ▼ 45% reduction + Fixed Networks ▼ 62% reduction = Spark Combined ▼ 56% reduction

Source: Guidance for ICT companies setting science based targets, ITU, GESI, GSMA, SBTi

Our Greenhouse Gas Emissions



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.

Year-on-year emissions changes

In order to set a SBTi target we refreshed our FY20 emissions inventory and reporting methodology, which has also been applied to our FY21 emissions reporting. For information on our historic emissions reporting, and more detailed reporting on our energy usage, please visit our website (see: **www.sparknz.co.nz/sustainability/environment/**).

Over the past year dry hydrological conditions have seen a significant increase in non-renewable electricity generation on the New Zealand grid, which has increased our emissions per unit of electricity by 26%. This has driven up our Scope 2 emissions by 22%. Improvements in energy efficiency, and a significant drop in business travel, have offset some of this growth, with overall emissions increasing 8%.

Network efficiency

Over the past year we have continued our programme of network simplification. The programme includes the decommissioning of legacy equipment such as the public switched telephone network (PSTN). Each PSTN switch decommissioned results in a significant electricity saving, which is contributing towards our emissions reduction target and offsetting growth in other areas of our infrastructure. Over FY21 we saw a 5% reduction in electricity use across our exchanges and main network sites. See page 31 for information on how we are engaging with our customers on this change.

Business travel

We also saw an 80% reduction in emissions from business travel, saving around 2,800 tonnes of CO_2e. The impacts of Covid-19 restrictions continued from the previous year, and alongside the continuation of many of the good practices adopted through lockdowns, with many of our interactions with customers and other stakeholders moved online. We recorded a significant drop in domestic travel, and international travel reduced to close to zero.

Our fleet

Our fleet is responsible for around 5% of our reported emissions. In the past year we continued to transition our vehicles away from traditional petrol and diesel vehicles to hybrid, plug-in hybrid (PHEV) and pure electric vehicles (EVs). Our focus for FY21 was replacing older vehicles with newer hybrids, including the introduction of Toyota RAV4 hybrids for many of our vehicles used for longer journeys. We also transitioned all of our pool vehicle fleet at our Auckland Spark City offices to EVs.

At the end of FY21 we had only nine pure petrol or diesel vehicles remaining in our core fleet of 229 vehicles. We have a further 214 vehicles assigned to individuals or subsidiaries.

Over the past year the share of EVs and PHEVs in our core fleet increased to 44%. Non plug-in hybrids make up 52% of the remaining fleet.

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 FY21 we recovered a total of 638 tonnes of e-waste, an increase of 27% on last year. Of this, 132 tonnes was network e-waste (down 33% on FY20), and 506 tonnes was metals, cables, and batteries (up 67%), mainly due to the replacement of exchange batteries and associated infrastructure. 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.

One of our new fleet electric vehicles.

Mobile phone recycling

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. Any profits from the scheme are donated to the charity Sustainable Coastlines.

In the past year electrical and electronic products were 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 has been accredited by the Ministry for the Environment under the requirements of the Waste Minimisation Act. The Priority Product designation has led the broader consumer electronics industry to engage around the development of a common consumer e-waste scheme. We are engaging in this consultation process through the TCF.

In FY21 Spark recycled 28,715 mobile devices through the RE:MOBILE scheme, up from 24,929 in FY20. We are working with our industry partners and the TCF to boost the awareness of the scheme and overcome the barriers consumers experience in recycling their devices.

In the past year the Spark Foundation also funded the Recycle A Device (RAD) scheme to collect and refurbish used laptops for students and others in need of a device. See page 44 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.

Digital Equity

The role of digital technology in New Zealand's recovery and transformation brings the issue of digital equity into the spotlight. We want to create a positive digital future where every Kiwi can prosper. Spark's 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 digital equity efforts are guided by the Government's Digital Inclusion Blueprint, which identified four elements of digital inclusion: motivation, access, skills and trust.

Spark Foundation has grounded its strategy in these insights, focussing on the areas it can make the biggest difference through its funding: **digital access, digital skills and pathways,** and **digital wellbeing**.

During FY21, Spark worked on a number of collaborative initiatives with government, industry, and the private sector. We continued our work with the Digital Equity Coalition for Aotearoa (DECA), signing up to Internet NZ's Five Point Inclusion Plan, and signing up to the Digital Boost Pledge – a collaborative effort with MBIE and the private sector to boost the digital skills and capabilities of SMEs.

Spark Foundation

Spark's community work is led by Spark Foundation, which has a single-minded focus on digital equity. The Foundation's vision is that no New Zealander is left behind in a digital world.

Spark Foundation allocates funding for programmes through a strategic partnership approach, focusing on working with organisations whose work is aligned to improving digital equity for Aotearoa. Some of the Foundation's key partnerships include:

Digital Skills and Pathways

- **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.
- **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 the years.
- **Digital Natives Academy**: A not-for-profit based in Rotorua that aims to create career pathways for whānau who don't have access to technology, by offering a supportive and safe environment to learn, and free courses in areas like digital wellbeing, game design, and animation.
- **Digital Future Aotearoa**: Digital Future delivers a range of programmes including Code Club (a nationwide network of over 400 coding clubs for kids), The Electric Garden (a programme for years 5–8 students that teaches kids about digital technologies through the garden), and Recycle A Device (see page 44).

Digital Wellbeing

- **Te Iwi Matihiko**: 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 (9-11yrs), rangatahi (12yrs+) and pakeke (adults) to the key tools they will need to safely navigate social media and online gaming. Te Iwi Matihiko was developed by Digital Natives Academy.
- **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.

1 To be an active connection, data must have been used in the past 30 days.

Connecting our communities

Skinny Jump

Spark Foundation supports the delivery of Skinny Jump by managing the partnerships that deliver the programme in the community. Jump is a not-for-profit wireless broadband service for those who find cost is 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 partner and plugging in the modem.

Skinny Jump is available through a community partner network, which is overseen by Digital Inclusion Alliance Aotearoa (DIAA) and includes 284 local partners nationwide spanning community libraries and community hubs amongst others. Skinny Jump currently has 15,121[1] customers using this service.

Our aspiration for FY21 was to reach 20,000 homes, however this target was not achieved. We proactively manage the number of wireless broadband customers we have by location, to ensure all customers have a good user experience on our network. During the year we discovered that some areas of need are at capacity. To remedy this, we are prioritising the rollout of our 5G network in these areas, and upgrading 4G at the same time, to boost capacity for Skinny Jump in FY22.

Barriers to digital equity extend well beyond network capacity and access and can include challenges such as a lack of digital skills, trust in technology, and the motivation to get connected. To better understand our Skinny Jump customers and further barriers to their participation, Spark Foundation and DIAA are currently conducting customer interviews to understand the key drivers of inactivity. Previous research identified cost can remain a barrier, even at a very low investment level (such as $5 for Jump). As a result, the Foundation is also trialling providing customers with 15GB of free data each month to ensure a level of access regardless of ability to pay.

In FY21 Spark Foundation established two new partnerships to support the growth of Skinny Jump in the community.

At the start of the school year, a half-a-million-dollar fund was launched in partnership with Spark network supplier, Ciena, to provide Jump free to eligible students in decile 1 and 2 high schools across New Zealand. The 'Ciena Jump for Students Fund' gives eligible students a free Skinny Jump wireless modem and broadband connection – including 150GB of free data per month, until the end of the school year.

In June, Spark Foundation announced the 'Awhi Matihiko: Red Cross Digital Settlement Package' – a collaboration with New Zealand Red Cross, Internet NZ, and Digital Inclusion Alliance Aotearoa to empower new refugees with digital access. The package includes a Skinny Jump connection with data paid for 12 months (or a fixed line connection if Jump is not available at their address), a laptop, and if required, digital skills training.

Skinny Jump

15,121[1]

active connections

280

community partners

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, Telegistics – Spark's ICT and logistics business – has partnered with RAD providing all logistics support, and Spark New Zealand has committed 500 laptops into the programme in 2021.

Ciena Jump for students fund

$500,000

committed to offer free Jump connections

Recycle A Device (RAD)

500

laptops donated to communities in need

1 To be an active connection, data must have been used in the past 30 days.

Engouraging greater use of Te Reo in our communities through Kupu

As part of our support for Māori language week, we continued to promote our Kupu Māori language app and encourage greater use of Te Reo by New Zealanders. To use Kupu, users simply take a picture on their mobile phone and Kupu will use image recognition to identify the object in the picture and provide a Te Reo Māori translation for it.

Connecting our people to our communities

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 and Take2.

We are currently reassessing our volunteering programme to align it with our focus on digital equity as an organisation and to provide more opportunities for our people to match their skills with organisations in need. In FY21 Spark Foundation worked with Volunteering New Zealand on a series of workshops to reimagine the future of volunteering at Spark, which we will explore further in FY22.

Volunteer leave days used in FY21	
Total staff eligible for Volunteering:	4,358 (2020: 4,383)
Total employee participation:	440 (2020: 501 days)
% of Employee participation:	10% (2020: 11%)

Spark Give

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

Spark Give results for the year	
Employee Donations:	$466,022 (FY20: $422k)
Spark's Matching:	$179,486 (FY20: $173k)
Number of employees participating:	486 (FY20: 488)

Our Board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2.


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7.

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 financial performance of large corporate enterprises, as well as actively investing in 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. She is currently a director of Auckland International Airport Limited, and Chair of The Breast Cancer Foundation New Zealand. 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, Heilala Vanilla, 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, Mr Bray'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. Mr Bray 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. Charles Sitch

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.

6. Jolie Hodson

Chief Executive and Executive Director

Jolie joined the Board in September 2019. As Chief Executive Jolie is responsible for ensuring Spark has a sound strategy and solid execution, while building a leadership team around her and a business that is able to adapt to the fast-changing world of digital services. Jolie first joined Spark in 2013 as CFO, and in subsequent years held the roles of CEO Spark Digital and Customer Director. Over this time she played a pivotal role in transforming Spark from a legacy telco to a growing digital service company, and was appointed Chief Executive on 1 July 2019. Prior to joining Spark Jolie worked for 20 years in a range of senior finance 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.

7. Pip Greenwood

Non-executive Director

Pip joined the Board in April 2018, bringing significant experience in capital markets, mergers and acquisitions, telecommunications and governance. She was formerly interim CEO of Russell McVeagh and a senior partner at the firm, with over ten years' experience on the firm's Board including time as its Chair. Over the years Pip has advised on many high-profile New Zealand corporate transactions that have changed the face of industries. She was a member of the New Zealand Takeovers Panel from 2007 to 2011 and is a current director of Fisher & Paykel Healthcare, Westpac New Zealand (Chair from 1 October 2021), The a2 Milk Company and a trustee of the Auckland Writers Festival. Pip has a Bachelor of Laws from the University of Canterbury.

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, environmental, social and governance measures.

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

After six years as a director of Spark, Ido Leffler stepped down from the Board at our Annual Meeting of Shareholders in November 2020. We announced two further Board changes following the end of FY21. David Havercroft will become a non-independent, non-executive director on the Board from 1 October 2021. We are delighted to have someone of David's calibre joining our Board. His skills and significant industry knowledge and experience will be vital as Spark continues to adapt and grow in today's uncertain context. We also announced that Pip Greenwood will not be seeking re-election at our Annual Meeting of Shareholders in November, after taking on the role of Chair at Westpac New Zealand from 1 October 2021. The Spark Board thanks both Ido and Pip for their valuable contribution over what has been a very important period of transformation for Spark.

Future Director

Spark also supports the Future Directors programme and appointed its second Future Director Ana Wight effective 1 February 2020 for an initial period of 12 months. This appointment has been extended until 31 December 2021.

Board succession

Spark's Board has an appropriate mix of tenure, skills, diversity and experience. This allows the Board to be ambitious and to deliver on those ambitions and to enable Spark to tackle the challenges and opportunities of the digital era.

The Board skills matrix on the following page outlines the qualifications, capabilities, geographical location, tenure and gender of each member of the Board.

There is an ongoing Board succession programme, which is focused on finding new directors with relevant skills and experience that complement the diverse perspectives already represented around the table.

Board skills matrix

	Justine Smyth	Alison Barrass	Paul Berriman	Charles Sitch	Pip Greenwood	Warwick Bray	Jolie Hodson
Qualifications	BCOM, FCA, CFINSD	BSC, DIP BUS, MARKETING	MBA, BSC, CENG	MBA, LLB, BCOM	LLB	BSC, MBA	BCOM, FCA
Capability							
Strategic knowledge for scale telco/technology businesses	○		●	●		●	●
Financial / commercial	●			●		●	●
Risk management / legal / regulatory and/or sustainability			●		●		
Customer insight / retail / brand		●	○				○
People leadership and culture		○			○		○
Listed company governance	●	●		○	○		
Capital markets / capital structure	○				●	○	
Digital / data / media / new markets		○	○	○		○	
Geographical location	NZ	NZ	Hong Kong	Australia	NZ	Australia	NZ
Tenure (years)	9.7	4.9	9.7	9.7	3.3	1.9	1.9
Gender	F	F	M	M	F	M	F

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/legal/regulatory and/or sustainability: experience in identifying and mitigating both financial and non-financial risks/extensive legal experience/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/media/new markets: experience as a senior executive in, or as a professional advisor to, digital, data and/or media 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 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 an 18-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 holds a Master of Commerce from the University of Auckland.

3. Mark Beder

Technology Director

As Technology Director Mark steers the big technology choices and deployments that ensure Spark offers customers the best data connectivity experience possible. This means optimising significant investments in data networks, mobile, and IT infrastructure to set Spark up for growth and enable New Zealand's digital future.

Mark became Chief Operating Officer in 2016, after joining the business in 2003. Since 2003 he has held several senior technology roles across the business. He has successfully driven major initiatives and innovation, including Spark's Mobile network evolution and the ongoing replacements of the PSTN with a new Converged Communications Network (CCN).

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.

4. Leela Gantman

Corporate Relations Director

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

5. 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

6. Grant McBeath

Customer Director

As Customer Director at Spark New Zealand, Grant leads the customer facing teams and is focused 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.

7. Heather Polglase

Human Resources Director

Heather was appointed HR Director in September 2019. Heather 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, People Strategy & Change Management at Dan Murphy's. She has a Bachelor of Business Studies Degree (Hospitality Management) from Auckland University of Technology.

8. 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 FY21 reporting period. You can read about how we have complied with these recommendations and principles in Spark's Annual Corporate Governance Statement 2021 at **www.sparknz.co.nz/about/governance/**

On 29 March 2021 Spark published its first Modern Slavery Statement, which sets out how we are managing and mitigating any risks of modern slavery in our operations and supply chain. Our approach to managing modern slavery risks is supported by our high standards of operational performance, corporate governance and risk management. Our FY21 Modern Slavery Statement can be found on our website at: **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**

ESG performance 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.

In the past year we established a cross functional group accountable for environmental and ESG performance, reporting and risk management.

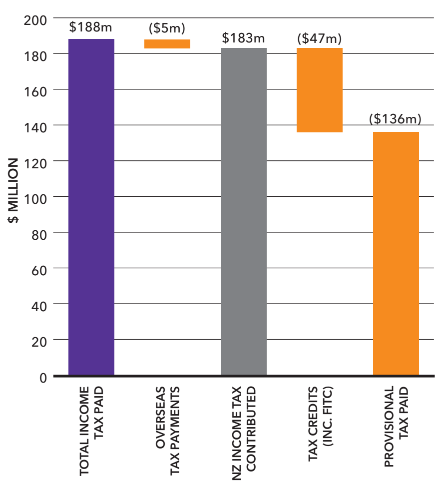
We established an Environmental Policy, and integrated this into governance, and completed a review of ESG reporting benchmarks. This informed a decision to prioritise participation in the Corporate Sustainability Assessment (CSA). The CSA is a comprehensive benchmark of our ESG maturity against our 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 will also continue our participation in the Carbon Disclosure Project (CDP), which is aligned to the CSA.

Our approach to tax

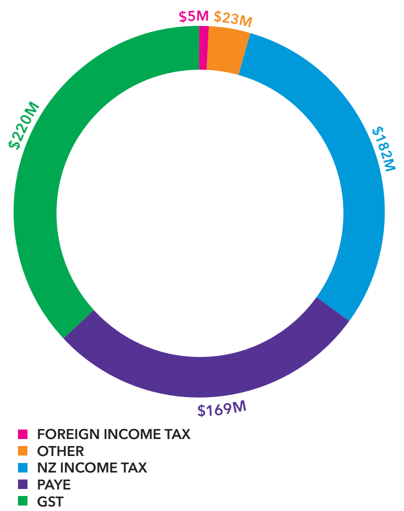
In the past year Spark published its Group Tax Strategy to provide clarity and transparency on our approach to tax. The digital economy is an important and growing sector in New Zealand, and the taxes we pay are an important source of government revenue. Spark's tax strategy follows the spirit of the law in addition to the pure interpretation of the law. We believe that it is important that those in the sector pay their fair share of taxes 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 FY21 Spark's effective tax rate was 30.6%, which is higher than the New Zealand domestic tax rate of 28%. This is primarily because Spark's share of underlying earnings of Southern Cross are taxable under New Zealand's international tax rules, while in FY21 no non-taxable dividends were received from Southern Cross (see note 6.1 of the financial statements for a breakdown of income tax expense). As a large business, Spark makes a

Breakdown of income tax payments FY21



Taxes under management



significant contribution to New Zealand's tax base. Spark contributed $183 million of New Zealand income taxes during FY21 (before any tax credits were applied).

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 $599m of taxes under management during FY21.

Spark has a limited number of international investments and does not incorporate any inappropriate use of tax haven countries. These investments are subject to all applicable New Zealand and/or international tax rules that specifically include transfer pricing where required. This includes one wholly owned subsidiary – Teleco Insurance Limited, Spark's group insurance company - that is registered in Bermuda, but a tax resident in New Zealand. Spark also has non-controlling shareholdings in the Southern Cross Cables group of companies that utilises companies registered in Bermuda and the United States. See our listings on page 79.

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

Managing risk

Our risk policy and framework helps 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 has used this as its primary standard to benchmark against since July 2018. Spark also uses other leading risk management standards like ISO31000: 2018 and specific standards and guidance, where available, to benchmark and inform it 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 118.

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 Leadership Squad and the ARMC 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 August 2021. The principal risk themes identified were:

Estimating impacts and responding with balanced judgement to COVID-19

Estimating the impacts that Covid-19 will have on the New Zealand economy and Spark continues to be challenging. Risk factors include over or under-estimating the revenue impacts, not taking advantage of opportunities, and preserving the health and safety of our people. With the vaccine rollout progressing and strict border controls continuing, New Zealand should remain protected. However, international developments and recent lockdowns in Australia are a stark reminder how quickly it can turn. 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. Investment into robust procedures for government alert level changes and the ability for people to work remotely enable Spark to put our people's safety at the centre of decision making.

Executing simplification projects

Spark plans to continue simplifying 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 (e.g. customers, regulatory bodies, suppliers, and internal teams) and retiring legacy products is challenging. In FY21, Spark made good progress maturing its approach and capability in planning and executing simplification projects, such as retiring legacy plans. 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 have strengthened operational risk management to ensure visibility and coordinate risk response actions.

Maintaining customer trust in our information security and privacy controls

Evolving external threats, internal changes, changing legislation, and high expectations from customers and stakeholders may create delivery challenges. 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 have helped to ensure that critical elements for our security risk management remain healthy. These reviews also included security maturity validations and security device configuration audits to ensure our processes meet expected standards.

Cost optimisation while maintaining operational standards

While executing net cost reduction is a strength for Spark, it needs to be done sustainably so that operational delivery standards for customers are maintained. Inherent risks include unintended consequences from initiatives, brand reputation damage, and accelerated regulatory intervention. To mitigate this risk, the Leadership Squad has established a formal delivery structure. This structure includes strong governance and all initiatives using road-tested execution methodologies. Trajectory toward targets is measured, which in turn enables intervention and course corrections when required.

Delivering Spark's strategy with skill shortages in New Zealand

An emerging risk for Spark is access to the people and skills it needs to execute on its business strategy. Competition for skilled people is high and finding new talent to join Spark is becoming more difficult with low unemployment. Mitigation strategies to ensure we have access to specialist skill sets include partnering to attract and retain people, continued focus on engaging employee experiences and benefits, investment in development and identifying where team members can be upskilled from existing roles into new areas of opportunity. 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 Criss 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 unexpected lock-downs, supply chain issues, access to off-shore talent and resources.

Our continued investment in network resiliency, as outlined on page 30, 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 operations and our customers. The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill proposes a requirement for all equity and debt issuers on the NZX to report based on requirements aligned to the Task Force on Climate-related Financial Disclosures (TCFD) framework.

We integrated elements of TCFD disclosure in our FY20 report. This year we completed a climate risk analysis against two scenarios, aligned to TCFD guidance. Our Leadership Squad and Board were 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.

Our initial scenario analysis did not identify any immediate or extreme risks. We do not intend to complete a full climate scenario analysis on an annual basis. However, we have identified a number of areas for future analysis, including evaluating climate risk in our supply chain, and reviewing physical adaptation risk alongside the development of the national Climate Change Adaptation Act.

Our 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 scenario-based risk assessment

Impact rating

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:

HIGH RISK

Physical adaption risk

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

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

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 expect the introduction of the CCA will establish a coordinated, national approach to managing climate adaptation risk and tools for businesses to integrate climate adaptation risk into planning application processes. We will actively monitor RMA reform to inform our long-term adaptation work.

Supply chain risk

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

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

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.

We have identified a need for further analysis of climate risk in our supply chain, which will be actioned alongside broader continual improvement processes to reduce risk and deliver our sustainability objectives.

MEDIUM RISK

Provision of climate related services

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

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

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 FY22 we will undertake further work to quantify current and potential Spark customer emissions reduction opportunities and inform future climate and sustainability related services.

SBTi science-based emissions reduction target

Includes the risk we will not meet our SBTi target.

Moderate risk.

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 39 for information on our SBTi target and plan.

LOW RISK

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 a just transition. See page 42 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.

Our suppliers

Our business relies on over 2,300 local and global suppliers. Each year we spend around $2 billion to support our business and meet our customers' needs. Our supply chain is complex, as our direct suppliers often have suppliers of their own. We work hard to ensure integrity in our supply chain, using our Supplier Code of Conduct and regular business reviews with key suppliers.

We also recognise the importance of doing the right thing by our suppliers, particularly our smaller, local suppliers. That includes paying suppliers in a timely fashion. Our standard payment terms are the 20th of the month following the month of the invoice date.

We manage supplier relationships based on the strategic importance to Spark and our customers. This is split across two management frameworks – Strategic Partnership Management and Strategic Supplier Management. Our Strategic Partnership Management framework is how we partner with suppliers that directly impact our customers. The primary goal is to maintain, grow, and seek out partnerships that enable beneficial growth in new and existing markets and provide value-added services to customers.

Our Strategic Supplier Management framework allows us to focus on key relationships by building and maintaining world-class services with cost leadership and resilience as a significant focus.

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/**

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.

If a supplier is unable to meet the requirements of the Code, we work with them to implement our process of remediation plans and timeframes. We have ongoing conversations with suppliers that are managed within our framework.

The Supplier Code of Conduct was 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. We also used the Code as a basis for four comprehensive audits of large, offshore-based suppliers. These were significant suppliers operating in high-risk locations, according to FTSE4Good criteria.

In FY19 we had committed to four further 'deep dive' audits in FY20, which were not completed at the time due to a shift in our focus to incorporating environmental, social, and ethical considerations into our supplier selection processes and Covid-19 restrictions, which prevented travel and on-site visits.

However, these four supplier audits were underway in FY21 and completed at the start of FY22. From FY20 we began including a scored section in our Request for Proposal (RFP) process where we seek information from suppliers on their non-financial performance and credentials.

In addition to the Code, in Q3 of FY21 we published our inaugural Modern Slavery Statement, covering the 12 months to 30 June 2020, which reaffirmed our commitment to upholding human rights – both within our own operations and throughout our supply 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. We have published our second Modern Slavery Statement, for the 12 months to 30 June 2021, alongside this report – and will continue to align our reporting on modern slavery with our Annual Report from this year onwards.

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

See: **www.sparknz.co.nz/about/governance**

Spark also updated our policies due to the changes in the NZ Privacy Act, which was effective from 1st December 2020. These changes meant Spark would have to proactively inform its customers of any breaches in its data. This extended to all NZ companies, but Spark is working to assess and update its contractual position with all suppliers including global companies to ensure this is addressed.

Leadership & 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.

As a result of Covid-19 there were no annual salary review increases for all Spark people, including the Leadership Squad and fees for the Board of Directors, for FY21. In February 2021, the Board approved a salary review for FY22 (salaries from 1 July 2021) which was based on our Contribution Models with additional allocations for strategic actions including lifting our minimum full-time salary to $47,500 – above the Living Wage.

Leadership Squad remuneration

Remuneration mix

The table below shows the standard FY21 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.

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, 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. This clawback provision was used for the FY20 STI due to revisions in the iNPS score. During FY21 we changed our iNPS platform from an external provider to an in-house solution, which identified additional surveys that should be included to ensure a more accurate representation of customer experience. As a result, the rebased figure is +22, instead of the +33 reported using a different methodology in FY20.

FY21 Short-term incentive scheme outcomes

For FY21 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 FY21 Group performance outcome, as approved by the Board, is summarised as follows:

Performance metric	%	Outcome	Result
Group EBITDAI	50%	72.8%	Above target
Customer Experience	25%	14.6%	Threshold met
3-year strategy – Wireless Broadband	19%	0%	Threshold not met
3-year strategy – Plan simplification	6%	12%	Stretch maximum
Total	**100%**	**99.4%**	

Based on the above result, the total FY21 Group performance outcome was $5.4 million and the available funding pool for all eligible STI participants across Spark for FY21 was $5.0 million due to application of FY20 clawback. Total payments cannot exceed $5.0 million.

FY22 Short-term incentive scheme target

The mechanics of the FY22 STI will be similar to FY21. Group results will be the main determinate of the STI pool, with substantially all participants sharing the same Group measures. The FY22 group measures will be a combination of EBITDAI, customer experience and our three-year strategy.

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 FY21, Spark operated one main scheme: the Spark New Zealand Long Term Incentive Scheme.

FY21 / FY22 Long-term Incentive Scheme

For FY21, 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 FY22, members of the Leadership Squad, including the CEO, and selected senior leaders will be granted options under the same scheme as FY21.

FY21 and FY22 Long-term Incentive Scheme performance measure

Vesting of the FY21 LTI grant (September 2020) is contingent on participants' continued employment with Spark through to September 2023 and the company achieving a Total Shareholder Return (TSR) performance hurdle. TSR 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 FY22, the Long-term Incentive Scheme performance measure remains unchanged from FY21.

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 2021. 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.

CEO Remuneration FY21

For FY21 the CEO's remuneration package comprised of 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 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 111 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 will assess the CEO's performance at the end of the financial year to determine the actual payment value of her short-term incentive, which will be in the range of 0% to 200% of her target value.

Long-term Incentive Scheme

For FY21 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 FY21, 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 and, as relevant, Australia.

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 116 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 FY21. 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.

Financial statements

Statement of profit or loss and other comprehensive income

YEAR ENDED 30 JUNE

	NOTES	2021 $M	RESTATED[1] 2020 $M
Operating revenues and other gains	2.2	3,593	3,623
Operating expenses	2.3	(2,469)	(2,510)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	2.5	1,124	1,113
Finance income	2.4	34	36
Finance expense	2.4	(81)	(94)
Depreciation and amortisation	2.4	(523)	(488)
Net investment income/(loss)	2.4	(1)	1
Net earnings before income tax		553	568
Income tax expense	6.1	(169)	(148)
Net earnings		**384**	**420**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of long-term investments designated at fair value through other comprehensive income	3.3	(87)	91
Items that may be reclassified to profit or loss:			
Change in hedge reserves net of tax	5.1	57	(35)
Other comprehensive income		(30)	56
Total comprehensive income		**354**	**476**
Earnings per share			
Basic and diluted earnings per share (cents)		20.7	22.9
Weighted average ordinary shares (millions)		1,852	1,837
Weighted average ordinary shares and options (millions)		1,854	1,838

See accompanying notes to the financial statements.

1 Restated due to reassessment of useful lives of reacquired rights, see note 1.3.

Statement of financial position

	NOTES	AS AT 30 JUNE 2021 $M	RESTATED[1] AS AT 30 JUNE 2020 $M
Current assets			
Cash		72	53
Short-term receivables and prepayments	3.1	768	807
Short-term derivative assets	5.1	12	1
Inventories	3.2	64	96
Taxation recoverable		-	1
Total current assets		**916**	**958**
Non-current assets			
Long-term receivables and prepayments	3.1	271	284
Long-term derivative assets	5.1	24	60
Long-term investments	3.3	227	308
Right-of-use assets	3.4	647	698
Leased customer equipment assets	3.5	77	86
Property, plant and equipment	3.6	1,080	1,121
Intangible assets	3.7	871	843
Total non-current assets		**3,197**	**3,400**
Total assets		**4,113**	**4,358**
Current liabilities			
Short-term payables, accruals and provisions	4.1	479	493
Taxation payable		23	44
Short-term derivative liabilities	5.1	4	5
Short-term lease liabilities	4.2	60	41
Debt due within one year	4.3	373	228
Total current liabilities		**939**	**811**
Non-current liabilities			
Long-term payables, accruals and provisions	4.1	60	81
Long-term derivative liabilities	5.1	91	156
Long-term lease liabilities	4.2	406	531
Long-term debt	4.3	1,030	1,244
Deferred tax liabilities	6.1	84	61
Total non-current liabilities		**1,671**	**2,073**
Total liabilities		**2,610**	**2,884**
Equity			
Share capital		1,084	949
Reserves		(371)	(353)
Retained earnings		790	878
Total equity		**1,503**	**1,474**
Total liabilities and equity		**4,113**	**4,358**

See accompanying notes to the financial statements.

1 Restated due to reclassifications of work in progress and amounts payable to customers and reassessment of useful lives of reacquired rights, see note 1.3.

On behalf of the Board

Justine Smyth, CNZM
Chair

Jolie Hodson
Chief Executive

Authorised for issue on 18 August 2021

Statement of changes in equity

YEAR ENDED 30 JUNE 2021	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
Balance at 1 July 2020		**949**	**878**	**(120)**	**2**	**(212)**	**(23)**	**1,474**
Net earnings		–	384	–	–	–	–	384
Other comprehensive income/(loss)		–	–	57	–	(87)	–	(30)
Transfer to retained earnings on disposal of historical long-term investments		–	(11)	–	–	11	–	–
Total comprehensive income/(loss)		–	**373**	**57**	–	**(76)**	–	**354**
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
Total transactions with owners		**135**	**(461)**	–	**1**	–	–	**(325)**
Balance at 30 June 2021		**1,084**	**790**	**(63)**	**3**	**(288)**	**(23)**	**1,503**

YEAR ENDED 30 JUNE 2020 – RESTATED[1]	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
Balance at 1 July 2019		**945**	**917**	**(85)**	**2**	**(303)**	**(23)**	**1,453**
Net earnings		–	420	–	–	–	–	420
Other comprehensive income/(loss)		–	–	(35)	–	91	–	56
Total comprehensive income/(loss)		**-**	**420**	**(35)**	–	**91**	–	**476**
Contributions by, and distributions to, owners:								
Dividends	4.5	–	(459)	–	–	–	–	(459)
Supplementary dividends		–	(39)	–	–	–	–	(39)
Tax credit on supplementary dividends		–	39	–	–	–	–	39
Issuance of shares under share schemes		4	–	–	–	–	–	4
Total transactions with owners		**4**	**(459)**	–	–	–	–	**(455)**
Balance at 30 June 2020		**949**	**878**	**(120)**	**2**	**(212)**	**(23)**	**1,474**

See accompanying notes to the financial statements.

1 Restated due to reassessment of useful lives of reacquired rights, see note 1.3.

Statement of cash flows

YEAR ENDED 30 JUNE

	NOTES	2021 $M	2020 $M
Cash flows from operating activities			
Receipts from customers		3,547	3,594
Receipts from interest		32	34
Receipts from dividends		–	–
Payments to suppliers and employees		(2,453)	(2,497)
Payments for income tax		(188)	(140)
Payments for interest on debt		(46)	(52)
Payments for interest on leases		(26)	(30)
Payments for interest on leased customer equipment assets		(8)	(6)
Net cash flows from operating activities	6.5	**858**	**903**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		6	13
Proceeds from sale of business		30	23
Proceeds from long-term investments		6	–
Payments for purchase of business		(25)	(11)
Payments for, and advances to, long-term investments		(13)	(35)
Payments for purchase of property, plant and equipment, intangibles (excluding spectrum), and capacity		(335)	(393)
Payments for purchase of spectrum intangible assets		(51)	–
Payments for capitalised interest		(6)	(8)
Net cash flows from investing activities		**(388)**	**(411)**
Cash flows from financing activities			
Net proceeds from/(repayments of) debt	4.4	(38)	30
Receipts from finance leases		6	6
Receipts from loans receivable		1	–
Payments for dividends		(330)	(459)
Payments for leases		(56)	(42)
Payments for leased customer equipment assets		(34)	(28)
Net cash flows from financing activities		**(451)**	**(493)**
Net cash flows		**19**	**(1)**
Opening cash position		53	54
Closing cash position		**72**	**53**

See accompanying 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.

New and amended standards

No new or amended accounting standards have been adopted by Spark in the current year. Amendments have been issued for NZ IFRS 9 *Financial Instruments* and NZ IFRS 16 *Leases*, effective FY22, that address issues arising from the reform of benchmark interest rates; these have not yet been adopted by Spark. However, Spark does not anticipate that this will result in a material impact on the Group's financial statements.

Consideration of the IFRS Interpretations Committee ('IFRIC') agenda decision

In April 2021, IFRIC issued an agenda decision clarifying its interpretation on how current accounting standards apply to configuration and customisation costs incurred in implementing Software-as-a-Service ('SaaS') cloud computing arrangements.

The IFRIC decision has 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. Spark's current accounting policy is to record these configuration and customisation costs as part of the cost of an intangible asset and amortise these costs over the useful life of the software assets.

Spark has commenced a review process to quantify the impact of this agenda decision on the financial statements of the Group; however, given the short timeframe and the complexity involved, this has not been finalised as at the date of this report. It is anticipated that this exercise will be completed in Q2 FY22. In the last three years Spark has capitalised approximately $50 million in relation to cloud computing arrangements of which a subset may relate to customisation and configuration of cloud solutions and may need to be reclassified to operating expense. Once the impact has been fully quantified Spark will update the market.

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; and
- Note 4.2 Lease liabilities.

1.3 Significant transactions and events in the financial year

The following significant transactions and events affected the financial performance and financial position of Spark for the year ended 30 June 2021:

Debt programme

- On 30 November 2020 Spark renewed its $200 million committed revolving facility with Westpac New Zealand, to mature on 30 November 2023.
- On 16 April 2021 Spark extended the term of its NZ$200 million committed standby revolving credit facility with Citisecurities by one year, to mature on 30 April 2024.

Wire maintenance customer refunds

- Wire maintenance is a Spark service designed to cover the cost of repairing certain faults with a customer's internal wiring. Spark has now withdrawn this product for fibre customers and in the current period has provided credits to customers who purchased this product while on a fibre connection, of approximately $16 million. This is included within voice revenues (see note 2.1).

Long-term investments (see note 3.3)

- The fair value of Spark's investment in Hutchinson Telecommunications Australia Limited decreased by $87 million during the year due to a decrease in its observable bid share price from A$0.170 to A$0.110. The change in fair value is recognised within other comprehensive income.

Spectrum Renewal (see note 3.7)

- In January 2021 Spark paid $50 million for the renewal of its management rights to 1800MHz and 2100MHz spectrum for 20 years. This is included within Spark's additions of $51 million to spectrum intangible assets.

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 $354 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 2021 in relation to the H2 FY20 second-half dividend (ordinary dividend of 12.5 cents per share) and H1 FY21 first-half dividend (ordinary dividend of 12.5 cents per share) totalled $461 million or 25.0 cents per share, of this $131 million was settled through the dividend reinvestment plan.

Southern Cross NEXT Cable ('SX NEXT') (see note 3.3)

- Spark contributed $4 million of equity to its Southern Cross investment to fund the SX NEXT undersea cable build during FY21. Subsequent to balance date Spark contributed $31 million of equity.
- No dividends were received from Southern Cross during FY21. Dividends have been suspended for the duration of the SX NEXT build phase and are not expected to resume until at least FY23.

Covid-19

- The effects of Covid-19 continue to have a negative impact on the financial performance of Spark's business, predominantly due to lost roaming revenues. In FY21 these negative impacts were partially offset by lower bad debt expenses as the predicted adverse economic impacts were less than expected.

Changes in segments (see note 2.1)

- Spark has reclassified the comparative segment results to reflect changes in the classification of Computer Concepts Limited ('CCL') solutions and cloud-based telephony products and also a reclassification of some voice revenues to managed data, networks and services.

Reclassifications and reassessments

Reclassification of work in progress (see notes 3.6 and 3.7)

- Spark has recently implemented a process to more accurately split capital work in progress between property, plant and equipment and intangible assets in line with the nature of the underlying assets. As a result the comparative intangible assets work in progress has reduced by $106 million (2019: $121 million), with a corresponding increase in property, plant and equipment work in progress.

Reclassification of amounts payable to customers (see notes 3.1 and 4.1)

- Spark has identified some amounts payable to customers that had previously been set off within trade receivables. Therefore, the comparative financials have been reclassified to gross up trade receivables and trade accounts payable, by $30 million.

These reclassifications have no impact on Spark's net assets for the current or restated periods and no impact on the statement of profit or loss and other comprehensive income or statement of cash flows.

Reassessment of useful lives of required rights (see note 3.7)

- As at 30 June 2020 Spark had $19 million of reacquired rights included within other intangible assets that were considered to have indefinite lives. Spark has reviewed this treatment and identified that the underlying contracts that relate to these assets had a contractual term. As a result Spark has restated its comparative period to record additional amortisation of $9 million, reduction in tax expense of $2 million, and a reduction in opening retained earnings of $12 million. This adjustment has no impact on the statement of cash flows or on the financial performance for the year ended 30 June 2021.

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.

Comparative segment results

Spark has reclassified the comparative segment results to reflect changes in the classification of CCL solutions and cloud-based telephony products and also a reclassification of some voice revenues to managed data, networks and services. Therefore, managed data, network and services revenues have increased by $29 million due to a reclassification from cloud, security and services management of $23 million, voice of $5 million, and procurement and partners of $1 million. There is no change to the overall Spark reported result because of these changes.

	2021			2020		
	OPERATING REVENUES	PRODUCT COSTS	PRODUCT MARGIN	OPERATING REVENUES	PRODUCT COSTS	PRODUCT MARGIN
YEAR ENDED 30 JUNE	$M	$M	$M	$M	$M	$M
Mobile	1,311	(474)	837	1,288	(459)	829
Voice	308	(128)	180	386	(144)	242
Broadband	670	(331)	339	680	(339)	341
Cloud, security and service management	443	(85)	358	420	(72)	348
Procurement and partners	414	(371)	43	407	(362)	45
Managed data, networks and services	282	(137)	145	277	(139)	138
Other operating revenues[1]	137	(67)	70	130	(82)	48
Segment result	**3,565**	**(1,593)**	**1,972**	**3,588**	**(1,597)**	**1,991**

1 Other operating revenues include revenue from Qrious, Internet of Things, Spark Sport and exchange building sharing arrangements.

Reconciliation from segment product margin to consolidated net earnings before income tax

	2021	RESTATED 2020
YEAR ENDED 30 JUNE	$M	$M
Segment product margin	1,972	1,991
Other gains	28	35
Labour	(491)	(511)
Other operating expenses (note 2.3)	(385)	(402)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	1,124	1,113
Finance income	34	36
Finance expense	(81)	(94)
Depreciation and amortisation	(523)	(488)
Net investment income/(loss)	(1)	1
Net earnings before income tax	**553**	**568**

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; and
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 significant payment terms 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, voice 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	2021 $M	2020 $M
Operating revenues		
Mobile	1,311	1,288
Voice	308	386
Broadband	670	680
Cloud, security and service management	443	420
Procurement and partners	414	407
Managed data, networks and services	282	277
Other operating revenues	137	130
	3,565	**3,588**
Other gains		
Net gain on sale of long-term investments/businesses	1	5
Gain on sale and exchange of property, plant and equipment and intangibles	9	28
Gain on lease modifications and terminations	18	2
	28	**35**
Total operating revenues and other gains	**3,593**	**3,623**

Other gains

In the year ended 30 June 2021 other gains comprises 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.

In the year ended 30 June 2020 other gains included a net $5 million gain from the sale of the operational parts of the network services division of Computer Concepts Limited (CCL) Spark's wholly owned subsidiary and the sale of Spark's entertainment streaming business Lightbox, $16 million from the sale of property, plant and equipment (primarily in relation to mobile network equipment), $12 million gain on exchange of intangible assets (primarily spectrum assets) and gains from lease modifications and terminations of $2 million.

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 69 for Spark's accounting policy on timing of satisfaction of performance obligations.

Notes to the financial statements: Financial performance information

2.3 Operating expenses

YEAR ENDED 30 JUNE	2021 $M	2020 $M
Product costs	1,593	1,597
Labour	491	511
Other operating expenses		
Network support costs	83	65
Computer costs	101	98
Accommodation costs	67	63
Advertising, promotions and communication	72	78
Bad debts	(7)	17
Impairment expense	2	2
Other	67	79
Total other operating expenses	**385**	**402**
Total operating expenses	**2,469**	**2,510**

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 $381 million (30 June 2020: $353 million).

Lease expenses

Expenses relating to short-term leases and leases of low-value assets were $5 million (30 June 2020: $8 million). In the year ended 30 June 2021 rent concessions of less than $1 million were received as a result of Covid-19 and treated as a reduction of expenses (30 June 2020: $2 million).

Donations

Donations for the year ended 30 June 2021 were $1,722,000 and comprised Spark's donation to Spark Foundation of $1,692,000 and other donations of $30,000 (30 June 2020: $2,306,000, comprised of Spark's donation to the Spark Foundation of $2,249,000 and other donations of $57,000). Spark made no donations to political parties in the years ended 30 June 2021 or 30 June 2020.

Auditor's remuneration

YEAR ENDED 30 JUNE	2021 $'000	2020 $'000
Audit of financial statements		
Audit and review of financial statements[1]	1,000	1,096
Other services		
Regulatory audit work[2]	50	65
Other non-assurance services[3]	94	10
Total fees paid to auditor	**1,144**	**1,171**

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 advisory and compliance services, Holiday Act 2003 compliance and administrative and other advisory services for the Corporate Taxpayer Group of which Spark, alongside a number of organisations, is a member.

2.4 Finance income, finance expense, depreciation, amortisation and net investment income

YEAR ENDED 30 JUNE	NOTES	2021 $M	RESTATED 2020 $M
Finance income			
Finance lease interest income		13	13
Other interest income		21	23
		34	**36**
Finance expense			
Finance expense on long-term debt[1]		(43)	(53)
Lease interest expense	4.2	(26)	(31)
Leased customer equipment interest expense		(8)	(6)
Other interest and finance expenses		(10)	(12)
		(87)	(102)
Plus: interest capitalised[2]		6	8
		(81)	**(94)**
Depreciation and amortisation expense			
Depreciation - property, plant and equipment	3.6	(242)	(233)
Depreciation - right-of-use assets	3.4	(77)	(64)
Depreciation - leased customer equipment assets	3.5	(36)	(27)
Amortisation - intangible assets	3.7	(168)	(164)
		(523)	**(488)**
Net investment income/(loss)			
Share of associates' and joint ventures' net profits/(losses)	3.3	(1)	1
		(1)	**1**

1 Includes $14 million transferred from the cash flow hedge reserve for the year ended 30 June 2021 (30 June 2020: $8 million).
2 Interest was capitalised on property, plant and equipment and intangible assets under development for the year ended 30 June 2021 at an annualised rate of 3.8% (30 June 2020: 4.4%).

2

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 2021 or 30 June 2020.

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	2021 $M	RESTATED 2020 $M
Net earnings reported under NZ IFRS	384	420
Less: finance income	(34)	(36)
Add back: finance expense	81	94
Add back: depreciation and amortisation	523	488
Less: net investment income	1	(1)
Add back: income tax expense	169	148
EBITDAI	**1,124**	**1,113**

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	2021 $M	RESTATED 2020 $M
Additions to property, plant and equipment	3.6	203	227
Additions to intangible assets	3.7	192	149
Additions to capacity right-of-use assets	3.4	13	11
Capital expenditure including spectrum and transfers from finance lease receivables		**408**	**387**
Less spectrum additions	3.7	(51)	(13)
Less property, plant and equipment transfers from finance lease receivables		(3)	-
Capital expenditure excluding spectrum and transfers from finance lease receivables		**354**	**374**

Section 3 Assets

3.1 Receivables and prepayments

AS AT 30 JUNE	2021 $M	RESTATED 2020 $M
Short-term receivables and prepayments		
Trade receivables	314	319
Prepayments	137	140
Short-term unbilled revenue	235	231
Short-term contract assets	5	11
Short-term contract costs	43	47
Short-term finance lease receivables	4	16
Other short-term receivables	30	43
	768	**807**
Long-term receivables and prepayments		
Long-term unbilled revenue	79	52
Long-term contract costs	64	66
Long-term finance lease receivables	108	144
Other long-term receivables	20	22
	271	**284**

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 $213 million (30 June 2020: $163 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	2021 $M	2020 $M
Opening balance as at 1 July	11	15
Additions from new contracts with customers, net of terminations and renewals	8	17
Transfer of contract assets to trade receivables	(14)	(21)
Closing balance as at 30 June	**5**	**11**

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:

	2021			2020		
YEAR ENDED 30 JUNE	COSTS TO OBTAIN A CONTRACT $M	COSTS TO FULFIL A CONTRACT $M	TOTAL $M	COSTS TO OBTAIN A CONTRACT $M	COSTS TO FULFIL A CONTRACT $M	TOTAL $M
Opening balance as at 1 July	28	85	113	37	91	128
Additions	8	36	44	12	25	37
Amortisation recognised in operating expenses	(17)	(33)	(50)	(21)	(31)	(52)
Closing balance as at 30 June	**19**	**88**	**107**	**28**	**85**	**113**
Short-term contract costs	11	32	43	15	32	47
Long-term contract costs	8	56	64	13	53	66

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	2021 $M	2020 $M
Opening balance as at 1 July	31	30
Charged to costs and expenses	(4)	24
Bad debts recovered	(3)	(4)
Utilised	(7)	(19)
Closing balance as at 30 June[1]	**17**	**31**

1 The total expected loss provision reduced $14 million in FY21, of which $8 million reflected the release of additional provisions taken in FY20 primarily as a result of Covid-19.

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 2021	CURRENT $M	≤ 1 MONTH $M	> 1 MONTH $M	TOTAL $M
Expected loss rate	1.4%	2.5%	9.5%	1.8%
Gross carrying amount	837	40	42	919
Expected credit loss allowance provision	**12**	**1**	**4**	**17**
Short-term loss allowance provision	9	1	4	14
Long-term loss allowance provision	3	–	–	3

AS AT 30 JUNE 2020 – RESTATED	$M	$M	$M	$M
Expected loss rate	2.8%	2.6%	13.5%	3.2%
Gross carrying amount	906	39	37	982
Expected credit loss allowance provision	**25**	**1**	**5**	**31**
Short-term loss allowance provision	20	1	5	26
Long-term loss allowance provision	5	–	–	5

The composition of the expected credit loss allowance provision between receivable types is as follows:

AS AT 30 JUNE	2021 $M	2020 $M
Trade receivables	7	13
Unbilled revenue	7	13
Contract assets and contract costs	2	3
Finance lease receivables	1	2
Expected credit loss allowance provision	**17**	**31**

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.

Notes to the financial statements: Assets

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 on the statement of financial position.

In addition, Spark sub-leases a number of office building floors. Where sub-leases 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:

	2021		2020	
	UNDISCOUNTED	DISCOUNTED	UNDISCOUNTED	DISCOUNTED
AS AT 30 JUNE	$M	$M	$M	$M
Less than one year[1]	13	3	17	16
Between one and five years	41	(7)	66	52
More than five years	266	115	309	92
Net finance lease receivables	**320**	**111**	**392**	**160**
Plus short-term portion of finance lease receivables in liability position	–	1	–	–
Total finance lease receivables	**320**	**112**	**392**	**160**
Less unearned finance income	(208)	–	(232)	–
Present value of finance lease receivables	**112**	**112**	**160**	**160**
Short-term finance lease receivables		4		16
Long-term finance lease receivables		108		144

1 Included within the discounted balance for 30 June 2021 is 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 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	2021 $M	2020 $M
Goods held for resale	56	86
Content rights inventory	7	8
Maintenance materials and consumables	1	2
Total inventories	**64**	**96**

Content rights inventory

Spark enters into contracts for the right to stream digital content for sport and previously to subscribers of Lightbox. 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 their licence periods or, for live sports content, over its broadcast period. The content rights amortisation charge for the year ended 30 June 2021 was $28 million (30 June 2020: $40 million).

3.3 Long-term investments

AS AT 30 JUNE	MEASUREMENT BASIS	2021 $M	2020 $M
Shares in Hutchison	Fair value through other comprehensive income	160	247
Investment in associates and joint ventures	Equity method	59	54
Other long-term investments	Cost	8	7
		227	**308**

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 2021 the quoted price of Hutchison's shares on the ASX was AUD$0.110 (30 June 2020: AUD$0.170). The decrease in fair value of $87 million is recognised in other comprehensive income (30 June 2020: $91 million increase).

Investment in associates and joint ventures

Spark's investment in associates and joint ventures at 30 June 2021 consists of the following:

NAME	TYPE	COUNTRY	OWNERSHIP	PRINCIPAL ACTIVITY
Connect 8 Limited	Joint Venture	New Zealand	50%	Fibre network construction
Flok Limited	Associate	New Zealand	38%	Hardware and software development
Pacific Carriage Holdings Limited	Associate	Bermuda	38%	A holding company
Pacific Carriage Holdings Limited Inc	Associate	United States	38%	A holding company
PropertyNZ Limited (homes.co.nz)	Associate	New Zealand	23%	Property data website
Rural Connectivity Group Limited	Joint Venture	New Zealand	33%	Rural broadband
Southern Cross Cables Holdings Limited	Associate	Bermuda	38%	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 and none are considered to be individually material. Changes in the aggregate carrying amount of Spark's investment in associates and joint ventures were as follows:

	2021			2020		
YEAR ENDED 30 JUNE	ASSOCIATES $M	JOINT VENTURES $M	TOTAL $M	ASSOCIATES $M	JOINT VENTURES $M	TOTAL $M
Opening balance as at 1 July	31	23	54	9	12	21
Additional investment during the year	5	8	13	22	10	32
Impairment	(1)	–	(1)	–	–	–
Disposals	(5)	–	(5)	–	–	–
Share of net profits/(losses)	–	(1)	(1)	–	1	1
Deferred gains	–	(1)	(1)	–	–	–
Closing balance as at 30 June	**30**	**29**	**59**	**31**	**23**	**54**

Spark has suspended equity accounting for Pacific Carriage Holdings Limited 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 2021 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 2020: $51 million).

Notes to the financial statements: Assets

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. These leases generally have rights of renewal that are reasonably certain to be exercised and therefore may have long effective 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; and
- 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 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[1]	(90)	–	1	–	–	(89)
Depreciation charge	(34)	(22)	(10)	(2)	(9)	(77)
Closing net book value	**281**	**224**	**117**	**4**	**21**	**647**

YEAR ENDED 30 JUNE 2020	PROPERTY $M	CAPACITY $M	MOBILE SITES $M	MOTOR VEHICLES $M	OTHER	TOTAL $M
Opening net book value	287	243	94	1	–	625
Additions	79	11	13	2	33	138
Disposals	(8)	–	–	–	–	(8)
Remeasurements	2	–	5	–	–	7
Depreciation charge	(27)	(21)	(10)	(1)	(5)	(64)
Closing net book value	**333**	**233**	**102**	**2**	**28**	**698**

1 Remeasurements to property 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).

All capacity additions for the year ended 30 June 2021 were fully paid on control being obtained and therefore deemed capital expenditure as reconciled in note 2.5 (30 June 2020: all fully paid and deemed capital expenditure).

Income from sub-leasing right-of-use assets for the year ended 30 June 2021 was $1 million (30 June 2020: $1 million).

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; and
- 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

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:

YEAR ENDED 30 JUNE	2021 $M	2020 $M
Opening net book value	86	55
Additions	28	61
Disposals	(1)	(3)
Depreciation charge	(36)	(27)
Closing net book value	**77**	**86**

AS AT 30 JUNE	2021 $M	2020 $M
Cost	182	158
Accumulated depreciation and impairment losses	(105)	(72)
Closing net book value	**77**	**86**

Leased customer equipment assets are on-leased to customers under operating leases. Amounts recovered from customers for the year ended 30 June 2021 were $43 million (30 June 2020: $31 million).

3.6 Property, plant and equipment

YEAR ENDED 30 JUNE 2021	TELECOMMUNI-CATIONS EQUIPMENT AND PLANT $M	FREEHOLD LAND $M	BUILDINGS $M	OTHER ASSETS $M	WORK IN PROGRESS $M	TOTAL $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)
Closing net book value	**648**	**61**	**207**	**79**	**85**	**1,080**
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)
Closing net book value	**648**	**61**	**207**	**79**	**85**	**1,080**

YEAR ENDED 30 JUNE 2020 - RESTATED	TELECOMMUNI-CATIONS EQUIPMENT AND PLANT $M	FREEHOLD LAND $M	BUILDINGS $M	OTHER ASSETS $M	WORK IN PROGRESS $M	TOTAL $M
Opening net book value	623	60	199	125	126	1,133
Additions	–	–	29	–	198	227
Transfers	166	–	1	49	(216)	–
Disposals	–	–	–	(6)	–	(6)
Depreciation charge	(148)	–	(31)	(54)	–	(233)
Closing net book value	**641**	**60**	**198**	**114**	**108**	**1,121**
AS AT 30 JUNE 2020 - RESTATED						
Cost	3,818	60	562	569	108	5,117
Accumulated depreciation and impairment losses	(3,177)	–	(364)	(455)	–	(3,996)
Closing net book value	**641**	**60**	**198**	**114**	**108**	**1,121**

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 2021 the carrying value of Spark's share of property, plant and equipment and intangible assets in the joint operation was $30 million (30 June 2020: $31 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 – 18 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.

Notes to the financial statements: Assets

3.7 Intangible assets

YEAR ENDED 30 JUNE 2021	SOFTWARE $M	SPECTRUM LICENCES $M	OTHER INTANGIBLES $M	GOODWILL $M	WORK IN PROGRESS $M	TOTAL $M
Opening net book value	351	158	59	222	53	843
Additions[1]	–	51	–	–	141	192
Transfers	102	–	–	–	(102)	–
Acquisitions	–	–	4	–	–	4
Amortisation charge	(138)	(16)	(14)	–	–	(168)
Closing net book value	**315**	**193**	**49**	**222**	**92**	**871**
AS AT 30 JUNE 2021						
Cost	2,075	336	146	270	92	2,919
Accumulated amortisation and impairment losses	(1,760)	(143)	(97)	(48)	–	(2,048)
Closing net book value	**315**	**193**	**49**	**222**	**92**	**871**

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.

YEAR ENDED 30 JUNE 2020 - RESTATED	SOFTWARE $M	SPECTRUM LICENCES $M	OTHER INTANGIBLES $M	GOODWILL $M	WORK IN PROGRESS $M	TOTAL $M
Opening net book value	312	163	68	213	100	856
Additions[1]	–	13	–	–	136	149
Transfers	173	–	10	–	(183)	–
Acquisitions	–	–	1	9	–	10
Disposals	(5)	(1)	–	–	–	(6)
Impairments	(2)	–	–	–	–	(2)
Amortisation charge	(127)	(17)	(20)	–	–	(164)
Closing net book value	**351**	**158**	**59**	**222**	**53**	**843**
AS AT 30 JUNE 2020 – RESTATED						
Cost	1,985	282	141	270	53	2,731
Accumulated amortisation and impairment losses	(1,634)	(124)	(82)	(48)	–	(1,888)
Closing net book value	**351**	**158**	**59**	**222**	**53**	**843**

1 Total software capitalised in the year ended 30 June 2020 includes $42 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

3.7 Intangible assets (continued)

Goodwill

Goodwill by cash-generating unit (CGU) is presented below:

AS AT 30 JUNE	2021 $M	2020 $M
Mobile	28	28
Cloud, security and service management	167	167
Qrious	14	14
Digital Island	13	13
	222	**222**

During the years ended 30 June 2021 and 30 June 2020 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 FY22 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 10.0% was utilised for the year ended 30 June 2021 (30 June 2020: 8.8%).

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	2021 $M	RESTATED 2020 $M
Total assets	4,113	4,358
Less intangible assets	(871)	(843)
Less total liabilities	(2,610)	(2,884)
Net tangible assets	**632**	**631**
Number of shares outstanding (in millions)	1,867	1,837
Net tangible assets per share	**$0.34**	**$0.34**

Net tangible assets per share is a non-GAAP financial measure that is not defined in NZ IFRS. Total assets includes right-of-use assets and total liabilities includes lease liabilities.

Section 4 Liabilities and equity

4.1 Payables, accruals and provisions

AS AT 30 JUNE	2021 $M	RESTATED 2020 $M
Short-term payables, accruals and provisions		
Trade accounts payable	270	267
Revenue billed in advance	80	74
Accrued personnel costs	37	38
Accrued interest	2	2
GST payable	34	37
Short-term sale and leaseback liabilities	34	31
Short-term provisions	3	6
Other short-term payables and accruals	19	38
	479	**493**
Long-term payables, accruals and provisions		
Long-term sale and leaseback liabilities	47	58
Long-term provisions	10	5
Other long-term payables & accruals	3	18
	60	**81**

Trade accounts payable and sale and leaseback liabilities are financial instruments held at amortised cost.

Provisions

Total provisions as at 30 June 2021 were $13 million (30 June 2020: $11 million). New provisions of $10 million were made during the year (30 June 2020: $7 million) and provisions of $8 million were utilised or released (30 June 2020: $3 million).

The largest portion of the provisions relate to make-good provisions of $12 million (30 June 2020: $7 million).

4.2 Lease liabilities

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[1]	(105)	–	–	–	–	(105)
Balance at the end of the year	**325**	**2**	**113**	**4**	**21**	**465**
Short-term portion of finance lease receivable	1	–	–	–	–	1
Total lease liability balance	**326**	**2**	**113**	**4**	**21**	**466**
Short-term lease liabilities	38	–	12	2	8	60
Long-term lease liabilities	288	2	101	2	13	406
Lease liabilities – non-cancellable commitments[2]	**170**	**2**	**53**	**4**	**20**	**249**

YEAR ENDED 30 JUNE 2020	PROPERTY $M	CAPACITY $M	MOBILE SITES $M	MOTOR VEHICLES $M	OTHER $M	TOTAL $M
Opening lease liability balance	394	2	93	1	–	490
Leases entered into during the year	77	–	9	2	31	119
Disposals	(9)	–	–	–	–	(9)
Interest expense	24	–	6	–	1	31
Principal repayments	(46)	–	(14)	(1)	(6)	(67)
Remeasurements	3	–	5	–	–	8
Closing lease liability balance	**443**	**2**	**99**	**2**	**26**	**572**
Short-term lease liabilities	25	–	8	1	7	41
Long-term lease liabilities	418	2	91	1	19	531
Lease liabilities – non-cancellable commitments[2]	**198**	**2**	**13**	**2**	**26**	**241**

1 Remeasurements to property 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).
2 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.

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; and
- 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 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.

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 FACE VALUE	FACILITY	COUPON RATE	MATURITY	2021 $M	2020 $M
Short-term debt					
Short-term borrowings		Variable	< 1 month	3	–
Commercial paper		Variable	< 3 months	155	228
				158	228
Supplier financing arrangements[1]					
Amounts due within one year		Variable	< 3 years	14	–
Amounts due in more than a year		Variable	< 3 years	18	–
				32	–
Bank funding					
The Hongkong and Shanghai Banking Corporation Limited	100 million NZD	Variable	30/11/2021	100	50
Mitsubishi UFJ Financial Group Bank Limited	125 million NZD	Variable	30/11/2022	60	100
				160	150
Domestic notes					
100 million NZD		4.50%	25/03/2022	101	103
100 million NZD		4.51%	10/03/2023	104	108
125 million NZD		3.37%	07/03/2024	130	135
125 million NZD		3.94%	07/09/2026	131	140
				466	486
Foreign currency Medium Term Notes					
Australian Medium Term Notes - 100 million AUD		1.90%	05/06/2026	106	107
Australian Medium Term Notes - 150 million AUD		4.00%	20/10/2027	177	185
Australian Medium Term Notes - 125 million AUD		2.60%	18/03/2030	132	139
Norwegian Medium Term Notes - 1 billion NOK[2]		3.07%	19/03/2029	172	177
				587	608
				1,403	**1,472**
Debt due within one year				373	228
Long-term debt				1,030	1,244

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 cash flows within financing activities.
2 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 2021 and 30 June 2020.

The fair value of long-term debt, including long-term debt due within one year, based on market observable prices, was $1,270 million compared to a carrying value of $1,245 million as at 30 June 2021 (30 June 2020: fair value of $1,254 million compared to a carrying value of $1,244 million).

AS AT 30 JUNE	2021 $M	2020 $M
Total debt	1,403	1,472
Less short-term debt	(158)	(228)
Total long-term debt (including long-term debt due within one year)	**1,245**	**1,244**

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 continues to be committed to the Company maintaining a single 'A Band' credit rating and its capital management policies are designed to ensure this objective is met. As part of this commitment Spark 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 agency purposes, Spark estimates equates approximately to adjusted debt to EBITDA of 1.7 times. The difference between these two ratios is primarily due to the credit rating agency making adjustments for leases and captive finance operations.

As at 30 June 2021 the Company's Standard & Poor's credit ratings for long-term and short-term debt were A- and A-2 respectively, with outlook stable (30 June 2020: 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	2021 $M	2020 $M
Cash	(72)	(53)
Short-term debt at face value	158	228
Long-term debt at face value	1,212	1,162
Net debt at face value	1,298	1,337
To retranslate debt balances at swap rates where hedged by currency swaps	5	12
Net debt at hedged rates[1]	**1,303**	**1,349**
Non-cash adjustments		
Impact of fair value hedge adjustments[2]	12	13
Unamortised discount	(2)	–
Net debt at carrying value	**1,313**	**1,362**

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.

4.4 Capital risk management (continued)

A reconciliation of movements in net debt is provided below:

		CASH FLOWS		NON-CASH MOVEMENTS				
YEAR ENDED 30 JUNE 2021	AS AT 1 JULY 2020 $M	PROCEEDS $M	PAYMENTS $M	INTEREST AMORTISATION $M	FAIR VALUE CHANGES $M	FOREIGN EXCHANGE MOVEMENT $M	OTHER $M	AS AT 30 JUNE 2021 $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)
Net debt	**1,362**	**(3,629)**	**3,572**	**–**	**(2)**	**–**	**10**	**1,313**

		CASH FLOWS		NON-CASH MOVEMENTS				
YEAR ENDED 30 JUNE 2020	AS AT 1 JULY 2019 $M	PROCEEDS $M	PAYMENTS $M	INTEREST AMORTISATION $M	FAIR VALUE CHANGES $M	FOREIGN EXCHANGE MOVEMENT $M	OTHER $M	AS AT 30 JUNE 2020 $M
Cash	(54)	(6,945)	6,946	–	–	–	–	(53)
Short-term debt	150	1,150	(1,075)	3	–	–	–	228
Long-term debt	1,245	1,847	(1,882)	–	44	(9)	(1)	1,244
Derivatives	(15)	278	(288)	–	(41)	9	–	(57)
Net debt	**1,326**	**(3,670)**	**3,701**	**3**	**3**	**–**	**(1)**	**1,362**

4.5 Equity and dividends

4

Share capital

Movements in the Company's issued ordinary shares were as follows:

YEAR ENDED 30 JUNE	2021 NUMBER	2020 NUMBER
Shares at the beginning of the year	1,837,044,943	1,836,191,581
Dividend reinvestment plan	29,190,684	–
Issuance of shares under share schemes and other transfers	889,466	853,362
Shares at the end of the year	**1,867,125,093**	**1,837,044,943**

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

	2021		2020	
YEAR ENDED 30 JUNE	CENTS PER SHARE	$M	CENTS PER SHARE	$M
Previous year second half-year dividend	12.5	230	12.5	230
First half-year dividend	12.5	231	12.5	229
Total dividends in the year	**25.0**	**461**	**25.0**	**459**
Second half-year dividend declared subsequent to balance date not provided for	12.5	233	12.5	230

Events after balance date

On 18 August 2021 the Board approved the payment of a second-half ordinary dividend of 12.5 cents per share or approximately $233 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 FY21 ORDINARY DIVIDENDS	H2 FY21 ORDINARY DIVIDENDS
Dividends declared		
Ordinary shares	12.5 cents	12.5 cents
American Depositary Shares[1]	43.79 US cents	44.01 US cents
Imputation		
Percentage imputed	100%	100%
Imputation credits per share	4.8611 cents	4.8611 cents
Supplementary dividend per share[2]	2.2059 cents	2.2059 cents
'Ex' dividend dates		
New Zealand Stock Exchange	18/03/21	16/09/21
Australian Securities Exchange	18/03/21	16/09/21
American Depositary Shares	18/03/21	16/09/21
Record dates		
New Zealand Stock Exchange	19/03/21	17/09/21
Australian Securities Exchange	19/03/21	17/09/21
American Depositary Shares	19/03/21	17/09/21
Payment dates		
New Zealand and Australia	9/04/21	1/10/21
American Depositary Shares	19/04/21	15/10/21

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 FY21 these are based on the exchange rate at 12 August 2021 of NZ$1 to US$0.7042 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 2021 shares with a total value of $131 million (2020: nil) 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 retained for the H2 FY21 dividend. Shares issued under the dividend reinvestment plan will be issued at the prevailing market price around the time of issue. The last date for shareholders to elect to participate in the dividend reinvestment plan for the H2 FY21 dividend is 20 September 2021.

Spark's Dividend Reinvestment Plan Offer Document and Participation Notice can be found on Spark's Investor Centre Website **investors.sparknz.co.nz**

Section 5 Financial instruments

5.1 Derivatives and hedge accounting

AS AT 30 JUNE	2021 DERIVATIVE ASSETS $M	2021 DERIVATIVE LIABILITIES $M	2020 DERIVATIVE ASSETS $M	2020 DERIVATIVE LIABILITIES $M
Designated in a cash flow hedge	10	(83)	1	(155)
Designated in a fair value hedge	16	–	35	–
Designated in a dual fair value and cash flow hedge	9	(7)	22	–
Other	1	(5)	3	(6)
	36	**(95)**	**61**	**(161)**
Short-term derivatives	12	(4)	1	(5)
Long-term derivatives	24	(91)	60	(156)

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 2021 and 30 June 2020 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 $20 million (30 June 2020: $39 million).

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; and
- 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 are designated in cash flow hedges to reduce electricity price risk from price fluctuations. These hedge contracts establish the price at which future specified quantities of electricity are purchased and settled. Any resulting differential to be paid or received is 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.

Notes to the financial statements: Financial instruments

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	2021 $M	2020 $M
Opening balance as at 1 July	(120)	(85)
Gain/(loss) recognised in other comprehensive income	57	(49)
Amount reclassified to finance expense	14	8
Amount reclassified to property, plant and equipment/intangible assets and inventory	(9)	6
Amount reclassified to other operating expenses	(5)	–
Total movements to other comprehensive income/(loss)	**57**	**(35)**
Closing balance as at 30 June	**(63)**	**(120)**

Other amounts deferred in equity will be transferred to the statement of profit or loss over the next four years (30 June 2020: five years). Included within the closing balance at 30 June 2021 is $3 million relating to the cost of hedging reserve (30 June 2020: $2 million). The movement in the hedge reserves includes $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 (30 June 2020: $49 million in the change in fair value of interest rate swaps less $14 million associated deferred tax).

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 2021 there has been no material ineffectiveness on fair value hedging relationships (30 June 2020: no material ineffectiveness).

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 CCIRS is 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.

5.1 Derivatives and hedge accounting (continued)

The details of the hedging instruments are as follows:

AS AT 30 JUNE 2021	NOTIONAL AMOUNT OF HEDGING INSTRUMENT	STATEMENT OF FINANCIAL POSITION LINE ITEM	CARRYING AMOUNT OF THE HEDGING INSTRUMENT ASSETS $M	LIABILITIES $M	LIFE TO DATE CHANGE-IN-VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS $M
Cash flow hedges					
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
Fair value hedges					
Interest rate swaps	NZD 390m	Derivatives	16	–	16
Forward foreign exchange contracts	NZD 8m	Derivatives	–	–	–
Fair value and cash flow hedges					
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)
			35	**(90)**	**(55)**

AS AT 30 JUNE 2020					
Cash flow hedges					
Interest rate swaps	NZD 860m	Derivatives	–	(148)	(148)
Forward foreign exchange contracts	NZD 207m	Derivatives	1	(4)	(3)
Electricity derivatives	329 GWh	Derivatives	–	(2)	(2)
Fair value hedges					
Interest rate swaps	NZD 390m	Derivatives	35	–	35
Fair value and cash flow hedges					
Cross-currency swaps	AUD 150m	Derivatives	16	–	16
Cross-currency swap	NOK 1b	Derivatives	3	–	3
Cross-currency swaps	AUD 125m	Derivatives	3	–	3
Cross-currency swaps	AUD 100m	Derivatives	–	–	–
			58	**(154)**	**(96)**

5.1 Derivatives and hedge accounting (continued)

The details of hedged items are as follows:

AS AT 30 JUNE 2021	STATEMENT OF FINANCIAL POSITION LINE ITEM $M	CARRYING AMOUNT OF THE HEDGED ITEM ASSETS $M	CARRYING AMOUNT OF THE HEDGED ITEM LIABILITIES $M	ACCUMULATED AMOUNT OF FAIR VALUE HEDGE ADJUSTMENTS ON THE HEDGED ITEM INCLUDED IN THE CARRYING AMOUNT OF THE HEDGED ITEM ASSETS $M	ACCUMULATED AMOUNT OF FAIR VALUE HEDGE ADJUSTMENTS ON THE HEDGED ITEM INCLUDED IN THE CARRYING AMOUNT OF THE HEDGED ITEM LIABILITIES $M	LIFE TO DATE CHANGE-IN-VALUE USED FOR CALCULATING HEDGE INEFFECTIVENESS $M
Cash flow hedges						
Aggregated variable interest rate exposure	–	–	–	–	–	80
Highly probable forecast purchases of electricity	–	–	–	–	–	(7)
Fair value hedges						
Domestic Notes	Long-term debt	–	(407)	–	(17)	(16)
Fair value and cash flow hedges						
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)**	**–**	**(36)**	**55**

AS AT 30 JUNE 2020						
Cash flow hedges						
Aggregated variable interest rate exposure	–	–	–	–	–	138
Highly probable forecast variable rate debt	–	–	–	–	–	10
Committed foreign exchange transactions	–	–	–	–	–	3
Highly probable forecast purchases of electricity	–	–	–	–	–	2
Fair value hedges						
Domestic Notes	Long-term debt	–	(426)	–	(36)	(35)
Fair value and cash flow hedges						
Australian Medium Term Note (AUD 150m)	Long-term debt	–	(185)	–	(26)	(16)
Norwegian Medium Term Note (NOK 1b)	Long-term debt	–	(178)	–	(17)	(3)
Australian Medium Term Note (AUD 125m)	Long-term debt	–	(139)	–	(6)	(3)
Australian Medium Term Note (AUD 100m)	Long-term debt	–	(107)	–	–	–
		–	**(1,035)**	**–**	**(85)**	**96**

5.2 Financial risk management

a) Market risk

Spark is exposed to market risk primarily from changes in foreign currency exchange rates, interest rates and electricity prices. 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, except electricity hedge contracts, which are generally settled monthly. 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 2021 is $598 million (30 June 2021: $605 million). This includes $167 million long-term debt principal denominated in NOK (30 June 2020: $161 million) and $403 million long-term debt principal denominated in AUD (30 June 2020: $400 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 2021 a movement of 10% in the New Zealand dollar would (after hedging) impact the statement of profit or loss by less than $3 million (30 June 2020: less than $3 million) and the statement of changes in equity by less than $19 million (30 June 2020: 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 2021 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 2020: less than $1 million) and statement of changes in equity by less than $2 million (30 June 2020: less than $3 million).

Electricity price risk

Nature of the risk

Electricity price risk is the risk that fluctuations in spot electricity prices will impact Spark's financial performance.

Exposure and risk management

Spark is a large consumer of electricity, which exposes the Group to fluctuations in the market spot price. To reduce its exposure to electricity price risk, Spark has entered into electricity hedge contracts. These contracts establish a fixed price for Spark, with the counterparty topping up or retaining the difference between the spot price and the fixed price over the term of the contract.

Sensitivity to electricity price movements

As at 30 June 2021 a movement of 10% in forward electricity prices would impact the statement of profit or loss and statement of changes in equity (after hedging) by less than $2 million (30 June 2020: less than $3 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 2021 were $1,010 million (30 June 2020: $1,035 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; and
- 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 2021 no collateral was posted (30 June 2020: 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 2021 Spark had current assets of $916 million and current liabilities of $939 million (30 June 2020: current assets of $958 million and current liabilities of $811 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 2020: $200 million);
- Committed bank facilities of $575 million with $160 million drawn as at 30 June 2021 (30 June 2020: $575 million facility with $150 million drawn); and
- Committed bank overdraft facilities of $15 million with New Zealand banks (30 June 2020: $15 million).

There are no compensating balance requirements associated with these facilities.

Spark will refinance $100 million of an existing bank facility maturing on 30 November 2021. This was approved at the Spark February 2021 Board Meeting.

Spark's FY21 liquidity policy is to maintain committed facilities of at least 110% of the next 12 months' forecast peak net funding requirements. Spark's funding policy requires that the maximum amount of long-term debt, excluding short-term debt such as commercial paper, maturing in any 12-month period is not to exceed $300 million, which has been met.

5.2 Financial risk management (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 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
Non-derivative financial liabilities							
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
Derivative financial liabilities							
Interest rate swaps (net settled)	85	69	7	6	13	31	12
Cross-currency interest rate swaps (gross settled)							
Inflows	–	(125)	(6)	(11)	(17)	(52)	(39)
Outflows	7	132	6	6	15	58	47
Forward exchange contracts (gross settled)							
Inflows	–	(89)	(85)	(4)	–	–	–
Outflows	3	92	87	5	–	–	–
	2,315	**2,565**	**671**	**183**	**242**	**498**	**971**

AS AT 30 JUNE 2020	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
Non-derivative financial liabilities							
Trade payables	267	267	267	–	–	–	–
Sale and leaseback liabilities	89	103	20	21	37	25	–
Lease liabilities	572	786	36	35	69	169	477
Short and long-term debt	1,472	1,598	243	20	185	401	749
Derivative financial liabilities		–					
Interest rate swaps (net settled)	155	160	14	14	27	66	39
Electricity derivatives (net settled)	2	2	–	1	1	–	–
Cross-currency interest rate swaps (gross settled)		–					
Inflows	–	(119)	(1)	(1)	(2)	(6)	(109)
Outflows	–	119	1	1	2	6	109
Forward exchange contracts (gross settled)		–					
Inflows	–	(124)	(98)	(24)	(2)	–	–
Outflows	4	128	102	24	2	–	–
	2,561	**2,920**	**584**	**91**	**319**	**661**	**1,265**

Notes to the financial statements: Other information

Section 6 Other information

6.1 Income tax

Income tax expense

The income tax expense is determined as follows:

YEAR ENDED 30 JUNE	2021 $M	RESTATED 2020 $M
Statement of profit or loss		
Current income tax		
Current year income tax expense	(172)	(175)
Adjustments in respect of prior periods	4	13
Deferred income tax		
Depreciation, provisions, accruals, tax losses and other	4	11
Reintroduction of tax depreciation on buildings	–	10
Adjustments in respect of prior periods	(5)	(7)
Income tax expense recognised in the statement of profit or loss	**(169)**	**(148)**

Reconciliation of income tax expense

YEAR ENDED 30 JUNE	2021 $M	RESTATED 2020 $M
Net earnings before income tax	553	568
Tax at current rate of 28%	(155)	(159)
Adjustments to taxation		
Non-assessable gains on sale	1	7
Other non-assessable items	(2)	1
Tax effects of non-New Zealand profits	(6)	(9)
Taxes paid in foreign jurisdictions	(6)	(4)
Reintroduction of tax depreciation on buildings	–	10
Adjustments in respect of prior periods	(1)	6
Total income tax expense	**(169)**	**(148)**

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 2020	(127)	27	–	39	(61)
Amounts recognised in statement of profit or loss					
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)	–	–	–
Closing balance as at 30 June 2021	**(79)**	**(19)**	**(5)**	**19**	**(84)**
Opening balance as at 1 July 2019 – RESTATED	(135)	26	(3)	24	(88)
Amounts recognised in statement of profit or loss					
Relating to the current period	4	1	4	2	11
Reintroduction of tax depreciation on buildings	10	–	–	–	10
Adjustments in respect of prior periods	(6)	–	(1)	–	(7)
Amounts recognised in equity relating to the current year	–	–	–	13	13
Closing balance as at 30 June 2020	**(127)**	**27**	**-**	**39**	**(61)**

Spark has not recognised the tax effect of accumulated unrestricted losses and temporary differences amounting to AUD$461 million at 30 June 2021 based on the relevant corporation tax rate of Australia (30 June 2020: 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 $18 million imputation credit account balance as at 30 June 2021 due to the timing of dividend and tax payments (30 June 2020: nil). The imputation credit account had a positive balance as at 31 March 2021 and 31 March 2020.

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; and
- Spark New Zealand Managing Director Long-Term Incentive Scheme.

The Spark New Zealand Long-Term Incentive Scheme is for the Leadership Squad and senior leaders 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 will be the last year where RSS shares vest.

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 a Total Shareholder Return (TSR) performance hurdle. TSR is a measure of share price appreciation and dividends paid over the three-year period of the grant. The target for this hurdle is set annually and for grants issued in 2019 and 2020 this was the Company's cost of equity plus 1% compounding annually. Options with an intrinsic value of $9 million (30 June 2020: $5 million) remain outstanding at 30 June 2021 and have a weighted average remaining life of 1.7 years (30 June 2020: 2.2 years).

Information regarding shares and options awarded under these schemes is as follows:

	2021		2020	
	OPTIONS	RSS	OPTIONS	RSS
	NUMBER OF OPTIONS	NUMBER OF SHARES	NUMBER OF OPTIONS	NUMBER OF SHARES
Opening balance as at 1 July	998,125	1,086,461	–	1,755,862
Granted	939,898	–	1,088,715	–
Vested	–	(512,447)	–	(541,860)
Lapsed	(92,479)	(7,973)	(90,590)	(127,541)
Closing balance as at 30 June	**1,845,544**	**566,041**	**998,125**	**1,086,461**
Percentage of total ordinary shares	0.10%	0.03%	0.05%	0.06%

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 2021 was $1.8 million (30 June 2020: $1.8 million) and the expense relating to the restricted shares schemes was $1.2 million (30 June 2020: $1.4 million). As at 30 June 2021, $1.6 million of share scheme awards remain unvested and not expensed (30 June 2020: $2.1 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 an arm's length commercial basis.

Transactions with associate and joint venture companies

Spark's transactions with associates and joint ventures include the following:

- Spark provides network operations and management services to Southern Cross in respect of its operations in New Zealand;
- Spark makes 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;
- Spark sold mobile network equipment to Connect 8 Limited;
- Spark made payments to Rural Connectivity Group for network services; and
- Spark received revenue from Connect 8 Limited and Rural Connectivity Group for the sale of mobile network equipment and mobile backhaul equipment.

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	2021 $M	2020 $M
Operating revenues	12	11
Operating expenses	14	9
Capacity acquired and other capital expenditure[1]	23	59
Receivables	18	15
Payables	(1)	(2)

1 As at 30 June 2021 Spark has committed to purchases of $50 million for cable capacity from Southern Cross (30 June 2020: $62 million).

Key management personnel compensation

YEAR ENDED 30 JUNE	2021 $'000	2020 $'000
Directors' remuneration[1]	1,292	1,349
Salary and other short-term benefits[2]	7,577	7,686
Long-term incentives and share-based compensation[3]	831	901
	9,700	**9,936**

1 Excludes Chief Executive remmuneration.
2 Includes short-term benefits paid on termination.
3 Includes $831,000 share-based compensation (30 June 2020: $776,000 share-based compensation and $125,000 other long-term incentives).

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
Digital Island Limited	New Zealand	100%	Business telecommunications provider
Gen-i Australia Pty Limited	Australia	100%	Provides outsourced telecommunications services
Mattr Limited	New Zealand	94%	Software company focused on decentralised identity and verifiable data
Qrious Limited	New Zealand	100%	Big 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%	Provides local, national and international telephone and data services
Spark Retail Holdings Limited	New Zealand	100%	Retailer of telecommunications products and services
TCNZ (Bermuda) Limited	New Zealand	100%	A holding company
Teleco Insurance Limited	Bermuda	100%	A Group insurance company
Telecom New Zealand USA Limited	United States	100%	Provides international wholesale telecommunications services
Telecom Southern Cross Limited	New Zealand	100%	A holding company
Telegistics Limited	New Zealand	100%	Mobile phone repair and equipment distribution

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	2021 $M	RESTATED 2020 $M
Net earnings for the year	384	420
Adjustments to reconcile net earnings to net cash flows from operating activities		
Depreciation and amortisation	523	488
Bad and doubtful accounts	(4)	21
Deferred income tax	2	(13)
Share of associates' and joint ventures' net losses	1	(1)
Impairments	2	2
Other gains	(28)	(35)
Other	(5)	18
Changes in assets and liabilities net of effects of non-cash and investing and financing activities		
Movement in receivables and related items	(1)	26
Movement in inventories	31	(10)
Movement in current taxation	(20)	21
Movement in payables and related items	(27)	(34)
Net cash flows from operating activities	**858**	**903**

6.6 Commitments and contingencies

Capital and other commitments

As at 30 June 2021 capital expenditure contracted for, but not yet incurred, was $173 million (30 June 2020: $246 million) with $119 million due in the year ending 30 June 2022. Commitments principally relate to telecommunications network equipment and cable capacity.

As at 30 June 2021 Spark had other supplier commitments of $633 million (30 June 2020: $760 million), with $469 million due in the year ending 30 June 2022. Commitments include mobile handsets, 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.

Deloitte.

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 2021, 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 62 to 104, present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2021, 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), Holiday Act 2003 compliance, taxation compliance and advisory services and non-assurance services provided to the Corporate Taxpayers Group. 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 judgment 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 judgment 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 $26 million.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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

The Group's reported operating revenue of $3,565m (2020: $3,588m) includes:

- Mobile $1,311m (2020: $1,288m)
- Broadband $670m (2020: $680m)
- Voice $308m (2020: $386m)
- Cloud, security and service management $443m (2020: $420m)
- Procurement and partners $414m (2020: $407m)
- Managed data, networks and services $282m (2020: $277m)
- Other revenues $137m (2020: $130m)

Revenue recognition is considered to be a key audit matter.

For Mobile, Voice 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, judgment 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 judgments and estimates, particularly for larger contracts, which are bespoke and cover several accounting periods.

The judgments 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 breakdown 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, Voice 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, Voice and Broadband:

- testing of the design and implementation, and the operating effectiveness of automated controls over the capture of data at the network switches 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; and
- testing a sample of revenue transactions recorded during the year relating to new or changing product plans.

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.

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 $1,951m (2020: $1,964m) with additions during the year of $395m (2020: $376m). There are a number of areas where judgments 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 decision to capitalise or expense 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 judgments may have a significant impact on the results of the Group. Due to the significance of these judgments 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.	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 appropriateness of the date from which assets commenced being depreciated; and • assessing the allocated useful economic lives, by comparing to industry benchmarks and our knowledge of the business and its operations. We assessed the application of the Group's annual asset life review. This included assessing judgments 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.

Other matter

The consolidated financial statements for the year ended 30 June 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 August 2020.

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

18 August 2021

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 NZX. 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**

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 FY21 were:

BOARD/COMMITTEE	CHAIR[1]	MEMBER[2]
Board of Directors	$368,700	$145,200
Audit and Risk Management Committee (ARMC)	$39,100	$19,000
Human Resources and Compensation Committee (HRCC)	$33,500	$16,800
Nominations and Corporate Governance Committee (NOMs)	–	–

1. Committee chair and member fees were not payable to the Chair of the Board. Committee member fees were not payable to committee Chairs.
2. Member fees were payable for each committee.

From 1 July 2021 the non-executive directors' fees increased by 1.5% (rounded to the nearest $100), to be paid out of the current shareholder-approved annual remuneration limit of $1,630,000.

This increase approximates the average annual CPI increase seen over the last four quarters and 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 2021 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)
Pip Greenwood	Paul Berriman	Alison Barrass
Justine Smyth	Warwick Bray	Paul Berriman
	Pip Greenwood	Warwick Bray
	Justine Smyth (ex officio)	Pip Greenwood
		Jolie Hodson
		Charles Sitch

The total remuneration received by non-executive directors of Spark during FY21 was as follows:[1]

NAME OF DIRECTOR	BOARD FEES	AUDIT & RISK MANAGEMENT COMMITTEE FEES	NOMINATIONS & CORPORATE GOVERNANCE COMMITTEE FEES	HUMAN RESOURCES AND COMPENSATION COMMITTEE FEES	TOTAL REMUNERATION[2]
Justine Smyth	$368,700	–	–	–	$368,700
Alison Barrass	$145,200	–	–	$33,500	$178,700
Paul Berriman	$145,200	$19,000	–	–	$164,200
Warwick Bray	$145,200	$19,000			$164,200
Pip Greenwood	$145,200	$19,000	–	$10,956[3]	$175,156
Ido Leffler[4]	$50,899	–	–	$5,889	$56,788
Charles Sitch	$145,200	$39,100	–	–	$184,300
Total	**$1,145,599**	**$96,100**		**$50,345**	**$1,292,044**

1. The figures shown are gross amounts and exclude GST (where applicable) and are rounded to the nearest dollar.
2. This table excludes contributions towards medical and life insurance of a total of $9,898. 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 home phone account credits 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.
3. Ms Greenwood was appointed as a member of the HRCC from 6 November 2020.
4. Mr Leffler resigned as a director from 6 November 2020.

The following former Managing Director long-term incentives vested in FY21:

GRANT YEAR	SECURITIES	PERFORMANCE PERIOD	PERFORMANCE MEASURE	VESTING OUTCOME	SHARES TRANSFERRED	VALUE TRANSFERRED[1]
FY18	Restricted Shares	September 2017 – September 2020	Absolute TSR, hurdle – Spark's annual cost of equity +1% compounding	100% – 3 year TSR result was 53.21% compared with a 36.33% target	172,481	NZ$798,587
Total						**NZ$798,587**

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 FY19 Equity Incentive (essentially a deferred STI) vested on 21 September 2020, as the service condition was satisfied. Accordingly, 99,058 redeemable ordinary shares converted to ordinary shares.

CEO remuneration

The total remuneration earned or paid in FY21, and anticipated target remuneration expected to be earned or paid in FY22, by and to the CEO, Jolie Hodson is as follows:

PERIOD	BASE SALARY[1]	SHORT-TERM INCENTIVE[2]	LONG-TERM INCENTIVE[3]
FY21 actual remuneration	NZ$1,200,000	NZ$894,450	NZ$900,000 in the form of share options
FY22 anticipated target remuneration	NZ$1,230,000	NZ$922,500	NZ$922,500 in the form of share options

1. Base salary excludes employer contributions towards KiwiSaver and is not at risk.
2. FY21 actual short-term incentive was earned in FY21 and will be paid in FY22. The amount that will be paid for the FY21 actual short-term incentive will be reduced by $78,750 when it is paid in FY22 as a result of clawback for the FY20 short term incentive (see page 58). The gross amount earned in FY20 and paid in FY21 was $747,000. FY22 anticipated short-term incentive will be earned in FY22 and paid in FY23.
3. FY21 long-term incentive was granted in FY21 and, subject to performance hurdles, will vest in September 2023.

The following CEO long-term incentives vested in FY21:

GRANT YEAR	SECURITIES	PERFORMANCE PERIOD	PERFORMANCE MEASURE	VESTING OUTCOME	SHARES TRANSFERRED	VALUE TRANSFERRED[1]
FY18	Restricted Shares	September 2017 – September 2020	Absolute TSR, hurdle – Spark's annual cost of equity + 1% compounding	100% – 3 year TSR result was 53.21% compared with a 36.33% target	44,845	NZ$207,632
Total						**NZ$207,632**

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 2021 the CEO holds 142,214 ordinary shares which fulfils this expectation to hold shares that are at least equivalent in value to 25% of the CEO's base salary, which based on the share price as at 30 June 2021 equates to approximately 57% of the CEO's base salary as at 30 June 2021.

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 FY21

The Board held nine formal meetings during FY21. 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	9	8	7	5
Alison Barrass[1]	9	4	7	5
Paul Berriman	9	8	–	5
Warwick Bray	9	8	–	5
Pip Greenwood[2]	9	8	3	5
Jolie Hodson[3]	9	8	7	5
Ido Leffler[4]	3	–	4	1
Charles Sitch	9	8	–	5
Justine Smyth[5]	9	8	7	5

1. Ms Barrass attended a number of ARMC meetings but is not a member of the committee.
2. Ms Greenwood was appointed a member of the HRCC on 6 November 2020.
3. Ms Hodson attended ARMC and HRCC meetings as Executive Director.
4. Mr Leffler resigned as a director on 6 November 2020.
5. 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 2021 Ms Barrass, Mr Berriman, Mr Bray, Ms Greenwood, Mr Sitch and Ms Smyth were independent. The Board determined that Ms Hodson was not independent due to her position as CEO.

The criteria for determining director independence and conflict of interest may be found in the Board Charter at: **www.sparknz.co.nz/about/governance**

Director interests

Directors made the following entries in the interests register for FY21:

- Directors disclosed, pursuant to section 140 of the Companies Act 1993, interests in the following entities during FY21:

DIRECTOR	ENTITY	RELATIONSHIP
Alison Barrass	Lewis Road Creamery Limited	Ceased to be a director
	Babich Wines Limited	Chair
	Zespri Group Limited	Director
	Heilala Vanilla Limited	Will cease to be a director[1]
	Rockit Orchards Limited	Director
Paul Berriman	HKT Trust	Ceased to be Group Chief Technology Officer
	NGMN e.v	Ceased to be a board member
	IX Acquistion Corp	Advisor
Pip Greenwood	Westpac New Zealand Limited	Appointed Chair[2]
Ido Leffler[3]	Beach House Group	Ceased to be a director
	Lux Group Limited	Director
	Southern Cross Austereo	Board member
Charles Sitch	Trinity College Melbourne University	Ceased to be Chair

1. Will cease to be a director effective 30 September 2021.
2. Appointment effective 1 October 2021.
3. Mr Leffler resigned as a director on 6 November 2020.

- Directors disclosed, pursuant to section 148 of the Companies Act 1993, the following acquisitions and disposals of relevant interests in Spark shares during FY21:

NAME	DATE	NATURE OF TRANSACTION	CONSIDERATION	NUMBER OF SHARES
Paul Berriman	17 September 2020	Purchase of ordinary shares	AUD$100,468	23,000
Warwick Bray	30 March 2021	Purchase of ordinary shares	AUD$130,997	31,230
Jolie Hodson	21 September 2020	Issue of options	Services to Spark	187,430
	24 September 2020	Unrestricting of restricted ordinary shares	Services to Spark	44,845
Justine Smyth	1 October 2020	Purchase of ordinary shares	$116,841	25,000
	26 March 2021	Purchase of ordinary shares	$133,273	30,000

- 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 2021 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 FY21 by employee group[1]:

	FULL-TIME PERMANENT EMPLOYEES	PART-TIME PERMANENT EMPLOYEES	FIXED-TERM / CASUAL EMPLOYEES
Parental Leave	Yes	Yes	Yes[2]
Insurance cover: • Medical • Life & Terminal Illness • Income Protection • Trauma	Yes	Yes[3]	No
Spark Account Credit[4]	Yes	Yes	No
Ability to participate in Spark Share[5]	Yes	Yes	No
Volunteer Day[6]	Yes	Yes	No
Spark Give[7]	Yes	Yes	No[8]
Eligibility to join Marram[9]	Yes	Yes	No
Eligible for Purchased Leave[10]	Yes	Yes	No

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. If an employee donates to a charity or to a school directly from their pay then Spark will match the amount 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.

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 FY21 totalling NZ$100,000 or more[1].

RANGE	CURRENT	FORMER	TOTAL	RANGE	CURRENT	FORMER	TOTAL
$100,000 - $110,000	317	37	354	$320,001 - $330,000	4	1	5
$110,001 - $120,000	327	42	369	$330,001 - $340,000	1	0	1
$120,001 - $130,000	279	29	308	$340,001 - $350,000	2	0	2
$130,001 - $140,000	213	24	237	$350,001 - $360,000	4	1	5
$140,001 - $150,000	204	12	216	$360,001 - $370,000	1	0	1
$150,001 - $160,000	110	16	126	$370,001 - $380,000	4	1	5
$160,001 - $170,000	93	16	109	$390,001 - $400,000	1	0	1
$170,001 - $180,000	72	6	78	$400,001 - $410,000	2	1	3
$180,001 - $190,000	47	4	51	$410,001 - $420,000	3	1	4
$190,001 - $200,000	35	7	42	$450,001 - $460,000	2	0	2
$200,001 - $210,000	27	3	30	$460,001 - $470,000	1	0	1
$210,001 - $220,000	22	3	25	$470,001 - $480,000	1	0	1
$220,001 - $230,000	22	3	25	$540,001 - $550,000	1	0	1
$230,001 - $240,000	13	4	17	$560,001 - $570,000	2	1	3
$240,001 - $250,000	19	2	21	$610,001 - $620,000	1	0	1
$250,001 - $260,000	7	3	10	$700,001 - $710,000	1	0	1
$260,001 - $270,000	8	1	9	$710,001 - $720,000	0	1	1
$270,001 - $280,000	8	2	10	$770,001 - $780,000	1	0	1
$280,001 - $290,000	3	1	4	$820,001 - $830,000	1	0	1
$290,001 - $300,000	6	0	6	$900,001 - $910,000	1	0	1
$300,001 - $310,000	4	0	4	$1,020,001 - $1,030,000	1	0	1
$310,001 - $320,000	2	2	4				
Total					1,873	224	2,097

1. The table includes base salaries, short-term incentives and vested long-term incentives. The table does not include: amounts paid after 30 June 2021 relating to FY21; long-term incentives that have been granted and have yet to vest (based on grant values, the total value of which was NZ$9.5 million as at 30 June 2021); 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 2021 there were 1,867,125,093 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[1]	%	NUMBER OF SHARES	%
1-1,000	13,784	30.31	7,055,763	0.38
1,001-5,000	19,285	42.41	50,335,612	2.70
5,001-10,000	6,398	14.07	47,323,025	2.53
10,001-100,000	5,751	12.65	133,521,426	7.15
100,001 and over	254	0.56	1,628,889,267	87.24
Total	**45,472**	**100.00**	**1,867,125,093**	**100.00**

1. Includes 566,041 shares on issue held by Spark Trustee Limited on behalf of 45 holders for the Spark Long-Term Incentive Plan (as further described in note 6.2 of the financial statements). There are 1,392,385 shares on issue held by Spark Trustee Limited on behalf of 1,266 holders for Spark Share.

As at 30 June 2021 there was an additional class of 111,003 redeemable ordinary shares on issue all held by Mr Simon Moutter (the former Managing Director). Redeemable ordinary shares have the same voting rights as ordinary shares (but are subject to restrictions regarding disposal).

The 20 largest registered holders of Spark shares at 30 June 2021 were:

NAME[1]		NUMBER OF SHARES	%
1.	HSBC Nominees (New Zealand) Limited[2]	338,776,854	18.14
2.	HSBC Nominees (New Zealand) Limited[2]	192,611,775	10.32
3.	JP Morgan Chase Bank	166,357,091	8.91
4.	Citibank Nominees (NZ) Limited	151,798,629	8.13
5.	HSBC Custody Nominees (Australia) Limited	62,635,777	3.35
6.	National Nominees New Zealand Limited	54,760,785	2.93
7.	New Zealand Superannuation Fund Nominees Limited	49,641,191	2.66
8.	BNP Paribas Nominees NZ Limited[3]	46,980,065	2.52
9.	Accident Compensation Corporation	46,242,394	2.48
10.	FNZ Custodians Limited	34,302,984	1.84
11.	BNP Paribas Nominees NZ Limited[3]	33,037,925	1.77
12.	Forsyth Barr Custodians Limited	32,572,223	1.74
13.	Cogent Nominees Limited	32,108,260	1.72
14.	Tea Custodians Limited	26,207,884	1.40
15.	Premier Nominees Limited	25,270,522	1.35
16.	Citicorp Nominees Pty Limited	24,875,605	1.33
17.	JB Were (NZ) Nominees Limited	24,057,541	1.29
18.	JP Morgan Nominees Australia Pty Limited	23,834,087	1.28
19.	New Zealand Depository Nominee	21,336,040	1.14
20.	New Zealand Permanent Trustees Limited	19,130,550	1.02

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 2021 the substantial holders in Spark were as follows:

NAME	NUMBER OF ORDINARY SHARES	% OF ORDINARY SHARES ON ISSUE[1]
Blackrock Investment Management (Australia) Limited	137,946,771	7.39
The Vanguard Group, Inc	95,668,054	5.12

1. Based on issued share capital of 1,867,125,093 as at 30 June 2021.

As at 30 June 2021 directors, or entities related to them, held relevant interests (as defined in the Financial Markets Conduct Act 2013) in Spark shares as follows:

	RELEVANT INTEREST IN SPARK SHARES AT 30 JUNE 2021	
NAME	NUMBER	%[1]
Alison Barrass	37,716	0.002
Paul Berriman	43,000	0.002
Warwick Bray	31,230	0.002
Pip Greenwood	33,325[2]	0.002
Jolie Hodson	580,255[3]	0.031
Charles Sitch	32,729[4]	0.002
Justine Smyth	430,201[5]	0.023

1. Each percentage stated has been rounded to the nearest 1/1000th of a percent.
2. Relevant interest in beneficial ownership of 33,325 ordinary shares held by Custodial Services Limited as custodian for Rakino Trust.
3. Includes 142,214 ordinary shares, 390,747 options and 47,294 restricted shares.
4. Relevant interest in beneficial ownership of 32,729 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 2021. 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	
Digilife New Zealand Limited	Holding company	M Stribling, M Sheppard	
Digital Island Limited	Business telecommunications provider	S Knight, G McBeath	
Gen-i Australia Pty Limited	Provides outsourced telecommunications services	F Evett, I Hopkins	
Gen-i Limited	Holding company	S Knight, G McBeath	
Mattr Limited	Software company focused on decentralised identity and verifiable data	C Barber, J Hodson, F Evett	
Qrious Limited	Big-data analytics business	N Morris, S Knight	
Qrious Consulting Limited	Data consulting company	N Morris, S Knight	
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, C Fraser	
Spark New Zealand Trading Limited	Provides local, national and international telephone and data services	M Anastasiou, S Knight, M Beder	
Spark Retail Holdings Limited	Retailer of telecommunications products and services	M Anastasiou, S Knight	
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	D Havercroft, J Wesley-Smith	
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)	M Beder, A Dyer-Fagundo
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	
Telegistics Limited	Mobile phone repair and equipment distribution	R Singh, J Bahlman, R Patel, G Clark	D Reeve, C Fletcher, R Adams

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								✔

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	• Regular engagement through eNPS (employee net promotor score) methodology and newly launched Joyous real-time employee feedback tool. • Comprehensive programme of internal communication and engagement from Leadership Squad (through roadshows and online channels). • Engagement with cross-section of employees in the preparation of this report.
Shareholders	Regular engagement with investors including: • Semi-annual earnings announcements, together with semi-annual post result investor briefings; • Semi-annual shareholder newsletters; • Annual meeting that allows shareholders a chance to meet and ask questions directly of the Spark Board and management; • Regular investor road shows; and • Periodic investor strategy briefings.
Suppliers	• Ongoing conversations with our suppliers – both informal and formal.
Customers	• Regular feedback from customers on their experiences with us and their views of Spark as a business through our Net Promotor Score methodology and through our Voice of the Customer programme.
Government	• Engagement with central Government on issues related to the telecommunications industry, competition, infrastructure investment, environmental sustainability and digital equity. • Engagement with local government to manage the process and impacts of infrastructure investment.
Media	• Responding to media enquiries and through a proactive programme of engagement with key members of New Zealand's media.
Local communities	• Spark engages with local communities affected by our activities, in particular where we are building new network infrastructure.
Community partners	• Spark Foundation works in partnership with, and engages, our community partners on an ongoing basis through its work on Jump and other initiatives..
Industry organisations	• Engagement with a number of industry organisations, representing the telecommunications and technology sector, community groups, and the New Zealand business community.

- 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. See page 39.
- Spark has committed to a government-accredited voluntary Product Stewardship scheme for mobile phones, which is actioned by the Re:Mobile initiative. See page 41.

External initiatives Spark subscribes to or endorses

Spark was an active member of the following associations in FY21:

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)
Business NZ
Sustainable Business Council
Aotearoa Circle
Global Women
Champions for Change

Global Reporting Initiative (GRI) content index

To prioritise Spark's reporting on sustainability topics we have followed GRI's 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.

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 FY21 we have reviewed and updated our list of material impacts, taking into account new and emerging issues particularly related to the recovery after Covid-19. This has prioritised our role to support economic recovery and highlighted the importance of investment in resilient and adaptable infrastructure. We have also followed 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.

INFLUENCE ON STAKEHOLDER ASSESSMENTS AND DECISIONS

• Competition and regulation • Diversity and Inclusion • Ethical behaviour • Ethical supply chain and procurement practices	• Customer experience and support • Data privacy and security • Digital equity • Equipping people for the future of work • Operational excellence and financial performance • Building partnerships for a strong Aotearoa • Resilient, adaptable network infrastructure • Supporting business customers through partnership
• Community investment • Infrastructure impact • Operational efficiency, emissions and waste • Responsible employment practices • Tax	• Adaptation to physical risk from climate change • Disaster and crisis response • Heath, Safety and Wellbeing • Investment in innovation • Leveraging services for community and environmental outcomes • Product stewardship • Responsible and fair use of our products and services

SIGNIFICANCE OF ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS

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**

Indicator	Disclosure	Page number / reference
GRI 102: General disclosures 2016		
102-1	Name of the organisation	5
102-2	Activities, brands, products and services	8
102-3	Location of headquarters	124
102-4	Location of operations	8
102-5	Ownership and legal form	66, 103, 109
102-6	Markets served	8
102-7	Scale of the organisation	8-9, 63
102-8	Information on employees and other workers	37 and FY21 Modern Slavery Statement
102-9	Supply chain	57
102-10	Significant changes to the organisation and its supply chain	67
102-11	Precautionary principle or approach	38
102-12	External initiatives	119
102-13	Membership of associations	119
102-14	Statement from senior decision-maker	10-13
102-16	Values, principles, standards and norms of behaviour	6, 27, 48, 52, CGS Principle 1
102-18	Governance structure	48–49, 52, CGS Principles 2, 3 and 4
102-40	List of stakeholder groups	119
102-41	Collective bargaining agreements	<1% of Spark employees in FY21
102-42	Identifying and selecting stakeholders	119
102-43	Approach to stakeholder engagement	119
102-44	Key topics and concerns raised	120
102-45	Entities included in the consolidated financial statements	66, 117
102-46	Defining report content and topic boundaries	119–120
102-47	List of material topics	120
102-48	Restatements of information	58 (iNPS)
102-49	Changes in reporting	N/A
102-50	Reporting period	5
102-51	Date of most recent report	Spark's FY20 Annual Report was published on 26 August 2020
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	124
102-54	Claims of reporting in accordance with GRI standards	5
102-55	GRI content index	121–122
102-56	External assurance	105–108
GRI 200 Economic Standard Series		
201-2	Financial implications and other risks and opportunities due to climate change	55–56
203-1	Infrastructure investments and services supported	28–31
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	27
207-1	Approach to tax	52–53

GRI content index (continued)

Indicator	Disclosure	Page number / reference
GRI 300 Environmental Standard Series		
305-1	Direct (Scope 1) emissions	40 and www.sparknz.co.nz/sustainability/environment
305-2	Energy indirect (Scope 2) emissions	40 and www.sparknz.co.nz/sustainability/environment
305-3	Other indirect (Scope 3) emissions	40 and www.sparknz.co.nz/sustainability/environment
306-2	Management of significant waste-related impacts	41
306-3	Waste generated	41
308-1	New suppliers that were screened using environmental criteria	57
308-2	Negative environmental impacts in the supply chain and actions taken	57
GRI 400 Social Standard Series		
401-1	New employee hires and employee turnover	37
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	113
401-3	Parental leave	36
403-1 (2018)	Occupational health and safety management system	34
403-9 (2018)	Work-related injuries	34 (TRIFR reporting)
404-2	Programmes for upgrading employee skills and transition assistance programmes	32–33
405-1	Diversity of governance bodies and employees	36–37, 49
405-2	Ratio of basic salary and remuneration of women to men	36
414-1	New suppliers that were screened using social criteria	57
414-2	Negative social impacts in the supply chain and actions taken	57
417-3	Incidents of non-compliance concerning marketing communications	27
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	26–27

Glossary

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.
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.
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.
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	Optical Transport Network.
PSTN	Public Switched Telephone Network.
QBR	Quarterly Business Review.
SME	Small and medium enterprise.
Southern Cross	Southern Cross Cables group of companies, which consists of two sister companies, Southern Cross Cables Holdings Limited and Pacific Carriage Holdings Limited 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.
TSR	Total Shareholder Return and is a measure of share price appreciation and dividends paid over a given period.

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The 'Kora Aotearoa' logo on the front cover of our report sits alongside the 'Spark New Zealand' logo, symbolising our partnership with Māori and our commitment to Te Korowai Tupu (our Māori Strategy).

The literal translation of Spark New Zealand is Kora Aotearoa as 'Spark' in te reo Māori is 'Kora' and 'Aotearoa' is the Māori name for 'New Zealand'.

Ngā Hau e Whā - The four koru forms represent 'Ngā Hau e Whā' or 'coming from the four winds' and this symbol has been used to signify our embracing all nationalities as part of our Spark whanau.

External star - The external star draws a connection with the Spark logo and represents the revealed world that we know.

Internal star - The star at the centre of the logo symbolises enlightenment – it is our central point of understanding.

As a whole the Kora Aotearoa logo expresses the revealed world of enlightenment. The 'DAWN OF LIGHT'. By location Aotearoa is the first to see the light of dawn. Echoing the 'DAWN OF LIGHT' approach.

Spark New Zealand

FY21 Results Summary

Jolie Hodson, Chief Executive Officer
Stefan Knight, Finance Director

Results overview

FY21 Operating Conditions and Performance

- Stronger than expected New Zealand economic recovery, with low unemployment and GDP back in growth.
- Closed international borders and the loss of roaming revenue resulted in top-line revenue decline.
- Strong underlying revenue performance in mobile and cloud, security and service management.
- Delivered FY21 EBITDAI[1] growth at the top end of the guidance range through disciplined cost management.
- NPAT decline driven by higher depreciation and amortisation costs and increase in tax expense.
- Declared FY21 total dividend of 25 cents per share, 100% imputed, supported by resilient free cash flow.
- Phase one of Spark's Infrastructure Review completed, with further significant infrastructure investments planned for FY22 – including accelerated 5G rollout and datacentre capacity expansion.
- Further opportunities identified to drive value from the passive components of Spark's mobile network and fibre. Spark is actively exploring shared ownership models; however, discussions are ongoing and there is no certainty that any transaction will proceed.

[1] 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

FY21 Financial Snapshot

Resilient revenues and disciplined cost reduction delivered EBITDAI growth towards the top end of guidance.

$3,593m

REVENUE[1]

(0.8%) decrease vs. FY20

$1,124m

EBITDAI[2]

1.0% increase vs. FY20

$384m

NPAT[3]

(8.6%) decrease vs. FY20

$354m

CAPEX

(5.3%) decrease vs. FY20

$433m

FREE CASH FLOW[4]

(1.1%) decrease vs. FY20

25.0c

TOTAL FY21 DIVIDEND

H2 FY21 Dividend confirmed at 12.5cps (100% imputed)

[1] Operating revenues and other gains
[2] 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
[3] Prior year NPAT has been restated to reflect a reduction in NPAT of $7m for the amortisation of reacquired rights that were previously regarded as indefinite life and therefore not amortised
[4] The calculation of free cash flow is defined within the 'cash flows' worksheet of the FY21 detailed financials workbook - excludes $51m spectrum payment

Strategy update

FY21 Established Market Performance

$852m MOBILE SERVICE REVENUE	$670m BROADBAND REVENUE	$443m CLOUD, SECURITY, & SERVICE MANAGEMENT
0.5% increase vs. FY20	(1.5%) decrease vs. FY20	5.5% increase vs. FY20
Leading Mobile Service Revenue[1]	**#1 Broadband[1]**	**#1 Hybrid Cloud[1]**
Mobile service revenue growth despite loss of $31m roaming revenues. Underlying growth of 4.3%[2] demonstrates strong momentum.	Lower overall market growth in FY21 vs. FY20[1]. Connection base at 701k despite increased competitive intensity.	Strong momentum in service management with revenue up 10.8% – driven by increased annuity and project revenues as businesses transform to cloud-based solutions.
Mobile service revenue market share[1] 41.5%, up 1.1pp vs. FY20, and driven by pay monthly connection growth of 56k.	Wireless broadband performance below target due to challenging marketplace. Increased momentum in Q4 resulting in +19k YoY connection growth.	Collaboration revenue up 4.6% YoY as COVID-19 increased demand for flexible working solutions.
Growth in total mobile and prepaid ARPU, driven by 89% increase in Endless mobile plans as customers seek more data, and fewer low ARPU pre-paid travellers.	Remain committed to target of ~30-40% of base on wireless broadband, targeting lower end of that range by FY23. Accelerating 5G rollout in FY22 will increase addressable base.	CCL achieved certification against ISO/IEC27001:2013 international standard demonstrating its commitment to maintaining robust security for clients and partners.

[1] Market share estimates sourced from IDC
[2] Mobile service revenue loss of $31m for outbound roaming. NOTE: mobile non-service revenue loss of $7m for inbound roaming. Total mobile roaming revenue loss of $38m

Strategic Update: World Class Capabilities and Culture

Strong progress across core capabilities supporting ongoing transition to digital services future

SIMPLE, INTUITIVE CUSTOMER EXPERIENCES

- 600k unique MySpark App users completing ~3.6m interactions per month – supporting a 32% increase in digital sale and change customer journeys.
- Enhanced online messaging functionality for customer care supporting ~15k conversations per month and delivering a higher iNPS than traditional voice and chat.
- Retired 210 legacy mobile and broadband plans – simplifying product stack and right planning customers.
- Legacy PSTN lines reduced to under 300k in June 2021 with an average of 10k connections migrating off this technology every month.

DEEP CUSTOMER INSIGHTS

- Increased coverage of household view to ~83% of New Zealand households – improving our ability to understand and serve the needs of Kiwis.
- Delivered ~22 core machine learning models, enabling highly targeted marketing campaigns.
- Precision marketing supporting 89% YoY growth in adoption of Endless mobile plans.
- Overall improvement in marketing efficiency of 16%.

SMART, AUTOMATED NETWORK

- 5G now live in 9 locations, including Auckland, Christchurch, Dunedin and Hamilton. Accelerating rollout and increasing overall investment in mobile connectivity to $125m in FY22 – targeting ~90% population coverage by end of calendar year 2023, assuming necessary spectrum is made available by the New Zealand Government.
- Continued investment in rural connectivity, with RCG cell tower builds (1) opening up additional wireless broadband and IoT opportunities, and 445 marae connected through the Marae Digital Connectivity initiative.
- First stage of next generation Optical Transport Network complete, continued investment in SX Next Cable build supporting resilience and capacity.
- Completed first phase of infrastructure review, now progressing to phase 2. See infrastructure review section, pages 8-14.

GROWTH MINDSETS

- Continued to grow Agile maturity, with 86% of squads now at 3.5 or above.
- Significant growth in employee engagement, with eNPS +76, up 10 points YoY.
- Substantial program of leadership capability delivered to high potential leaders, focussed on creating the conditions for innovation and growth.
- Continued to create a culture of inclusion with 42% of senior roles outside the Board and Leadership Squad now held by women, collaboration across the business community to drive data-driven ethnic inclusion strategies, and progress against Te Korowai Tupu, our Māori Strategy.

(1) Rural Connectivity Group (RCG) launched 261st tower during FY21 – targeting more than 400 sites by the end of 2022

Infrastructure Review

Infrastructure Review Recap

Overview

In February we announced a review of our infrastructure assets, with the aim of driving greater capital efficiency, increased resilience, and better experiences for customers. Spark has a significant infrastructure asset portfolio, and we have seen an increased interest in quality infrastructure assets.

- 1,200 km national fibre backhaul network
- 1,500 mobile sites
- 35 major network exchanges
- 18 Datacentres[(1)]
- Satellite station
- Ownership stake in 3 sub-sea cables
- Metro & regional data networks fibre/wireless

Spark nz

Review status

Phase 1

Complete

Categorising our different infrastructure assets into classes based on their strategic importance, competitive advantage and how they support network resilience for our customers

Phase 2

Ongoing

Define and pursue opportunities to grow the value of asset portfolio – either by investing, optimising or shared ownership

[(1)] Portfolio includes a mix of dedicated tier 3 datacentres, tier 2 facilities and converted exchange buildings.

Clear approach to the assets in each class

CLASS 1

INVEST & GROW

IMPORTANT FOR COMPETITIVE ADVANTAGE AND RESILIENCE

- Active mobile
- Critical network exchanges
- Datacentre capacity
- Multi-access edge compute

CLASS 2

OPTIMISE INVESTMENT

ASSETS THAT ARE IMPORTANT FOR NETWORK RESILIENCE

- Regional & local network exchanges
- Sub-sea cables
- Spark's satellite station

CLASS 3

SHARED OWNERSHIP MODELS

ASSETS THAT CAN BE SHARED

- Passive mobile
- Fibre

Class 1: Invest & Grow

CLASS 1

INVEST

& GROW

IMPORTANT FOR COMPETITIVE ADVANTAGE AND RESILIENCE

- Active mobile
- Critical network exchanges
- Datacentre capacity
- Multi-access edge compute[1]

RATIONALE & OPPORTUNITY

Retain control of assets that drive competitive advantage, accelerate smart automated network objectives, and support innovation and emerging technologies

- **Active mobile** when combined with Spark's spectrum holdings currently drives competitive advantage. Our 5G rollout will bring significant increases in capacity and speed and will further expand the addressable market for wireless broadband and open up commercialisation opportunities across business and consumer.
- **Critical network exchanges ~10% of sites:** provide resilience and will become future multi-access edge compute nodes.
- **Datacentre capacity** such as IaaS and hybrid-cloud platforms supports our growing cloud business which in turn creates opportunity to cross-sell other IT and Managed Services offerings such as service management.

Accelerated 5G rollout and datacentre capacity expansion mark a significant investment into New Zealand's connectivity and resilience

[1] Multi-access edge compute reduces the physical distance from an end user to compute and the networking service, reducing latency and supporting new use cases that require real-time performance to work e.g. cloud gaming

Class 1: Invest & Grow

CLASS 1

INVEST

& GROW

IMPORTANT FOR COMPETITIVE ADVANTAGE AND RESILIENCE

- Active mobile
- Critical network exchanges
- Datacentre capacity
- Multi-access edge compute[1]

CRITICAL NETWORK EXCHANGE & DATACENTRE OPPORTUNITY

Leverage growth and changing dynamics of datacentre market through substantial investment in datacentre capacity and multi-access edge compute

- Investing in a material upgrade of critical exchange at Mayoral Drive and scaling Spark's Tier 3 datacentre at Takanini to support strategy to lead in cloud.
- **Mayoral Drive:** investment to develop quality multi-access edge compute and leveraging the site's existing position as a key connection point for national and international connectivity to be at the core of New Zealand's cloud.
- **Takanini:** intend to increase the existing datacentre by approximately 10MW of capacity – which will make it the largest in New Zealand once completed. Investment will be staged to meet contracted demand. We are in advanced negotiations to contract at least 60% of the initial ~10MW expansion.
- Investments will deliver revenue growth and enable Spark to continue to be a leader in the New Zealand datacentre market as the cloud market rapidly evolves:
  - Significant uplift in demand for customer cloud solutions;
  - Migration of customers to multi-cloud solutions; and
  - Onshore investment by global public cloud providers.

Multi-year growth opportunity supported by capital investment managed within targeted capital envelope of 10-11% of revenues, albeit at top end of this range

[1] Multi-access edge compute reduces the physical distance from an end user to compute and the networking service, reducing latency and supporting new use cases that require real-time performance to work e.g. cloud gaming

Class 2: Optimise Investment

CLASS 2

OPTIMISE
INVESTMENT

ASSETS THAT ARE IMPORTANT FOR NETWORK RESILIENCE

- Regional & local network exchanges
- Sub-sea cables
- Spark's satellite station

RATIONALE

Focus on optimisation through efficient operation and investment while right-sizing the portfolio

- **Regional and local network exchange** portfolio provides a combination of resilience and housing for legacy network equipment; and is split across two key categories:
  - **Exchanges that enable resilience ~40% of sites:** provide secondary network connectivity and datacentre locations for Spark's modern technology, products and services.
  - **Exchanges that house legacy equipment ~50% of sites:** are not part of Spark's future technology roadmap. These are smaller legacy sites which Spark will progressively exit as infrastructure consolidates into exchanges that are critical and/or provide resilience (with proceeds unlikely to be material).
- **Sub-sea cables** support international resilience and we intend to maintain our long-term shareholding as there is value through shared ownership of key data transport assets.
- **Satellite station** has lower strategic value today but provides resilience and has potential future value as satellite market grows.

Resilience is critical to the ongoing performance and experience of our networks. Future planning for assets that support network resilience will ensure that customer outcomes are not only maintained but enhanced

Class 3: Shared Ownership Models

CLASS 3

SHARED OWNERSHIP

MODELS

ASSETS THAT CAN BE SHARED

- Passive mobile
- Fibre

RATIONALE & OPPORTUNITY

Maximising the value of passive infrastructure assets through efficiency, increasing asset utilisation, and exploring shared ownership models

Passive mobile towers are not considered a driver of competitive advantage. Global focus on these assets is shifting to operational efficiencies and shared ownership models. Our portfolio has:

- Approximately 1,500 mobile sites (~70% macro towers, ~15% on building, ~15% on light poles)
- Current tenancy ratio on Spark owned mobile sites: 1.07

Fibre network sharing models are considered a potential driver of efficiency in a market that is highly competitive with large amounts of overlapping network.

Actively exploring opportunities. Discussions are ongoing in relation to potential shared ownership models for passive infrastructure assets – no certainty that any transactions will proceed.

Strategic Update: Future Markets

Building foundations in future markets in support of long term growth

IoT[1]

- IoT connection growth underpinned by Spark's IoT networks which cover ~99% of the population[2]: connection growth of 83% vs. FY20, with over 450k devices connected across a range of industries including utilities, health and logistics.
- Spark Innovation Studio launched: ~150 tours conducted to date with over 1,000 customers visiting to identify how IoT and 5G can help them adapt, transform, and grow.
- IoT-enabled smart-city infrastructure: in partnership with Auckland Transport at Auckland's Wynyard Quarter with the goal of accelerating the digitisation of operations, enhancing productivity and sustainability.

Digital Health

- Spark Health: brand identity launched into market, with telco, IT and business transformation solutions tailored to the healthcare sector – delivering revenue growth of 10.6%, on a revenue base of ~$200m.
- Digital Health Platform 'Kete Waiora:'[3] platform vendor selected. Targeting launch to clients in Q1 FY22.
- Supported large healthcare providers: during the pandemic response, including Whakarongorau Aotearoa's COVID-19 hotline for COVID-19 information.

Sport

- First 'summer of cricket': successfully delivered with over 3 million hours of live cricket streamed to ~240k Spark Sport viewers[4].
- Continued to build capability and content: establishing pay-per-view content model, introduced e-sports, and secured exclusive New Zealand rights to the UEFA Champions League[5] and the Rugby League World Cup.
- Future investment expected to be consistent with current levels: focus on partnerships to drive access to additional premium content, subscription growth and improve returns.

[1] Internet of Things
[2] Spark's CAT-M1 network covers ~99% of the population with LoRa and NB-IoT coverage expanding with customer demand
[3] The basket of health and wellness
[4] The Spark Sport viewing number has been derived using real time platform data and a co-viewing factor based on results of the customised study commissioned by Spark Sport with leading international research firm Nielsen
[5] Includes rights to UEFA (Union of European Football Associations) Champions League, UEFA Europa League and UEFA Europa Conference League for the next three seasons

Strategic Update: Sustainability

A POSITIVE DIGITAL FUTURE FOR ALL OF NEW ZEALAND

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

Significant progress establishing strong sustainability foundations across Spark:

- Launched new Sustainability Framework to the market and operationalised it into the business.
- Grew Skinny Jump connections by 5.6k – a 58% increase vs. FY20 and surpassing 15k connections in total by year end.
- Spark Foundation continued to pursue its vision of 'no New Zealander being left behind in a digital world', focussing on digital access, digital skills and pathways and digital wellbeing.
- Introduced a new Environment Policy to guide internal decision making.
- Assessed climate change risks and opportunities across the business, aligned to the Taskforce for Climate-related Financial Disclosures (TCFD) and incorporated into reporting.
- Set a science-based emissions reduction target, approved by the Science Based Target Initiative.
- Focus now shifting to designing and executing an emissions reduction plan and supporting businesses to harness the power of technology to shift to a low-carbon future.

Spark's Science-Based Emissions Reduction Target

Spark New Zealand commits to reduce absolute Scope 1 and 2 GHG emissions 56% by FY30 from a FY20 base year.

Spark New Zealand commits that 70% of its suppliers by spend covering purchased goods and services and capital goods will have science-based targets by FY26.

FY21 Indicators of Success

Strategic Pillar	Focus Area	Measure	Target 30 June 2021	Status
World Class Capability	Customer Experience	Consumer and small business iNPS	8 point lift	Not achieved[1]
	Data driven insights	80% of customer base[2] in household view[3] enabling	15% efficiency gain in marketing spend	Achieved
	Wireless future	Progressive rollout of 5G	Live in 5-7 locations	Achieved
	Mature Agile Leadership	Percentage of Agile squads at or above level 3.5	85%	Achieved
Grow established markets	Wireless	Mobile service revenue growth	0-3%	Achieved
	Wireless	Wireless broadband connections	+40k	Not achieved
	Cloud	Cloud, security and service management revenue growth	5-8%	Achieved
Accelerate future markets	IoT	Growth in number of connected IoT devices	50%	Exceeded
	Spark Sport	Successfully deliver season 1 of New Zealand cricket	Platform availability of 99.9%	Achieved
Lowest Cost Provider	Deliver best cost	EBITDAI margin	31%	Achieved
Build a sustainable future	Championing digital equity	Skinny Jump connections	+10k	Not achieved
	Sustainable Spark	Set emissions reductions target aligned to New Zealand being carbon neutral by 2050[4]	By 30 June 2021	Achieved

(1) The iNPS score has been rebased to include a larger sample of customer interaction feedback
(2) Spark and Skinny consumer and Spark SME customer base
(3) Household view is an insights platform that allows us to better anticipate the needs of New Zealand households to deliver more targeted, relevant and personalised services
(4) As part of commitment to Climate Leaders Coalition

FY21 Guidance Delivered

	FY20 Actual	FY21 Guidance	FY21 Actuals
EBITDAI	$1,113m	$1,100m to $1,130m	$1,124m
Capital expenditure	$374m	~$350m	$354m
FY21 Spectrum Renewals[1]	-	$50m	$51m
Dividend per share	25.0cps (H1 75% imputed, H2 100% imputed)	25.0cps (100% imputed)	25.0cps[2] (100% imputed)

[1] 1800MHz and 2100MHz spectrum renewals paid in January 2021
[2] The Dividend Reinvestment Plan (DRP) has been retained for the H2 FY21 dividend. Shares issued under the DRP will be issued at prevailing market price as determined around the time of issue

Financials

FY21 Financial Performance Summary

Strong momentum in key markets and disciplined cost reduction resulting in all FY21 guidance metrics met

($30m) REVENUE MOVEMENT	$41m OPEX MOVEMENT	$11m EBITDAI MOVEMENT	($36m) NPAT[(1)] MOVEMENT	($5m) FREE CASH FLOW MOVEMENT	25.0c TOTAL FY21 DIVIDEND
(0.8%) decrease vs. FY20	1.6% decrease vs. FY20	1.0% increase vs. FY20	(8.6%) decrease vs. FY20	(1.1%) decrease vs. FY20	H2 FY21 dividend 12.5c

Top line revenue of $3,593m declined 0.8%, driven by:

- Loss of $38m roaming revenues[(2)].
- Non-recurring refunds of historical wire maintenance charges.

Operating expenses of $2,469m declined 1.6% due to:

- Cost-out programme.
- Lower marketing and travel expenses.

Reported EBITDAI of $1,124m, up 1.0% on prior year and towards the top end of guidance range.

NPAT declined 8.6% due to:

- Higher D&A as a result of shorter asset lives; and
- Increased customer and commercial lease activity.
- FY22 D&A expected to be broadly flat.
- Increase in tax expense of $21m due to one-off decreases recorded in FY20[(3)] not repeated in FY21.

Free cash flow of $433m (excluding spectrum).

Strong cash flow management offsetting $48m additional cash tax.

Reported net debt to EBITDAI ratio within Spark's internal threshold of 1.4x.

H2 FY21 dividend per share of 12.5cps to be 100% imputed. Total FY21 dividend of 25.0cps in line FY21 guidance.

The Dividend Reinvestment Plan (DRP) has been retained for the H2 FY21 dividend at a zero discount[(4)].

(1) Prior year NPAT has been restated to reflect a reduction in NPAT of $7m for the amortisation of reacquired rights that were previously regarded as indefinite life and therefore not amortised
(2) Total mobile roaming revenue loss of $38m. NOTE: mobile service revenue loss of $31m for outbound roaming revenue and mobile non-service revenue loss of $7m for inbound roaming revenue
(3) These one-off decreases resulted from legislation enacted to reintroduce tax depreciation on commercial building structures and a higher amount of non-taxable gains in FY20
(4) Shares issued under the DRP will be issued at prevailing market price as determined around the time of issue.

Financials

	FY20[1] $m	FY21 $m	CHANGE
Operating revenues and other gains	3,623	3,593	(0.8%)
Operating expenses	(2,510)	(2,469)	(1.6%)
EBITDAI	1,113	1,124	1.0%
Finance income	36	34	(5.6%)
Finance expense	(94)	(81)	(13.8%)
Depreciation and amortisation	(488)	(523)	(7.2%)
Net investment income	1	(1)	NM
Net earnings before tax expense	568	553	(2.6%)
Tax expense	(148)	(169)	(14.2%)
Net earnings after tax expense	420	384	(8.6%)
Capital expenditure[2]	374	354	(5.3%)
Free cash flow[3]	438	433	(1.1%)
EBITDAI margin	30.7%	31.3%	0.6pp
Effective tax rate	26.1%	30.6%	4.5pp
Capital expenditure to operating revenues	10.3%	9.9%	(0.4pp)
Earnings per Share	22.9	20.7	(9.6%)
Total Dividend per Share	25.0c	25.0c	-

[1] Prior year NPAT has been restated to reflect a reduction in NPAT of $7m for the amortisation of reacquired rights that were previously regarded as indefinite life and therefore not amortised
[2]Excluding spectrum of $51m and finance lease receivable terminations of $3m
[2]The calculation of free cash flow is defined within the 'cash flows' worksheet of the FY21 detailed financials - excludes $51m spectrum payment

FY21 Operational Performance Summary

Ambition to return to revenue growth in FY22 by maintaining established market momentum and accelerating future market growth

$3,593m
REVENUE
(0.8%) decrease vs. FY20

$2,469m
OPERATING EXPENSES
(1.6%) decrease vs. FY20

$1,124m
EBITDAI
1.0% increase vs. FY20

FY21 Revenue growth underpinned by established market momentum:

- Total cloud, security, and service management growth of $23m, including service management growth of $17m, and cloud growth of $4m reflecting change in mix towards public cloud.
- Increase in other mobile revenue driven by device and accessory sales.
- Mobile service revenue and market share growth despite ongoing roaming impacts.

FY21 revenue impacts include:

- Higher rate of voice revenue decline due to non-recurring refunds of historical wire maintenance charges.
- Broadband revenue decline with lower overall market growth and persistent competitor price pressure.

Accelerated cost out programme delivering significant gross cost out benefits across product, labour, and other operating expenses, allowing investment into future markets.

Net labour cost reduction of $20m, or 3.9%, as services and customer care interactions continue to transition to digital channels and self-service options.

Other operating expenses decreased due to:

- Lower bad debt expense, with impacts of COVID-19 lower than expected.
- Data led marketing spend efficiencies.
- Reduced travel expenses.

Reduction in product costs due to Lightbox divestment and ongoing savings from wireless broadband growth; partially offset by additional Spark Sport content and production costs.

EBITDAI growth driven by strong momentum in established markets, focussed execution, coupled with ongoing benefits of cost management activities.

Total estimated COVID-19 impacts of ~$40m lower than revised estimate of ~$50m as a result of:

- Improving economic conditions resulting in lower bad debts.
- Modest return of roaming revenues due to limited opening of Australian and Cook Island travel bubble.

EBITDAI margin of 31.3% – in line with aspiration.

FY21 Capital Investment and Free Cash Flow

$354m CAPEX excluding spectrum	+	$51m SPECTRUM	=	$405m TOTAL CAPEX[2] including spectrum
(5.3%) decrease vs. FY20		1800MHz & 2100MHz spectrum renewals		8.3% increase vs. FY20

$433m FREE CASH FLOW	$4m WORKING CAPITAL	$0.25c TOTAL FY21 DIVIDEND
(1.1%) decrease vs. FY20	Increase in working capital vs. FY20	H2 FY21 dividend 12.5c

Prioritised allocation of capex combined with long-term investments in mobile spectrum of $51m resulting in greater overall investment in FY21 vs. FY20.

Key capital expenditure projects for the year included:

- 5G rollout of mobile and WBB services to nine locations;
- Investment in Optical Transport Network (OTN 2.0), increasing resiliency and capacity;
- Continued investment in the converged communication network (CCN), advancing exit strategy for legacy PSTN network, and enabling delivery of IP-based voice services in the future.

Investing in New Zealand's wireless future. Committing an additional $35m to accelerate 5G rollout, boosting total mobile connectivity investment to ~$125m in FY22

Delivered free cash flow of $433m, due to continued focus on working capital with full year cash conversion rate of 100%.

Free cash flow includes impact of $48m increase in tax payments vs. FY20[1].

Working capital broadly flat vs. FY20 with gains offset by:

- Timing of receivables due to strong Q4 sales – expected to unwind in Q1.
- Higher rate of growth in device receivables due to increase in high end device sales.

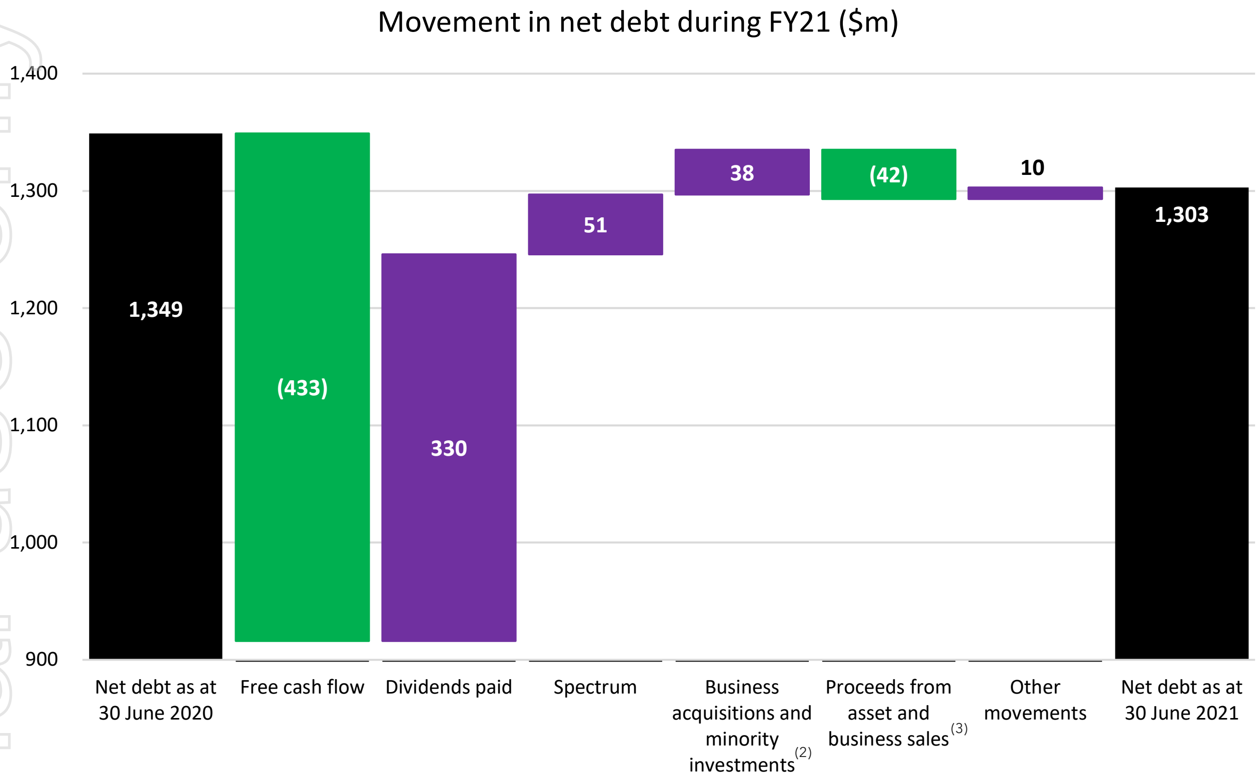
Free cash flow, when combined with DRP, sufficient to fund total FY21 dividend of 25.0cps and renewal of 1800MHz and 2100MHz spectrum.

FY22 free cash flow aspiration of $420m-$460m supported by a targeted return to revenue growth to fund shareholder distribution of $0.25c

[1] Tax payments increased due to an increase in provisional tax paid during the period (FY20 P3 payment paid in FY21)
[2] Excludes finance lease receivable terminations of $3m

Net Debt

Reported net debt to EBITDAI ratio of 1.16x[1] consistent with S&P A- credit rating



- Total net debt of $1,303m, down $46m YoY due to:
  - EBITDAI growth;
  - Planned reduction in capital investment;
  - Strong DRP participation; partially offset by
  - Payments for renewal of 1800MHz and 2100MHz spectrum - securing long-term right of use to 2041.
- Strong liquidity with $72m of cash and $630m of undrawn committed bank facilities.
- Weighted average cost of debt 3.8%.
- Weighted average life of debt 4.3 years with good spread of maturities across bank funding, domestic and offshore bonds.

(1) Spark's internal capital management policy is to ensure that on a long-run basis reported net debt to EBITDAI does not exceed 1.4x; which Spark estimates is approximately equivalent to S&P's 1.7x adjusted net debt to EBITDA threshold Spark's internal threshold of 1.4x excludes S&P's adjustments in relation to IFRS16, and captive finance operations
(2) Business acquisitions and minority investments includes: reacquired rights for business hub and retail licences, Rural Connectivity Group and SX Next equity contributions
(3) Proceeds from asset and business sales includes: receipts from business hub portfolio consolidation, divestment of Lightbox and Now New Zealand Ltd and sale of surplus mobile network equipment

FY22 indicators of success

Strategic Pillar	Focus Area	Measure	Target 30 June 2022
World class capability	Customer experience	Consumer and small business iNPS	+6 point lift
	Data driven insights	Uplift in data driven marketing campaign conversion[1]	15%
	Smart automated networks	Accelerate 5G	10-15 locations[2]
	Growth mindsets	eNPS	+70
Grow established markets	Wireless	Mobile service revenue growth	2-4%
	Broadband	Wireless broadband connections	+15-20k
	Cloud	Cloud, security and service management revenue growth	5-8%
Accelerate future markets	IoT	Growth in number of connected IoT devices	+300k
	Spark Health	Successful launch of Digital Health Platform Growth in Spark Health revenues	5 DHP customers onboarded 8-10%
Lowest cost provider	Deliver best cost	EBITDAI margin	31%
Build a sustainable future	Championing digital equity	Skinny Jump connections	+5k
	Sustainable Spark	Establish emissions reduction programme	30 June 2022

(1) Spark consumer base
(2) This includes a mix of new locations and existing locations where our 5G footprint will be expanded

Guidance[1]

	FY21 Actual	FY22 Guidance
EBITDAI	$1,124m	$1,130m-$1,160m
Capital expenditure[2]	$354m	~$400m
Dividend per share	Total 25.0cps[3] (100% imputed)	Total 25.0cps (100% imputed)

(1) Subject to no adverse change in operating outlook
(2) Excluding expenditure on mobile spectrum of $51m and finance lease receivable terminations of $3m
(3) Dividend Reinvestment Plan (DRP) has been retained for the H2 FY21 dividend. Shares issued under the DRP will be issued at prevailing market price as determined around the time of issue.

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.

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Group result - reported

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H2 FY21	FY20	FY21	FY20 vs FY21	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	%
Operating revenues and other gains	1,754	1,779	1,824	1,799	1,796	1,797	3,623	3,593	(30)	(0.8%)
Operating expenses	(1,265)	(1,178)	(1,324)	(1,186)	(1,294)	(1,175)	(2,510)	(2,469)	41	1.6%
EBITDAI	**489**	**601**	**500**	**613**	**502**	**622**	**1,113**	**1,124**	**11**	**1.0%**
Finance income	18	19	18	18	17	17	36	34	(2)	(5.6%)
Finance expense	(40)	(45)	(46)	(48)	(43)	(38)	(94)	(81)	13	13.8%
Depreciation and amortisation expense	(245)	(232)	(239)	(250)	(263)	(260)	(488)	(523)	(35)	(7.2%)
Net investment income	-	14	(1)	2	-	(1)	1	(1)	(2)	NM
Net earnings before income tax	**222**	**357**	**233**	**336**	**213**	**340**	**568**	**553**	**(15)**	**(2.6%)**
Tax expense	(69)	(101)	(69)	(79)	(65)	(104)	(148)	(169)	(21)	(14.2%)
Net earnings for the period	**153**	**256**	**164**	**257**	**148**	**236**	**420**	**384**	**(36)**	**(8.6%)**
Capital expenditure	264	153	247	127	192	162	374	354	(20)	(5.3%)
Free cash flows	108	184	50	388	113	320	438	433	(5)	(1.1%)
Reported EBITDAI margin	27.9%	33.8%	27.4%	34.1%	27.9%	34.6%	30.7%	31.3%	0.6%	
Reported effective tax rate	31.1%	28.3%	29.7%	23.5%	30.5%	30.6%	26.1%	30.6%	4.5%	
Capital expenditure to operating revenues	15.1%	8.6%	13.5%	7.1%	10.7%	9.0%	10.3%	9.9%	(0.4%)	
Reported basic and diluted earnings per share (cen	8.3	14.0	8.9	14.0	8.0	13	22.9	20.7	-2.2	(9.6%)

Gross margin by product

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H2 FY21	FY20	FY21	FY20 vs FY21	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	%
Mobile	376	399	405	424	407	430	829	837	8	1.0%
Voice	143	138	123	119	87	93	242	180	(62)	(25.6%)
Broadband	168	176	175	166	166	173	341	339	(2)	(0.6%)
Cloud, security and service management	159	158	173	175	179	179	348	358	10	2.9%
Procurement and partners	19	28	20	25	20	23	45	43	(2)	(4.3%)
Managed data, network and services	69	70	70	68	72	73	138	145	7	5.1%
Other product	25	26	15	33	28	42	48	70	22	45.8%
Total product gross margin	**959**	**995**	**981**	**1,010**	**959**	**1,013**	**1,991**	**1,972**	**(19)**	**(1.0%)**
Other gains	-	15	4	31	4	24	35	28	(7)	(20.0%)
Total gross margin	**959**	**1,010**	**985**	**1,041**	**963**	**1,037**	**2,026**	**2,000**	**(26)**	**(1.3%)**

Connections

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H2 FY21	FY20	FY21	FY20 vs FY21	
	000's	000's	000's	000's	000's	000's	000's	000's	000's	%
Mobile connections [1]	2,464	2,515	2,500	2,519	2,431	2,421	2,519	2,421	(98)	(3.9%)
Voice connections by type [2]										
POTS & ISDN	356	329	288	220	197	168	220	168	(52)	(23.6%)
VoIP	54	55	54	61	69	69	61	69	8	13.1%
Voice over wireless	18	26	26	24	23	24	24	24	-	-%
	428	410	368	305	289	261	305	261	(44)	(14.4%)
Broadband connections										
Copper	296	249	211	186	157	131	186	131	(55)	(29.6%)
Fibre	273	306	340	367	381	395	367	395	28	7.6%
Wireless	129	140	141	156	165	175	156	175	19	12.2%
	698	695	692	709	703	701	709	701	(8)	(1.1%)

1 Mobile connections excluding MVNO connections but including legacy machine to machine and SIM based SmartWatch connections

2 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).

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Group FTE's

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H2 FY21	FY20	FY21	FY20 vs FY21 #	FY20 vs FY21 %
FTE permanent	5,107	5,109	5,119	4,983	4,961	4,889	4,983	4,889	(94)	(1.9%)
FTE contractors	212	167	200	146	121	150	146	150	4	2.7%
Total FTE	5,319	5,276	5,319	5,129	5,082	5,039	5,129	5,039	(90)	(1.8%)

Dividends

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H2 FY21	FY20 $	FY21 $	FY20 vs FY21 $	FY20 vs FY21 %
Ordinary dividends (cents per share)	11.00	11.00	12.50	12.50	12.50	12.50	25.00	25.00	-	-%
Special dividends (cents per share)	1.50	1.50	-	-	-	-	-	-	-	NM
	12.50	12.50	12.50	12.50	12.50	12.50	25.00	25.00	-	-%

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Group operating revenues and other gains

	H1 FY19 $m	H2 FY19 $m	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	FY20 $m	FY21 $m	FY20 vs FY21 $m	FY20 vs FY21 %
Operating revenues										
Mobile										
Service revenue	403	413	425	423	420	432	848	852	4	0.5%
Non-service revenue	219	236	228	212	231	228	440	459	19	4.3%
	622	649	653	635	651	660	1,288	1,311	23	1.8%
Voice										
Access	109	104	95	85	62	67	180	129	(51)	(28.3%)
Calling	87	83	79	81	71	67	160	138	(22)	(13.8%)
Other voice revenue	29	28	23	23	21	20	46	41	(5)	(10.9%)
	225	215	197	189	154	154	386	308	(78)	(20.2%)
Broadband	344	341	345	335	337	333	680	670	(10)	(1.5%)
Cloud, security and service management	187	197	209	211	217	226	420	443	23	5.5%
Procurement and partners	191	173	207	200	236	178	407	414	7	1.7%
Managed data, network and services	129	131	134	143	140	142	277	282	5	1.8%
Other operating revenue	56	58	75	55	57	80	130	137	7	5.4%
Total operating revenues	**1,754**	**1,764**	**1,820**	**1,768**	**1,792**	**1,773**	**3,588**	**3,565**	**(23)**	**(0.6%)**
Other gains	-	15	4	31	4	24	35	28	(7)	(20.0%)
Total operating revenues and other gains	**1,754**	**1,779**	**1,824**	**1,799**	**1,796**	**1,797**	**3,623**	**3,593**	**(30)**	**(0.8%)**

Operating revenues includes revenues from Consumer, Business, Wholesale and other customer segments.
Wireless broadband revenues and connections are included in broadband revenues and connections.

Operating revenues and other gains by customer segment

Operating revenues and other gains	H1 FY19 $m	H2 FY19 $m	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	FY20 $m	FY21 $m	FY20 vs FY21 $m	FY20 vs FY21 %
Consumer	790	814	825	757	769	781	1,582	1,550	(32)	(2.0%)
Business	861	851	906	921	940	902	1,827	1,842	15	0.8%
Wholesale and other	124	137	119	148	113	142	267	255	(12)	(4.5%)
Eliminations	(21)	(23)	(26)	(27)	(26)	(28)	(53)	(54)	(1)	(1.9%)
	1,754	1,779	1,824	1,799	1,796	1,797	3,623	3,593	(30)	(0.8%)

Finance income

Finance income	H1 FY19 $m	H2 FY19 $m	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	FY20 $m	FY21 $m	FY20 vs FY21 $m	FY20 vs FY21 %
Finance lease interest income	7	7	7	6	6	7	13	13	-	-%
Other interest income	11	12	11	12	11	10	23	21	(2)	(8.7%)
	18	19	18	18	17	17	36	34	(2)	(5.6%)

Net investment income

Net investment income	H1 FY19 $m	H2 FY19 $m	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	FY20 $m	FY21 $m	FY20 vs FY21 $m	FY20 vs FY21 %
Dividend income	-	15	-	-	-	-	-	-	-	NM
Share of associates' and joint ventures' net losses	-	(1)	(1)	2	-	(1)	1	(1)	(2)	NM
	-	14	(1)	2	-	(1)	1	(1)	(2)	NM

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Revenue classification changes

As part of the ongoing revision of the Agile business model, the management of certain customer segment lines have been reallocated from one part of the business to another. The details of the key changes and the associated impact on revenue reporting are as follows:
Previous reclassifications remain in place from the IT & Managed Services presentation in March 2021.

Product line	Services provided	Previous customer product	Current customer product
Telephony Products	Reclassification of two CCL cloud-based telephony products to algin with the classification of similar telephony solutions (including connections)	Voice and Cloud, Security and Service Management	Managed Networks
IT and Managed Services	Granular classification of CCL products across the IT and Managed Services portfolio to more accurately reflect the composition of client revenues	Cloud	Procurement and Managed Networks

Group operating expenses

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H2 FY21	FY20	FY21	FY20 vs FY21	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	%
Product costs										
Mobile	246	250	248	211	244	230	459	474	15	3.3%
Voice	82	77	74	70	67	61	144	128	(16)	(11.1%)
Broadband	176	165	170	169	171	160	339	331	(8)	(2.4%)
Cloud, security and service management	28	39	36	36	38	47	72	85	13	18.1%
Procurement and partners	172	145	187	175	216	155	362	371	9	2.5%
Managed data, network and services	60	61	64	75	68	69	139	137	(2)	(1.4%)
Other product costs	31	32	60	22	29	38	82	67	(15)	(18.3%)
	795	769	839	758	833	760	1,597	1,593	(4)	(0.3%)
Labour	250	225	267	244	255	236	511	491	(20)	(3.9%)
Other operating expenses										
Network support costs	37	24	35	30	43	40	65	83	18	27.7%
Computer costs	46	47	49	49	51	50	98	101	3	3.1%
Accommodation costs	37	30	33	30	32	35	63	67	4	6.3%
Advertising, promotions and communication	47	40	47	31	44	28	78	72	(6)	(7.7%)
Bad debts	6	6	7	10	(1)	(6)	17	(7)	(24)	NM
Impairment expense	5	(2)	-	2	-	2	2	2	-	-%
Other	42	39	47	32	37	30	79	67	(12)	(15.2%)
	220	184	218	184	206	179	402	385	(17)	(4.2%)
Total operating expenses	**1,265**	**1,178**	**1,324**	**1,186**	**1,294**	**1,175**	**2,510**	**2,469**	**(41)**	**(1.6%)**
Finance expense										
Finance expense on debt	23	25	25	28	21	22	53	43	(10)	(18.9%)
Other interest and finance expense	4	7	7	5	6	4	12	10	(2)	(16.7%)
Lease interest expense	15	15	15	16	15	11	31	26	(5)	(16.1%)
Leased customer equipment interest expense	2	2	3	3	4	4	6	8	2	33.3%
	44	49	50	52	46	41	102	87	(15)	(14.7%)
Capitalised interest	(4)	(4)	(4)	(4)	(3)	(3)	(8)	(6)	2	25.0%
	40	45	46	48	43	38	94	81	(13)	(13.8%)
Depreciation and amortisation expense										
Depreciation - property, plant and equipment	128	118	119	114	124	118	233	242	9	3.9%
Depreciation - right-of-use assets	25	31	28	36	35	42	64	77	13	20.3%
Depreciation - leased customer equipment assets	9	9	15	12	19	17	27	36	9	33.3%
Amortisation of intangibles	83	74	77	88	85	83	164	168	4	2.4%
	245	232	239	250	263	260	488	523	35	7.2%

Spark New Zealand

Analysis & KPI's - Mobile

Mobile revenue by type (Consumer and Business)	H1 FY19 $m	H2 FY19 $m	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	FY20 $m	FY21 $m	FY20 vs FY21 $m	%
Mobile service revenue	398	409	421	419	415	427	840	842	2	0.2%
Mobile non-service revenue [1]	206	224	216	197	223	221	413	444	31	7.5%
	604	633	637	616	638	648	1,253	1,286	33	2.6%
Wholesale and other customer segment mobile revenue[2]	18	16	16	19	13	12	35	25	(10)	(28.6%)
Total mobile revenue	**622**	**649**	**653**	**635**	**651**	**660**	**1,288**	**1,311**	**23**	**1.8%**
Mobile product costs[3]	(246)	(250)	(248)	(211)	(244)	(230)	(459)	(474)	(15)	(3.3%)
Mobile gross margin	**376**	**399**	**405**	**424**	**407**	**430**	**829**	**837**	**8**	**1.0%**
Mobile gross margin %	60.5%	61.5%	62.0%	66.8%	62.5%	65.2%	64.4%	63.8%	(0.6%)	

Total mobile revenue by customer segment	H1 FY19 $m	H2 FY19 $m	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	FY20 $m	FY21 $m	FY20 vs FY21 $m	%
Consumer	410	443	443	419	438	441	862	879	17	2.0%
Business	194	190	194	197	200	207	391	407	16	4.1%
Wholesale and other	18	16	16	19	13	12	35	25	(10)	(28.6%)
	622	**649**	**653**	**635**	**651**	**660**	**1,288**	**1,311**	**23**	**1.8%**

Average revenue per user (ARPU) - 6 month active Consumer and Business	H1 FY19 $ per month	H2 FY19 $ per month	H1 FY20 $ per month	H2 FY20 $ per month	H1 FY21 $ per month	H2 FY21 $ per month	FY20 $ per month	FY21 $ per month	FY20 vs FY21 $ per month	%
Total ARPU	27.56	27.57	28.48	28.05	28.51	29.66	28.27	29.08	0.81	2.9%
Pay-monthly ARPU	42.82	42.43	42.82	41.19	39.97	40.31	41.99	40.14	(1.85)	(4.4%)
Prepaid ARPU	12.29	12.66	13.28	13.37	14.36	15.42	13.33	14.87	1.54	11.5%

Number of mobile connections at period end - 6 month active - Consumer and Business [4]	H1 FY19 000's	H2 FY19 000's	H1 FY20 000's	H2 FY20 000's	H1 FY21 000's	H2 FY21 000's	FY20 000's	FY21 000's	FY20 vs FY21 000's	%
Pay-monthly connections	1,225	1,251	1,287	1,330	1,355	1,386	1,330	1,386	56	4.2%
Prepaid connections	1,206	1,232	1,181	1,161	1,047	1,008	1,161	1,008	(153)	(13.2%)
Internal connections	4	4	4	4	4	4	4	4	-	-%
Total mobile connections	2,435	2,487	2,472	2,495	2,406	2,398	2,495	2,398	(97)	(3.9%)

[1] Mobile non-service revenue includes handset sales and mobile interconnect.
[2] Includes MVNO revenue.
[3] Includes handset, interconnect and cellphone tower access costs.
[4] Excludes MVNO connections but includes SIM based SmartWatch connections

Spark New Zealand

Analysis & KPI's - Voice

Revenue by type	H1 FY19 $m	H2 FY19 $m	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	FY20 $m	FY21 $m	FY20 vs FY21 $m	%
Access	109	104	95	85	62	67	180	129	(51)	(28.3%)
Calling	87	83	79	81	71	67	160	138	(22)	(13.8%)
Other voice revenue	29	28	23	23	21	20	46	41	(5)	(10.9%)
Total voice revenue	225	215	197	189	154	154	386	308	(78)	(20.2%)
Voice product costs[1]	(82)	(77)	(74)	(70)	(67)	(61)	(144)	(128)	16	11.1%
Voice gross margin	**143**	**138**	**123**	**119**	**87**	**93**	**242**	**180**	**(62)**	**(25.6%)**
Voice gross margin %	63.6%	64.2%	62.4%	63.0%	56.5%	60.4%	62.7%	58.4%	(4.3%)	

Voice connections by type	H1 FY19 000's	H2 FY19 000's	H1 FY20 000's	H2 FY20 000's	H1 FY21 000's	H2 FY21 000's	FY20 000's	FY21 000's	FY20 vs FY21 000's	%
POTS and ISDN	356	329	288	220	197	168	220	168	(52)	(23.6%)
VoIP	54	55	54	61	69	69	61	69	8	13.1%
Voice over wireless	18	26	26	24	23	24	24	24	-	-%
Total voice connections[2]	428	410	368	305	289	261	305	261	(44)	(14.4%)

Voice connections by customer segment	H1 FY19 000's	H2 FY19 000's	H1 FY20 000's	H2 FY20 000's	H1 FY21 000's	H2 FY21 000's	FY20 000's	FY21 000's	FY20 vs FY21 000's	%
Consumer	104	103	93	49	58	60	49	60	11	22.4%
Business	174	171	161	157	149	138	157	138	(19)	(12.1%)
Wholesale and other	150	136	114	99	82	63	99	63	(36)	(36.4%)
Total voice connections[2]	428	410	368	305	289	261	305	261	(44)	(14.4%)

[1] Includes voice access (baseband), interconnect, and international calling costs.
[2] Excludes Cloud Telephony which has been moved to Managed Networks.

Analysis & KPI's - Broadband

	H1 FY19 $m	H2 FY19 $m	H1 FY20 $m	H2 FY20 $m	H1 FY21 $m	H2 FY21 $m	FY20 $m	FY21 $m	FY20 vs FY21 $m	%
Total broadband revenue	344	341	345	335	337	333	680	670	(10)	(1.5%)
Broadband product costs[3]	(176)	(165)	(170)	(169)	(171)	(160)	(339)	(331)	8	2.4%
Broadband gross margin	**168**	**176**	**175**	**166**	**166**	**173**	**341**	**339**	**(2)**	**(0.6%)**
Broadband gross margin %	48.8%	51.6%	50.7%	49.6%	49.3%	52.0%	50.1%	50.6%	0.5%	

Broadband connections by technology	H1 FY19 000's	H2 FY19 000's	H1 FY20 000's	H2 FY20 000's	H1 FY21 000's	H2 FY21 000's	FY20 000's	FY21 000's	FY20 vs FY21 000's	%
Copper	296	249	211	186	157	131	186	131	(55)	(29.6%)
Fibre	273	306	340	367	381	395	367	395	28	7.6%
Wireless	129	140	141	156	165	175	156	175	19	12.2%
Total broadband connections	698	695	692	709	703	701	709	701	(8)	(1.1%)

Broadband connections by segment	H1 FY19 000's	H2 FY19 000's	H1 FY20 000's	H2 FY20 000's	H1 FY21 000's	H2 FY21 000's	FY20 000's	FY21 000's	FY20 vs FY21 000's	%
Consumer	598	593	587	595	585	577	595	577	(18)	(3.0%)
Business	98	99	100	103	103	105	103	105	2	1.9%
Wholesale and other	2	3	5	11	15	19	11	19	8	72.7%
Total broadband connections	698	695	692	709	703	701	709	701	(8)	(1.1%)

[3] Includes broadband access (UBA/UCLL/Fibre), modem and e-mail platform support costs.

Spark New Zealand

Analysis & KPI's - Cloud, Security and Service Management

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H2 FY21	FY20	FY21	FY20 vs FY21	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	%
Cloud Revenue	102	110	111	114	113	116	225	229	4	1.8%
Security revenue	20	16	18	19	19	20	37	39	2	5.4%
Service Management revenue	65	71	80	78	85	90	158	175	17	10.8%
Cloud, Security and Service management revenue	187	197	209	211	217	226	420	443	23	5.5%
Cloud, Security and Service management product costs	(28)	(39)	(36)	(36)	(38)	(47)	(72)	(85)	(13)	18%
Cloud, Security and Service management gross margin	**159**	**158**	**173**	**175**	**179**	**179**	**348**	**358**	**10**	**3%**
Cloud, Security and Service management gross margin %	85.0%	80.2%	82.8%	82.9%	82.5%	79.2%	82.9%	80.8%	(2.1%)	
Contribution margin (approximated) %[1]	35.8%	40.6%	34.4%	39.3%	34.6%	38.5%	34.4%	34.6%	0.2%	

Cloud KPI's	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H2 FY21	FY20	FY21	FY20 vs FY21	
Number of IaaS clients	375	367	361	347	329	336	347	336	(11)	(3%)
Power usage efficiency for dedicated data-centre sit	1.51	1.48	1.47	1.50	1.50	1.48	1.50	1.48	-0.02	(1%)
Megawatt hours for dedicated data centre sites	2,599	2,645	2,687	2,636	2,617	2,600	2,636	2,600	(36)	(1%)

Security KPI's	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H2 FY21	FY20	FY21	FY20 vs FY21	
Number of security clients	1,229	1,218	1,191	1,183	1,153	1,174	1,183	1,174	(9)	(1%)
Average monthly revenue per security client	2,712	2,189	2,519	2,677	2,746	2,839	2,598	2,793	196	8%

Service management KPI's	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H2 FY21	FY20	FY21	FY20 vs FY21	
Number of service management clients	726	642	681	730	671	772	730	772	42	6%
Average monthly revenue per service management	14,922	18,432	19,579	17,808	21,113	19,430	18,663	20,213	1,550	8%

Recalculation of IaaS Clients and Security Clients
The client count measures for IaaS, 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 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H2 FY21	FY20	FY21	FY20 vs FY21	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	%
Procurement and partners revenue	191	173	207	200	236	178	407	414	7	1.7%
Procurement and partners product costs	(172)	(145)	(187)	(175)	(216)	(155)	(362)	(371)	(9)	(2.5%)
Procurement and partners gross margin	**19**	**28**	**20**	**25**	**20**	**23**	**45**	**43**	**(2)**	**(4.3%)**
Procurement and partners gross margin %	9.9%	16.2%	9.7%	12.5%	8.5%	13.0%	11.1%	10.4%	(0.7%)	

Analysis & KPI's - Managed data, network and services

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H2 FY21	FY20	FY21	FY20 vs FY21	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	%
Collaboration	28	25	30	35	33	35	65	68	3	4.6%
Managed data and networks	101	106	104	108	107	107	212	214	2	0.9%
Managed data, network and services revenue	129	131	134	143	140	142	277	282	5	1.8%
Managed data, network and services product costs[2]	(60)	(61)	(64)	(75)	(68)	(69)	(139)	(137)	2	1.4%
Managed data, network and services gross margin	**69**	**70**	**70**	**68**	**72**	**73**	**138**	**145**	**7**	**5.1%**
Managed data, network and services gross margin %	53.5%	53.4%	52.2%	47.6%	51.4%	51.4%	49.8%	51.4%	1.6%	

[2] Includes wide area network access, international data, network backhaul and videoconferencing platform costs.

Spark New Zealand

Statement of cash flows

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H2 FY21	FY20	FY21	FY20 vs FY21	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	%
Cash flows from operating activities										
Cash received from customers	1,770	1,654	1,861	1,733	1,828	1,719	3,594	3,547	(47)	(1.3%)
Interest receipts	18	17	17	17	16	16	34	32	(2)	(5.9%)
Dividend receipts	-	15	-	-	-	-	-	-	-	NM
Payments to suppliers and employees	(1,314)	(1,169)	(1,396)	(1,101)	(1,319)	(1,134)	(2,497)	(2,453)	44	1.8%
Payments for income tax	(44)	(91)	(82)	(58)	(118)	(70)	(140)	(188)	(48)	(34.3%)
Payments for interest on debt	(22)	(23)	(26)	(26)	(23)	(23)	(52)	(46)	6	11.5%
Payments for interest on leases	(13)	(17)	(14)	(16)	(16)	(10)	(30)	(26)	4	13.3%
Payments for interest on leased customer equipment assets	(2)	(2)	(3)	(3)	(4)	(4)	(6)	(8)	(2)	(33.3%)
Net cash flows from operating activities	**393**	**384**	**357**	**546**	**364**	**494**	**903**	**858**	**(45)**	**(5.0%)**
Cash flows from investing activities										
Proceeds from sale of property, plant and equipment	-	1	13	-	-	6	13	6	(7)	(53.8%)
Proceeds from sale of business	-	-	-	23	8	22	23	30	7	30.4%
Proceeds from long-term investments	-	2	-		-	6	-	6	6	NM
Payments for purchase of businesses	-	-	(11)	-	-	(25)	(11)	(25)	(14)	NM
Payments for, and advances to, long-term investments	(6)	-	(30)	(5)	(4)	(9)	(35)	(13)	22	62.9%
Payments for purchase of property, plant and equipment and intangibles (excluding spectrum)	(258)	(157)	(273)	(120)	(214)	(121)	(393)	(335)	58	14.8%
Payments for spectrum intangible assets	-	-	-	-	-	(51)	-	(51)	(51)	NM
Payments for capitalised interest	(3)	(5)	(4)	(4)	(3)	(3)	(8)	(6)	2	25.0%
Net cash flows from investing activities	**(267)**	**(159)**	**(305)**	**(106)**	**(213)**	**(175)**	**(411)**	**(388)**	**23**	**5.6%**
Cash flows from financing activities										
Net proceeds from debt	182	(28)	207	(177)	100	(138)	30	(38)	(68)	NM
Receipts from finance leases	3	3	2	4	2	4	6	6	-	-%
Payments for dividends	(229)	(230)	(229)	(230)	(167)	(163)	(459)	(330)	129	28.1%
Payments for leases	(19)	(17)	(19)	(23)	(20)	(36)	(42)	(56)	(14)	(33.3%)
Payments for leased customer equipment assets	(8)	(9)	(13)	(15)	(16)	(18)	(28)	(34)	(6)	(21.4%)
Receipts from loans receivable	-	-	-	-	-	1	-	1	1	NM
Net cash flows from financing activities	**(71)**	**(281)**	**(52)**	**(441)**	**(101)**	**(350)**	**(493)**	**(451)**	**42**	**8.5%**
Net cash flow	**55**	**(56)**	**-**	**(1)**	**50**	**(31)**	**(1)**	**19**	**20**	**NM**
Opening cash position	55	110	54	54	53	103	54	53	(1)	(1.9%)
Closing cash position	**110**	**54**	**54**	**53**	**103**	**72**	**53**	**72**	**19**	**35.8%**

Spark New Zealand

Analysis & KPIs - Free cash flows

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H2 FY21	FY20	FY21	FY20 vs FY21	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	%
Net cash flows from operating activities	393	384	357	546	364	494	903	858	(45)	(5.0%)
Payments for purchase of property, plant and equipment and intangibles (excluding payments for	(258)	(157)	(273)	(120)	(214)	(121)	(393)	(335)	58	14.8%
Payments for capitalised interest	(3)	(5)	(4)	(4)	(3)	(3)	(8)	(6)	2	25.0%
Payments for leases	(19)	(17)	(19)	(23)	(20)	(36)	(42)	(56)	(14)	(33.3%)
Payments for leased customer equipment assets	(8)	(9)	(13)	(15)	(16)	(18)	(28)	(34)	(6)	(21.4%)
Receipts from finance leases	3	3	2	4	2	4	6	6	-	-%
excluding									-	NM
Dividend receipts	-	(15)	-	-	-	-	-	-	-	NM
Increase/(decrease) in working capital	38	99	31	(48)	(11)	15	(17)	4	21	NM
Underlying free cash flow	**146**	**283**	**81**	**340**	**102**	**335**	**421**	**437**	**16**	**3.8%**
including										
(Increase)/decrease in working capital	(38)	(99)	(31)	48	11	(15)	17	(4)	(21)	NM
Free cashflow	**108**	**184**	**50**	**388**	**113**	**320**	**438**	**433**	**(5)**	**(1.1%)**

Analysis & KPIs - Movement in working capital

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H2 FY21	FY20	FY21	FY20 vs FY21	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	%
EBITDAI	489	601	500	613	502	622	1,113	1,124	11	1.0%
excluding									-	NM
Impairments	(5)	2	-	(2)	-	(2)	(2)	(2)	-	-%
Other gains	-	15	4	31	4	24	35	28	(7)	(20.0%)
EBITDAI excluding impairments and other gains	**494**	**584**	**496**	**584**	**498**	**600**	**1,080**	**1,098**	**18**	**1.7%**
Net cash flows from operating activities	393	384	357	546	364	494	903	858	(45)	(5.0%)
excluding									-	NM
Interest receipts	18	17	17	17	16	16	34	32	(2)	(5.9%)
Dividend receipts	-	15	-	-	-	-	-	-	-	NM
Payments for income tax	(44)	(91)	(82)	(58)	(118)	(70)	(140)	(188)	(48)	(34.3%)
Payments for interest on debt	(22)	(23)	(26)	(26)	(23)	(23)	(52)	(46)	6	11.5%
Payments for interest on leases	(13)	(17)	(14)	(16)	(16)	(10)	(30)	(26)	4	13.3%
Payments for interest on leased customer equipment assets	(2)	(2)	(3)	(3)	(4)	(4)	(6)	(8)	(2)	(33.3%)
Net cash flows from operating activities excluding dividends, tax and net interest	**456**	**485**	**465**	**632**	**509**	**585**	**1,097**	**1,094**	**(3)**	**(0.3%)**
EBITDAI excluding impairments and other gains	494	584	496	584	498	600	1,080	1,098	18	1.7%
less										
Net cash flows from operating activities excluding dividends, tax and net interest	456	485	465	632	509	585	1,097	1,094	(3)	(0.3%)
Increase/(decrease) in working capital	**38**	**99**	**31**	**(48)**	**(11)**	**15**	**(17)**	**4**	**21**	**NM**
Cash conversion	92%	83%	94%	108%	102%	97%	102%	100%	-2%	

Spark New Zealand

Group capital expenditure

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H2 FY21	FY20	FY21	FY20 vs FY21	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	%
Cloud	26	10	16	8	9	11	24	20	(4)	(16.7%)
Converged Communications Network (CCN)	20	11	11	7	15	12	18	27	9	50.0%
International cable construction and capacity purchases	11	1	-	11	1	8	11	9	(2)	(18.2%)
IT systems	70	62	73	56	66	56	129	122	(7)	(5.4%)
Mobile network	89	29	92	24	58	48	116	106	(10)	(8.6%)
Core sustain and resiliency	36	27	50	15	34	22	65	56	(9)	(13.8%)
Other	12	13	5	6	9	5	11	14	3	27.3%
Total capital expenditure (Excl. Mobile Spectrum)	**264**	**153**	**247**	**127**	**192**	**162**	**374**	**354**	**(20)**	**(5.3%)**
Total capital expenditure (Excl. Mobile Spectrum) to Operating Revenue	**15.1%**	**8.6%**	**13.5%**	**7.1%**	**10.7%**	**9.0%**	**10.3%**	**9.9%**		
Mobile Spectrum	-	-	-	-	-	51	-	51	51	NM
Total capital expenditure (Incl. Mobile Spectrum)	**264**	**153**	**247**	**127**	**192**	**213**	**374**	**405**	**31**	**8.3%**
Total capital expenditure (Incl. Mobile Spectrum) to Operating Revenue	**15.1%**	**8.6%**	**13.5%**	**7.1%**	**10.7%**	**11.9%**	**10.3%**	**11.3%**		

Capital expenditure is presented on an accruals basis, and includes purchase of property, plant and equipment and intangible assets, capacity purchases (including Southern Cross) but excludes leased customer equipment assets.

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 intangibles is reconciled below:

	H1 FY19	H2 FY19	H1 FY20	H2 FY20	H1 FY21	H2 FY21	FY20	FY21	FY20 vs FY21	
	$m	$m	$m	$m	$m	$m	$m	$m	$m	%
Depreciation - property, plant and equipment	128	118	119	114	124	118	233	242	9	3.9%
Depreciation - right-of-use assets[1]	9	13	10	11	11	11	21	22	1	4.8%
Amortisation of intangibles	83	74	77	88	85	83	164	168	4	2.4%
Total capital expenditure depreciation and amortisation	**220**	**205**	**206**	**213**	**220**	**212**	**418**	**432**	**14**	**3.3%**

[1] Includes depreciation on capacity right-of-use assets only as these are included within Spark's definition of capital expenditure.

Annual Corporate Governance Statement 2021

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 17 August 2021 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 in person 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. Training on the Directors' Code of Ethics is coordinated by the Company Secretary.

Copies of the Code of Ethics and the Directors' Code of Ethics can be found at: **www.sparknz.co.nz/about/governance**

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**

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 2021 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**

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, judgement and personal qualities. In doing so Spark will undertake appropriate checks, including as to the candidate's character, education, criminal record and bankruptcy history. The NOMs will review the candidate's skills and experience relative to the Board skills matrix to determine whether they will augment the existing Board skillset and assess their availability to commit themselves to the role.

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

Diversity and Inclusion

Spark's talented workforce is a representation of gender, ethnicity, culture and experience. Spark's Board believe that building greater diversity and inclusion among our people speaks to our role as a major New Zealand company that shows leadership in areas important to society. 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.

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

Spark nz

Principle 2 continued:

Board Composition and Performance

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

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**

For more details on the importance of Diversity and Inclusion at Spark, and reporting on our workforce demographics, please see the Our People section of the 2021 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 August 2020 with the next Board evaluation due to be completed by the end of the 2021 calendar year.

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 112 of the 2021 Annual Report.

Board Positions

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

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

Principle 3:

Board Committees

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

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

The current committees of the Board are:

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

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

Each Board committee has a Charter summarising the role, rights, responsibilities and membership requirements for that committee. The Board reviews the charters of the Board committees annually and their performance against those charters, with the last review conducted in November 2020. The Board committee charters can be found at: **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 109 & 111 of the 2021 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; and
- 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 2019 Annual Report adopted the Global Reporting Initiative (GRI) Standards and its 2020 Annual Report also adopted elements of the Integrated Reporting International <IR> Framework. Building on this holistic approach to reporting, Spark's 2021 Annual Report has been prepared in accordance with the International <IR> Framework and with the GRI Core Option and also incorporates climate risk disclosure aligned to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

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**

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 2021 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 60, 109 & 110 of the 2021 Annual Report.

Further details on directors' Spark shareholdings can be found at pages 112 & 116 of the 2021 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 58 & 59 of the 2021 Annual Report.

CEO

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

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

Further details on CEO remuneration can be found at pages 60, 110 & 111 of the 2021 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/

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 in August 2021 as part of year-end procedures. Every three years Spark also has an external review to ensure it continues to be fit for purpose and is operating effectively. The next review is scheduled to occur in FY22.

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 2021 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 have introduced a new wellbeing programme to help create a healthy working environment in which the promotion and maintenance of the highest degree of physical, mental, and social wellbeing will be applied for its people.

Further details regarding Spark's health and safety performance can be found in the Our People section of the 2021 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 confirm 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.

Given KPMG had been Spark's external auditor since 1 July 2002, the Board considered it was the appropriate time to rotate its external auditor in time for FY21. Following a formal request for proposal for external audit services, the Board recommended that Deloitte be appointed as its new external auditor in March 2020. This recommendation was formally approved by shareholders at Spark's Annual Meeting held in November 2020.

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

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 and corporate governance statement;
6. Semi-annual shareholder newsletters;
7. Investor briefing days (where appropriate); and
8. Regular investor roadshows.

As a result of COVID-19 and ongoing travel restrictions, the Investor Relations programme has been adapted with engagement between Spark and international investors being held virtually. 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) 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 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 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 Leadership Squad and CEO remuneration

STATEMENT ON MODERN SLAVERY

Spark

Modern Slavery Act Statement 2021

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 2020 to 30 June 2021. 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 17 August 2021.

Justine Smyth, CNZM
Chair

Spark New Zealand Limited (NZX: SPK, ASX: SPK)

Spark is committed to upholding human rights – both within our own operations and throughout our supply 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.

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

Contents

Our businesses

Spark's purpose is *to help all of New Zealand win big in a digital world*. We are New Zealand's largest telecommunications and digital services provider. Our customers range from consumers and households to large enterprises, and our services include mobile and broadband connectivity, cloud connectivity and IT services.

The Spark Group

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 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 2021 the Spark Group comprised 29 controlled entities.

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 is listed on the NZDX as SPF.

More information on significant subsidiaries and controlled entities in the Spark Group as at 30 June 2021 (including ownership percentages and principal activity information) is available in the Spark Annual Report on pages 103 & 117.

More information on our financial performance and business strategy may be found on our corporate website at **investors.sparknz.co.nz/Investor-Centre**

Corporate governance and risk management

Our approach to managing modern slavery risks is supported by our high standards of operational performance, corporate governance, and risk management.

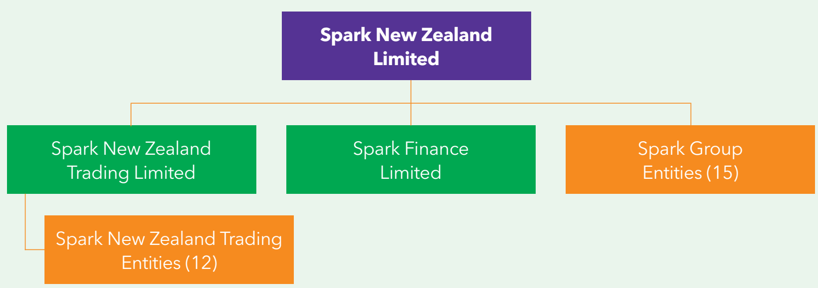
The Board regularly reviews and assesses Spark's governance structures and processes to ensure that they are consistent with international best practice, in both form and substance. Spark corporate policies apply at a group level and our governance structures ensure the Spark Group of entities adhere to expected standards of conduct. 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**

Our managing risk policy and framework helps people to manage uncertainty and challenges as they pursue Spark's strategy and business objectives. The policy, overseen by the Audit and Risk Management Committee (ARMC), confirms the objectives for identifying and managing risks that can impact Spark's organisational performance.

The policy and framework are benchmarked to COSO ERM 2017 (COSO), a leading practice risk management standard. Spark has used this standard since July 2018 when we transitioned to the Agile Operating Model.

For more information on our risk management processes, see the Spark Annual Report 2021, pages 52 to 54.

Our corporate structure



Our operations

Spark provides a broad range of telecommunications and digital services.

Through the Spark, Skinny and BigPipe brands we provide mobile and broadband connectivity, digital services and devices, to consumers and households, and to some small businesses.

Through our Spark, CCL, Digital Island, Qrious and Leaven Brands we provide a range of digital services to business customers, from small to medium-sized enterprises through to government departments and large enterprises. These include cloud connectivity, IT services, data analytics and data-powered marketing, cyber security, procurement and business transformation services. Our Telegistics business assists our channel partners across New Zealand with supply chain and distribution solutions.

Spark owns a 50% shareholding in a network construction business Connect 8. For the purposes of this report, Connect 8 is treated as a supplier of network construction services to Spark, and has signed up to our Supplier Code of Conduct (see below).

Through our Wholesale business we resell telecommunications services within New Zealand and provide International Mobile Roaming connectivity to the customers of offshore telecommunications carriers. We have relationships with more than 370 of these carriers globally.

We are building businesses in emerging growth areas: we have a nationwide Internet of Things (IoT) network and platforms; through Spark Health we deliver a tailored suite of telco and IT services for the health sector and are developing a Digital Health Platform; and we have a sports streaming and production service, Spark Sport. Our emerging technology business Mattr creates solutions for verifiable data and digital trust.

The Spark Foundation is the charitable arm of Spark and has a mission to ensure no New Zealander is left behind in a digital world. It seeks to achieve this by accelerating equitable access and capabilities through giving, advocacy and targeted investment opportunities.

How we mitigate modern slavery risks in our operations

Our approach to corporate governance, as outlined above, alongside our values, Code of Ethics, Supplier Code of Conduct, and Whistleblowing procedures (all detailed below) assist us to mitigate the risks of modern slavery in our operations. We strive for a culture where Spark people are committed to doing the right thing, to using company policies (such as the Code of Ethics) to help inform and determine what the right thing is, and to feel safe raising the alarm if they have concerns.

In addition, we have checks and balances in place in specific areas. For example, our wholesale business checks all requests for roaming relationships against the UN, US, UK and NZ MFAT sanctions lists and regularly monitor these for changes. It also checks and monitors the ownership of all new and existing carrier partners – and will turn down requests for roaming agreements where we believe it is appropriate to do so.

Our people

Our direct workforce

As at 30 June 2021, Spark directly employed 5,083 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. Our remuneration framework and practices in most cases ensures that all employees are paid rates above the minimum wage, with governance provided by our Human Resources and Compensation Committee.

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.

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** 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 in order 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 500 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 licencing 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 are governed by 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.

Of our people located offshore, the majority are in Manilla, 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 Manilla 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

1 See **http://www.firstfoundation.org.nz/** for more information.

Our people (cont.)

working with Spark fluctuates depending on the work required, but at 30 June 2021 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.

Our retail network

We operate 65 retail stores and 24 Business Hubs (providing connectivity and digital solutions to small-to-medium enterprises) – and these are 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 of 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. In this model we understand the need to ensure the rights of Hub employees are upheld, and we do this by requiring 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 Values and Code of Ethics

Our values are the cornerstones of our culture. Our four values are:

- Tūhono: we connect
- Māia: we are bold
- Whakamana: we empower
- Matomato: we succeed together

Our **Code of Ethics** sets the standards we expect of our people when it comes to how they do business. Included in the document are the behaviours expected of Spark people, which include the expectation they will:

- Undertake their duties in accordance with Spark New Zealand's values;
- Conduct themselves in a way that demonstrates that their honesty and integrity is beyond question;
- Conduct themselves in a professional manner that upholds and strengthens the image and reputation of Spark New Zealand;
- Deal fairly and honestly with Spark New Zealand's people, professional advisors, customers, and suppliers;
- Not enter into transactions or make promises on behalf of Spark New Zealand that we are unable or do not intend to honour;
- Undertake their duties with care and diligence;
- Value individuals' differences and treat people with respect in accordance with Spark New Zealand's Equal Employment Opportunities and Anti-Harassment and Discrimination Policies.

The full Code of Ethics may be found here: **www.sparknz.co.nz/about/governance**

Grievance mechanisms

We have a range of avenues for our people to pursue if they are concerned about Spark or people within Spark not living up to our values or our Code of Ethics – including any instances where our business or our people are instigating or allowing modern slavery practices. These are set out in detail for Spark people in our whistleblowing process, which is documented and available to all Spark people. We encourage the reporting of any concerns our people have about compliance issues or serious wrongdoings. Anyone who is not comfortable reporting an issue to their people leader can use Spark's Honesty Box process, an online reporting tool that enables investigation of any concerns raised by specialist staff 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.

Spark works with submitters to ensure they do not suffer any adverse treatment as a result of any reports made in good faith.

Our supply chain

About our supply chain

Our business relies on more than 2,300 local and global suppliers. Each year we spend around $2 billion to support our business and meet our customers' needs. Our supply chain is complex, as our direct suppliers often have suppliers of their own – who themselves rely on other suppliers and so on.

Through our supply chain we source a large number of products and services from New Zealand and around the globe. Of our total spend, around 90% is with our top 100 suppliers – and for this reason, in this report we have chosen to focus on data for those top 100 suppliers.

Around 65% of our spend with these top 100 suppliers is with suppliers offshore and 35% with NZ-based suppliers. Approximately 6% of this spend is with suppliers based in countries identified as having higher-risk of non-compliance with human rights or modern slavery requirements[2], and around 2% with suppliers in medium-risk countries. However, we recognise the need to go beyond the location of a supplier's head office when it comes to mitigating the risks of modern slavery, because the manufacture of many of our products will be in a different location to the supplier's head office. The global nature of our supply chain means we must constantly monitor and review our approach to reduce the risks of modern slavery (as further outlined below in "Effectiveness of Spark's Approach"), and we require our suppliers to be accountable for their own supply chain's compliance with modern slavery requirements. This sub tier accountability is integrated into our Supplier Code of Conduct (see below).

Most of our electronics and network components spend is with large, multinational companies who supply us with finished products. We do not manufacture our own products. Instead, we work with original design manufacturers (ODM) to produce Spark-branded devices. The goods we procure are manufactured across the world. Source locations include USA, China, South Korea, United Kingdom, and Sweden. The services we procure are predominantly provided in New Zealand, Australia, India and the Philippines.

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.

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 (the Code) sets out the minimum standards we expect from our suppliers across labour and human rights, health and safety, environmental sustainability, and ethical business practices.

Section 3.1 of the Code sets out our approach to Labour and Human Rights. This requires that our suppliers ensure workers are treated in a manner consistent with international human rights standards, including the UN Universal Declaration of Human Rights, UN Convention on the Rights of the Child, and the International Labour Organisation Core Conventions.

2 High risk countries as defined by guidance in the **United Nations Environment Programme Finance Initiative**. This was cross-checked with other more recent data sources to ensure we've identified the most important geographies.

Our supply chain (cont.)

See **www.sparknz.co.nz/suppliers** for more detail.

The Supplier Code of Conduct was 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 are adhering to an existing equivalent code of practice. We also used the Code as a basis for four comprehensive paper-based audits of large, offshore-based suppliers. These were significant suppliers operating in high-risk locations. The assessments, which were validated through evidence provided and assertions by Supplier Management, showed all four suppliers were adhering with the Code.

We require all new suppliers to sign up to the Code as part of their onboarding process and have this process integrated into our procurement systems and processes. We do have a small number of legacy or non-standard processes which do not yet require a supplier to sign the Code, and we will be working to remove and/or update those early in FY22. After this time, signing up to the Code will be fully integrated into our procurement processes across all spend categories.

In FY21 the only suppliers who did not sign up to Spark's Code were either global suppliers that have their own code of conduct which Spark deemed equivalent to the Spark Code, or suppliers deemed low risk based on the services provided and the nature of the supplier – for example if the business is subscribing to a piece of software for a short period of time and there is no request for proposal (RFP) process involved in selecting it.

If we become aware that a supplier is unable to meet the requirements of the Code, we work with them to implement our process of remediation plans and timeframes. We have ongoing conversations with suppliers that are managed in our framework. Our Code enables us to suspend or cancel a non-compliant supplier's supply of any goods or services to Spark, including suspending the payment of any associated invoices, until that non-compliance is remedied to Spark's satisfaction. It also enables us to terminate any or all of the supplier's contracts with Spark.

We incorporate environmental, social and ethical considerations into our supplier selection processes, including using a scored section in our RFP process where we seek information from suppliers on their non-financial performance and credentials. While our initial focus for our Supplier Code of Conduct audits and checks has been on our top 100 suppliers, we are conscious there may be suppliers who do not sit in this category who also bring risks of modern slavery due to the nature of their business – for example, those that employ migrant labour. In the coming financial year, we will investigate how we can more effectively monitor and mitigate any modern slavery risks within this part of our supply chain.

In FY21 we recommenced our auditing of suppliers against the Supplier Code of Conduct. At the start of FY22 we completed audits of a further four suppliers across a range of product categories.

Our Supplier Code of Conduct is underpinned by our Spark Value Management Policy, which sets out detailed guidelines for Spark people who are engaging suppliers – including the requirement to source and procure goods and services ethically and responsibly. We also require suppliers to sign up to Spark's **Supplier Health and Safety Policy**.

Effectiveness of Spark's approach

Spark is committed to identifying, monitoring, and measuring the risks of modern slavery in our operations and supply chain.

We have an established operating model to monitor achievements against our objectives. This includes strong risk and issues management, along with processes to ensure we adapt and respond to planned and unplanned challenges where necessary. We are focused on maintaining and enhancing awareness of modern slavery risks across Spark and its supply chain, and have people and processes align to deliver this.

We are a values and purpose-driven business, with a strategic focus on building a diverse and inclusive culture, a track record of strong corporate governance, and a Code of Ethics and a Supplier Code of Conduct – both of which are deeply embedded in our relevant business systems and processes. These are all underpinned by a culture that encourages our people to speak up if they are uncomfortable or concerned about anything they see.

As a publicly listed, consumer-facing and high-profile (within New Zealand) business, we are subject to a healthy level of scrutiny from our stakeholders. Our shares are held by a geographically diverse shareholder base who hold us to account on issues of sustainability and social responsibility. Sustainability is a key pillar of our business strategy, and we have been continuously improving and expanding our disclosure on our non-financial performance in the past few years. Our Annual Report for FY21 was prepared in accordance with the International <IR> Framework and the GRI Core Option, and we have worked to continuously improve our compliance with both frameworks over the past three financial years.

We are a New Zealand-based company with the vast majority of our operations, people and customers located in New Zealand and subject to New Zealand's strong labour, employment, and anti-corruption legislation. This means we have a lower risk of modern slavery in our operations than we would otherwise, but we cannot be complacent. There have been recent instances of modern slavery in New Zealand and we recognise the need to raise awareness of slavery risks amongst our people, many of whom may assume "that doesn't happen here".

To fully assess our effectiveness in this area, we will need to benchmark ourselves against other, similar organisations and evaluate our strengths and weaknesses. We will be doing further evaluation of our approach, and will identify actions for improvement, in FY22. This will include engagement with relevant companies we own or control to ensure identification of risk and alignment with the Spark Group approach.

As first steps we intend to back up our Supplier Code of Conduct with regular audits of our direct suppliers, to ensure we are assessing for modern slavery risks effectively. As outlined in the "Our Supply Chain" section of this statement, we initiated four further audits of suppliers against the Code in FY21. These were completed at the start of FY22.

We also recognise that while our Supplier Code requires our suppliers to provide assurance there are no instances of modern slavery in their own supply chains, best practice is to identify modern slavery risks beyond our immediate supplier relationships. We will be investigating possible avenues for assessing risk in this sub tier in FY22.

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