



SPARK FINANCE LIMITED SUSTAINABLE FINANCE FRAMEWORK

March 2022



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1. Introduction

1.1 About Spark

Spark New Zealand Limited (**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 of our services – mobile, broadband, cloud services and entertainment – we have relevance for almost every New Zealander.

Spark Finance Limited (**Spark Finance**) is a wholly-owned subsidiary of Spark. The principal activity of Spark Finance is that of a finance company for Spark together with its subsidiaries (the **Spark Group**). Spark Finance 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 their operations.

1.2 Spark's approach to sustainability

Sustainability at Spark is about doing business in a way that protects our natural environment and supports the creation of an equitable society, where all New Zealanders can prosper.

Our commitment starts with our purpose, to help all of New Zealand win big in a digital world. Our purpose is expressly inclusive and encompasses all people, business, and communities, and our role in creating success for Aotearoa as a whole.

We believe sustainability is core business, not a project to be operated in isolation. As such, it is incorporated into our business strategy, with an ambition to create a positive digital future for all of New Zealand, and progress is tracked at the highest levels.

To achieve this ambition we have identified three key focus areas, which are captured in our Sustainability Framework.

These three focus areas are:



Create a Sustainable Spark

– Be bold in our business to have a positive impact on our communities and environment



Economic Recovery and

Transformation – Help New Zealand transform to a high performing, low carbon economy



Champion Digital Equity –

So all New Zealanders have the opportunity to thrive in a digital future

While these focus areas are enduring, the activities within them will evolve over time in line with our annual materiality assessments – to ensure we are responsive to our changing operating environment, and the needs of our stakeholders.

Our [Sustainability Framework](#) sits alongside our Māori Strategy, Te Korowai Tupu o Kora Aotearoa (the cloak of growth of Spark New Zealand), which informs how we develop strong connections with Māori and builds our understanding of Te Ao Māori.

We have been intentional in weaving Te Korowai Tupu throughout our business, informing how we develop strong connections with Māori businesses and partners. Our partnerships with established Māori organisations have ensured we remain authentic in our desire to uplift our capability in this domain.

This document presents how our financing raised under this Sustainable Finance Framework will support our ongoing commitment to sustainability.

More information on Spark's approach to sustainability can be found on our website [Sparknz.co.nz/sustainability](https://sparknz.co.nz/sustainability) and within Spark's Annual Reports.

2. About this Framework

To support Spark's strategic focus on sustainability, Spark has developed this Sustainable Finance Framework (**Framework**). Through this Framework, Spark is link our financing to our strategic focus on sustainability.

This Framework outlines the process by which Spark intends to issue and manage bonds and/or loans that are linked to the achievement of outcomes to which Spark is committed through our strategic plan (**Sustainability-Linked Instruments**),

Under this Framework, Spark may issue or manage Sustainability-Linked Instruments, in alignment with the relevant **Market Standards**:

- (1) **Sustainability-Linked Loans** in accordance with the APLMA/ LMA/ LSTA Sustainability-Linked Loan Principles (**SLLPs**)¹
- (2) **Sustainability-Linked Bonds** in accordance with the ICMA Sustainability-Linked Bond Principles (**SLBPs**)²

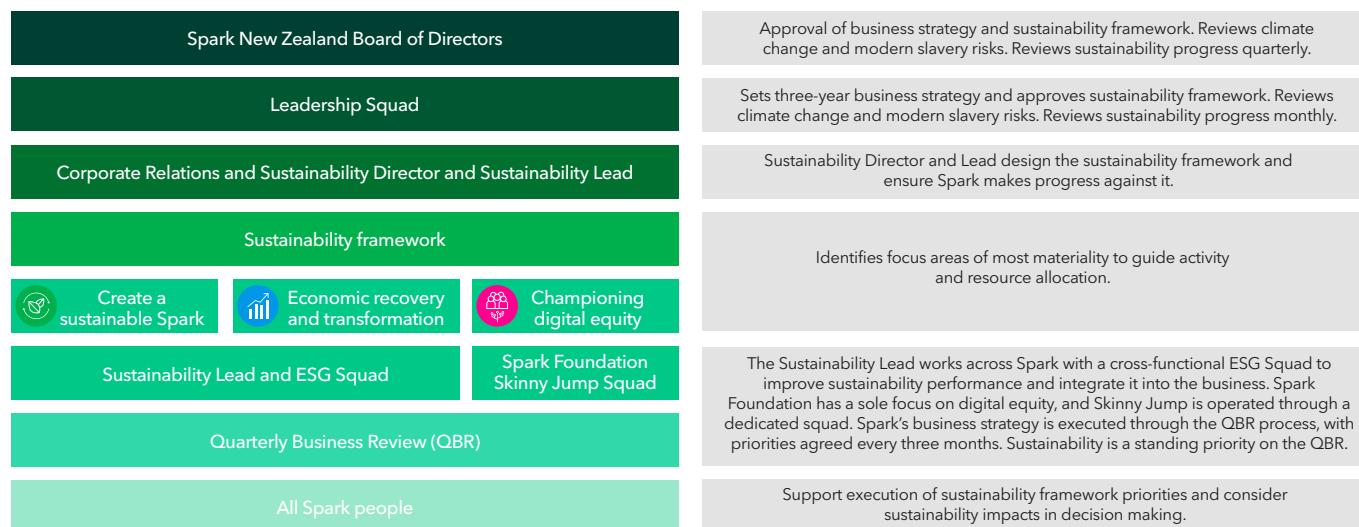
The market standards are the voluntary sustainable finance principles and guidelines issued by the International Capital Market Association (**ICMA**), the Asia-Pacific Loan Market Association (**APLMA**), the Loan Market Association (**LMA**) and the Loan Syndications and Trading Association (**LSTA**) as they may evolve over time (together, the **Market Standards**).

1 [APLMA Sustainability-Linked Loan Principles 2021 \(SLLP\)](#), as issued by the APLMA/LMA/LSTA.

2 [ICMA Sustainability-Linked Bond Principles 2020 \(SLBP\)](#), as issued by the ICMA.

3. Sustainability Governance

Our sustainability governance structure helps us ensure sustainability is overseen at the highest levels of our organisation and embedded throughout our everyday operations.



4. Sustainability-Linked Instruments

Sustainability-Linked Instruments link Spark's cost of borrowing to its performance against material sustainability Key Performance Indicators (KPIs) and pre-defined sustainability performance targets. These Sustainability-Linked Instruments will be issued or managed by Spark in accordance with the Market Standards.

When issuing or managing any Sustainability-Linked Instruments, Spark will communicate how the instrument, the KPIs and the sustainability performance targets are material to Spark and aligned with its strategic focus on sustainability.

In accordance with the most recent publications of the SLLPs (2021) and SLBPs (2020), Spark's Sustainability-Linked Instruments will be managed in alignment with the following core components:

- Selection of Key Performance Indicators;
- Calibration of Sustainability Performance Targets;
- Loan and/or Bond Characteristics;
- Reporting and Disclosure; and
- Review and Verification.

4.1 Key Performance Indicators (KPIs)

Spark will select measurable and quantifiable sustainability KPIs, that are relevant, core and material³ to our business, and to Spark's current and future operations and recognised as key challenges for the Information and Communication Technologies (ICT) sector.

When issuing or managing any Sustainability-Linked Instruments, Spark will consider identifying one or more KPIs from the key activities captured within our [Sustainability Framework](#):



³ Material issues have been identified by Spark through its stakeholder [Materiality Assessment](#) (aligned to GRI materiality principles).

4. Sustainability-Linked Instruments (cont.)

4.2 Sustainability Performance Targets

Spark will select one or more timebound Sustainability Performance Targets (**SPTs**) that are consistent with Spark's Sustainability Framework, represent a material improvement in the KPI over the life of the Sustainability-Linked Instrument, beyond a "business as usual" trajectory, and are set in accordance with the Market Standards.

SPTs will be set at the inception of each new issuance of a Sustainability-Linked Instrument with reference to Spark's historical performance, peer performance, and scientific data, including science-based scenarios. SPTs may also be set according to relevant regional, national, or international targets, other best-available technologies, methodologies, or external benchmarks.

For its existing Sustainability-Linked Loans⁴, Spark has established SPTs that are informed by the following commitments:

- **SPT 1:** By FY30, reduce absolute Scope 1 and Scope 2 greenhouse gas (**GHG**) emissions by at least 56% against baseline (FY20), which is aligned to Spark's SBTi⁵ validated commitment.
- **SPT 2:** By FY26, 70% of all Spark's suppliers by spend (covering purchased goods and services and capital goods) are to have science-based emission reduction targets, which is also aligned to Spark's SBTi commitment.
- **SPT 3:** Achieve 40:40:20 gender representation across the business (which refers to 40% men, 40% women, and 20% of any gender (as well as gender diverse representatives)).

4.3 Loan and/or Bond Characteristics

The proceeds of Spark's Sustainability-Linked Instruments will be used for general corporate purposes.

Any Sustainability-Linked Instruments Spark may issue or manage will have a financial characteristic linked to Spark's performance against one or more SPTs as measured by the predetermined KPIs.

This may include financial premium and/or discount incentives (depending on the transaction) that are commensurate and meaningful relative to Spark's original loan or bond structure and will reflect market practice. The magnitude of the pricing adjustment as well as the effective trigger event date(s), will be clearly detailed in the relevant documentation for each transaction.

For any Sustainability-Linked Bond issued by Spark, the financial characteristic applicable if Spark does not achieve the SPT by the required date, will be a coupon adjustment either during the lifetime of the instrument or at its maturity, the details for which will be specified in the relevant documentation of each Sustainability-Linked Bond issuance.

⁴ On 30 November 2021, Spark [announced](#) that it had established three Sustainability-Linked Loans totalling NZ \$425m.

⁵ In August 2021, Spark received validation from the [Science-Based Target](#) initiative that its GHG emissions reduction target aligned to a 1.5°C pathway.

4. Sustainability-Linked Instruments (cont.)

4.4 Reporting and Disclosure

Spark is committed to transparency and will disclose and report on its Sustainability-Linked Instruments as follows.

Sustainability-Linked Loans

Spark will make and keep readily available up to date information relating to our SPTs, with such information to be provided to banks participating in the loan at least once per annum.

Sustainability-Linked Bonds

Post issuance of any Sustainability-Linked Bond, Spark will keep up-to-date and make available to investors and the general public at least annually (and at a date relevant for assessing the SPTs performance leading to a potential adjustment of the financial and/or structural characteristics

Sustainability-Linked Instrument) until the Sustainability-Linked Bond is repaid, the following information:

- Spark's performance against each relevant SPT for the duration of the relevant Sustainability-Linked Bond;
- Third party review report of the performance against each relevant SPT (as outlined below);
- Any other information enabling investors to monitor the level of ambition of each relevant SPT; and
- Any other requirements as set out by the Market Standards and as they may evolve from time to time.

4.5 Review and Verification

To provide lenders, investors, and stakeholders with certainty that Spark's Sustainability-Linked Instrument is structured and reported in alignment to the SLLPs or SLBPs (as applicable), Spark will seek external review of the following:

- **Prior to issuance:** Limited assurance or a Second Party Opinion that the Sustainability-Linked Instrument aligns to the SLLPs or SLBPs (as applicable), with such assessment covering the relevance and materiality of the selected KPIs, nature and ambition of the SPTs, credibility of Spark's stated plans to achieve the SPTs, and verification of baseline performance (as applicable).
- **Post issuance:** Ongoing assurance or verification (at least annually, and at a date relevant for assessing the SPT performance) on Spark's performance against the SPTs for each KPI. This may cover any material change to the methodology used to monitor each KPI or for the SPT calibration.

These external review reports will be made available (at a minimum) to lenders for Sustainability-Linked Loans and will be made publicly available for Sustainability-Linked Bonds.

5. Continuous Improvement

Spark will monitor how the Market Standards and global sustainable finance markets continue to develop and adapt its approach to sustainable finance as relevant. As a consequence, Spark may update this Framework from time to time at its discretion, including to ensure it remains in line with good market practice and the Market Standards, or to accommodate the issuance of other types of sustainable financing instruments in future.

In parallel, and as part of our ongoing stakeholder engagement, we welcome feedback and input from stakeholders on this Framework to support our commitment to continuously adapt our approach to sustainable finance as the markets and our own Sustainability Strategy evolve. Contact information is outlined below.

6. Contact Information

General additional information on Spark's approach to sustainability can be found on our [website](#) and in our [annual reports](#).

Contacts:

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New Zealand
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