



Spark^{nz}



2017

NOTICE OF

ANNUAL

MEETING

10.00 am, Friday 3 November 2017

South Level 4 Lounge, Eden Park, Auckland

Letter from the Chairman

On behalf of the Board of directors I am pleased to invite you to the 2017 Annual Meeting of Spark New Zealand Limited ("Spark"), which will be held at South Level 4 Lounge at Eden Park in Auckland at 10.00 am on Friday 3 November 2017 (New Zealand time).^{*} We have chosen this venue in response to feedback from shareholders that access to, and parking in, Auckland's CBD was making it hard for shareholders to attend, so we hope to see a much larger turnout from shareholders this year.

Shareholders are also able to attend the Annual Meeting online via the Virtual Annual Meeting portal at virtualmeeting.co.nz/spark2017 or by telephone from New Zealand by dialling **0800 448 986** or Australia by dialling **1800 572 288**.

This will be my final meeting as Chairman of the Board, as I announced my resignation in August. I believe the foundation for Spark's future success is solid and am personally very pleased to see the Board has appointed current director Justine Smyth as the new Chair, effective at the end of the Annual Meeting. Justine has extensive governance experience, and alongside the diverse skills of our other talented directors, I believe the future of the Board is in very good hands.

^{}for location map please see inside back cover.*

Items of Business

- A. Chairperson's Address
- B. Managing Director's Review
- C. Resolutions

To consider, and if thought fit, to pass, the following ordinary resolutions

1. **Auditor's remuneration:** That the directors of Spark are authorised to fix the auditor's remuneration.
2. **Re-election of Mr Paul Berriman:** That Mr Paul Berriman is re-elected as a director of Spark.
3. **Re-election of Mr Charles Sitch:** That Mr Charles Sitch is re-elected as a director of Spark.
4. **Increase to the non-executive directors' fee pool:** That the maximum annual remuneration able to be paid to all of the non-executive directors of Spark taken together be increased from \$1,500,000 to \$1,630,000.

These resolutions are to be considered as ordinary resolutions and, to be passed, require the approval of a simple majority of votes cast on the resolution (being more than 50%).

D. Shareholder Questions

By Order of the Board of Spark New Zealand Limited



Mark Verbiest
Chairman, Spark New Zealand Limited
6 October 2017



A LITTLE

MUSIC CAN

TAKE YOU BACK

A simple song on Spotify can
unlock forgotten memories.

LITTLE CAN BE HUGE

Explanatory Notes

Resolution 1: Fixing the remuneration of the auditor, KPMG

Pursuant to section 207(T) of the Companies Act 1993, KPMG is automatically reappointed at the Annual Meeting as auditor of Spark. The proposed resolution is to authorise the directors under section 207(S) of the Companies Act 1993 to fix the remuneration of the auditor, KPMG.

KPMG was first appointed as auditor in 2002. Pursuant to NZX Main Board Listing Rule 3.6.3, Recommendation 7.1 of the NZX Corporate Governance Code 2017 and Spark's External Auditor Independence Policy:

- the lead audit partner must be changed every 5 years;
- the Audit & Risk Management Committee reviews the independence and objectivity of the external auditor; and
- the Audit & Risk Management Committee must pre-approve all audit (including all statutory and regulatory audit services) and related assurance services provided by the auditor.

The policy regarding rotation of audit partners reduces the risk that independence is compromised while at the same time, helps to preserve valuable knowledge and understanding of Spark's complex business by providing Spark with the flexibility to retain its external auditor.

Mr David Gates will replace Mr Malcolm Downes as the lead audit partner for the financial year ending 30 June 2018.

Resolutions 2 and 3: Rotation and re-election of directors

Non-executive directors Mr Mark Verbiest, Mr Paul Berriman and Mr Charles Sitch retire by rotation pursuant to NZX Main Board Listing Rule 3.3.11. Mr Paul Berriman and Mr Charles Sitch offer themselves for re-election.



Mr Paul Berriman
Independent Director

Term of Office:

Appointed Director 1 December 2011 and last re-elected at the 2015 Annual Meeting.

Board Committees:

Member of the Audit & Risk Management Committee and the Nominations and Corporate Governance Committee.

Biography:

Paul joined the Board in December 2011, bringing over 25 years of international experience in telecommunications, media and convergence. Paul is the Group Chief Technology Officer of the HKT Trust, the listed telecommunications arm of PCCW. He is primarily responsible for leading the group's product and technology roadmap and strategic development. In 2009 Paul was recognised by the IPTV World Forum with their 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". Before joining PCCW in 2002, Paul was Managing Director of management consultancy firm Arthur D. Little in Hong Kong and also held roles in Reuters and several major Hong Kong service providers. Paul holds a Bachelor of Science degree in electro-acoustics from the University of Salford in the United Kingdom and a Master of Business Administration degree from the University of Hong Kong. As a Chartered Engineer, he is a current or former member of a number of industry working groups and advisory boards.

Paul's extensive experience in telecommunications, digital innovation, technology and media make him an asset to the Board.



Mr Charles Sitch
Independent Director

Term of Office:

Appointed Director 1 December 2011 and last re-elected at the 2015 Annual Meeting.

Board Committees:

Member of the Audit & Risk Management Committee and the Nominations and Corporate Governance Committee.

Biography:

Charles joined the Board in December 2011. He worked for McKinsey & Company from 1987 and in 2000 became a senior director, 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 is also Chairman of the board of Trinity College at the University of Melbourne and a committee member of the Melbourne Cricket Club. Charles holds an MBA from Columbia Business School and an LLB and BCom from Melbourne University. He is also a graduate of the Australian Institute of Company Directors.

Charles' brings a great breadth of experience to the table from his time at McKinsey, where he advised companies in a range of industries including telecommunications, retail and marketing.

Resolution 4: Increase to the non-executive directors' fee pool

NZX Main Board Listing Rule 3.5.1 and the Constitution of Spark require that the maximum annual remuneration that can be paid to all of the non-executive directors taken together (the "Fee Pool") must be authorised by an ordinary resolution of shareholders. The Fee Pool may then be divided amongst the non-executive directors as the Board deems appropriate.

The Fee Pool was last increased 14 years ago at the 2003 Annual Meeting of Telecom and continued to apply post-demergence of Chorus from Telecom from 1 December 2011. Spark now seeks shareholder approval to increase the Fee Pool from \$1,500,000 to \$1,630,000.

Since demerger, Spark has radically transformed its business and has shifted from being a traditional telecommunications infrastructure company to a future orientated digital services provider. Over that time, Spark's Total Shareholder Return (up to 30 June 2017) has been 145% and Spark's market capitalisation has increased by \$3.097bn or 81% to \$6.928bn.

Spark must continue to execute and deliver relentlessly against its strategy in a dynamically changing and competitive market, and must continue to ensure it has the highest level of skills available at its Board table in an exponentially evolving world.

In light of Spark's performance, the increase in scale and complexity of the company and its desire to attract and retain the highest level of talent, the Board considers it appropriate to seek shareholder approval for a \$130,000 (8.7%) increase to the Fee Pool.

The proposed increase will provide the Board with the ability to gradually increase non-executive director fees over time as appropriate, and as Spark continues to perform and deliver against its strategy. It will also provide the Board with flexibility to manage its future succession where there may be periods of time in which there is an overlap of members on the Board, and will allow for sufficient headroom within the Fee Pool in case the directors are called upon to provide additional paid services if an extraordinary event should occur such as a takeover.

Total projected directors' remuneration based on current fee levels, including an allowance for benefits and assuming the Board size remains constant, is approximately \$1,387,000 leaving headroom of around \$113,000 within the current Fee Pool of \$1,500,000. This equates to a 'headroom multiple' of approximately 0.7x, being 0.7 multiplied by the average fee for all non-executive directors (excluding the Chair). Unused headroom cannot be carried through to subsequent years.

The Board engaged Ernst & Young to carry out benchmarking analysis and provide an independent consultant report regarding the Fee Pool. Ernst & Young provided this report on 12 June 2017 and a summary is attached to this notice. The report compared Spark's current Fee Pool against a peer group comprising of the NZX10 (excluding Spark) and three New Zealand trading banks (ANZ, Westpac and BNZ) and found that:

Procedural Notes

- Spark's current Fee Pool is aligned to the median of the peer group, yet Spark's revenue is significantly above the 75th percentile of the peer group. The report indicates that an above median positioning would be more appropriate for Spark given its relative scale.
- Spark's headroom multiple for its current Fee Pool is currently less than half that of the peer group average. The report suggests that Spark would benefit from increasing its Fee Pool to allow for a larger headroom.

The Board endorses the benchmarking peer group selected by Ernst & Young, being New Zealand's largest commercial enterprises, excluding Fonterra. The Board is also of the view that Spark's scale and complexity, as a digital technology company with high revenue relative to others in the peer group and one of the largest by market capitalisation for issuers listed on the NZX Main Board, supports repositioning the Fee Pool between the median and the 75th percentile of the peer group. The modest increase proposed would achieve this new positioning and more closely align Spark's headroom multiple to market practice. A level of headroom is generally regarded as appropriate to allow for future increases in remuneration to be paid, increases in the size of the board, or remuneration for special work significantly above what would normally be expected of directors in specific circumstances.

Spark's annual non-executive directors' fees (rounded to the nearest hundred dollars), effective from 1 July 2016, are set out in the table below. The Board has resolved not to increase actual non-executive directors' fees for the year ending 30 June 2018.

Board/Committee Roles *	Chair	Member
Board of Directors	\$357,100	\$140,700
Audit and Risk Management Committee	\$37,900	\$18,400
Human Resource and Compensation Committee	\$32,500	\$16,200
Nominations and Corporate Governance Committee	-	-

**Committee chair and committee and Board member fees are not payable to the Chair of the Board, and committee member fees are not payable to committee chairs.*

For the voting exclusions applicable to this Resolution, see the "voting exclusions" section under the Procedural Notes at the back of this Notice of Annual Meeting.

Attending in Person

If you wish to vote in person you should attend the Annual Meeting where you will be issued with a voting card. Please bring your proxy form with you to the meeting to assist with your registration.

Voting by Mobile Phone (optional)

Shareholders that are attending the Annual Meeting in person will be able to vote using their compatible smartphone during the Annual Meeting. Shareholders who choose to do so will need to download the free LinkVote App from the Apple App Store or Google Play in advance. On arrival at the meeting please obtain your PIN from the registration desk.

Online Participation

Shareholders may also attend the Annual Meeting virtually via an online portal, where you can watch the Annual Meeting, vote and ask questions during the Annual Meeting. Shareholders attending virtually will require their Holder Number for verification purposes. Shareholders attending virtually will be able to ask questions during the Annual Meeting via the chat functionality or via telephone. Information on participating via telephone can be retrieved during the meeting through the Question Button. Unfortunately, ADR holders are not eligible to participate virtually in the Annual Meeting.

Spark's Virtual Annual Meeting portal can be found at virtualmeeting.co.nz/spark2017.

If you require any help using the online portal prior to or during the Annual Meeting, please call **0800 200 220**. A user guide can be found under the Annual Meeting section of our website at investors.sparknz.co.nz.

Telephone Participation

To participate in the Annual Meeting by telephone in New Zealand please dial **0800 448 986** or from Australia please dial **1800 572 288**. Shareholders attending by phone will require their unique PIN for verification purposes. Your unique PIN can be found at the top of the Proxy Form that accompanies this notice. Please disregard the PIN on your proxy if you will be attending virtually via the online portal.

Shareholders who participate by phone will be able to hear the meeting, ask a question and vote at the appropriate times during the meeting. Voting will be conducted at the conclusion of the meeting. Please follow the voting instructions provided by the call facilitator.

Voting Entitlements

Only shareholders whose names are registered on the Spark share register at 5.00 pm on Wednesday 1 November 2017 (New Zealand time) are entitled to vote, and only shares registered in the names of those shareholders at that time may be voted at the Annual Meeting.

Voting exclusions

Pursuant to NZX Main Board Listing Rule 9.3.1 each director of Spark and their respective associated persons (as defined in the NZX Main Board Listing Rules) are disqualified from voting on resolution 4.

A disqualified person who is appointed as a proxy for a person who is entitled to vote may vote in accordance with the express instructions of that person, but may not exercise a discretionary vote where instructions are not given.

Proxy Voting

If you cannot attend the Annual Meeting and choose not to participate by telephone or virtually via the Annual Meeting portal, you are encouraged to appoint a proxy to attend and vote on your behalf.

Appointing a proxy

Shareholders entitled to attend and vote at the Annual Meeting may appoint a proxy to attend and vote on their behalf. A proxy need not be a Spark shareholder.

The Chairman of the meeting or any other director is willing to act as proxy for any shareholder who appoints him or her for that purpose. If, in appointing your proxy, you do not name a person as your proxy (either online or on your proxy form), or your named proxy does not attend the Annual Meeting, the Chairman of the meeting will be your proxy and may vote only in accordance with your express direction.

Shareholders can appoint a proxy by completing the enclosed proxy form and returning it to Link Market Services Limited by email, mail or fax.

Online proxy voting

Alternatively, shareholders can elect to lodge their proxy appointment online by visiting vote.linkmarketservices.com/SPK.

Holders on the New Zealand register will be required to enter their Holder Number and Authorisation Code (FIN) to complete the online validation process to securely appoint a proxy online.

Holders on the Australian register will be required to enter their Holder Number and postcode or country of residence to complete the online validation process to securely appoint a proxy online.

All online or postal proxy appointments must be received by Link Market Services Limited no later than 10.00 am on Wednesday 1 November 2017 (New Zealand time).

Shareholder Questions

Shareholders present at the Annual Meeting or attending virtually via the online portal or by telephone will have the opportunity to ask questions during the Annual Meeting.

If you cannot attend the Annual Meeting but would like to ask a question you can submit a question by completing the shareholder question section on the Proxy Form and returning it to Link Market Services Limited, or online by going to vote.linkmarketservices.com/SPK. After completing the online validation process choose "Questions". Shareholder questions will need to be submitted by 5.00 pm Friday 27 October 2017 (New Zealand Time).

Webcast

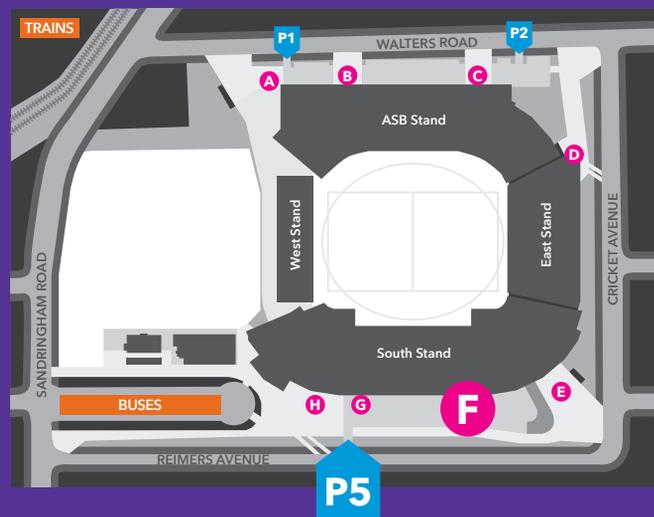
The Annual Meeting will be webcast live on the internet. To view the webcast, go to virtualmeeting.co.nz/spark2017.

Venue & Parking

Spark's Annual Meeting will be held at:

South Level 4 Lounge
Eden Park, Gate F
42 Reimers Ave
Kingsland

- Free parking is available in area P5 off Reimers Ave
- Security will assist with directing you to the nearest available car parking spaces
- Enter Eden Park via Gate F
- Take the lift to Level 4
- Enter the South Level 4 Lounge



Eden Park is well served by rail and bus services. Kingsland train station is immediately opposite Eden Park. For full route, timetable and fare information call Auckland Transport Contact Centre on 09 366 6400 or 0800 10 30 80. Or visit AT online at at.govt.nz/bus-train-ferry.



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