KORA

Spark nz
hello tomorrow

KO TE PAE ANAMATA
WHAKAMAUA

Hello tomorrow
Spark Annual Report 2023

Tahutahuna te Kora Karakia: the Spark Karakia

**Papā te whatitiri,
hikohiko te uira**

*The thunder peels,
the lightning flashes*

**Ko te pae anamata,
whakamaua, kia ngita**

*Fix your attention
to the future horizon and secure it*

**Kei reira te kora e
pūrātoke ana**

There, is a small gleaming fragment

**Kua kitea te kora
e pūrātoke ana**

*We have found the small
gleaming fragment*

**Mā wai rā te kora e tutungi,
e poipoi?**

*Who will light and nurture
this spark?*

**Mā tātou te kora e tutungi,
e poipoi**

*It is us who will light and nurture
the spark!*

Tahutahuna te kora, (hī!)

Set fire to the spark, yes!

te kora whitawhita, (hī!)

The zealous spark, yes!

te kora tangata ēi!

The spark of humanity!

Empowering the people and businesses creating Aotearoa's tomorrow

The 2023 financial year saw us complete the three-year strategy we started in mid-2020, while setting a path for the future.

Our last strategy started at a time when the world around us was turned upside down by COVID-19. While the most challenging days of the pandemic are now behind us, its impacts linger on and Aotearoa continues to change rapidly.

New Zealand is getting bigger, older, and more diverse and globally we now face greater political volatility and cost of living challenges than we have for many years. Compounding this is the universal challenge of climate change, which is causing more frequent and extreme weather events on our shores and highlighting the urgent need for adaptation and our transition to a low-carbon economy.

Despite these challenges, we are optimistic about our country's future and the role Spark can play in supporting its growth. That's why our mission for the years ahead is to empower the people and businesses creating Aotearoa's tomorrow.

We will bring New Zealanders the best digital-first experiences, curated to their needs. We will invest in the networks and high-tech solutions that embolden our customers to innovate, grow and become more sustainable through technology. We will create an innovation culture that fuels our progress and equips our people to thrive in an increasingly digital world. And we will do it all without wavering from our commitments to Toitū Sustainability and Te Korowai Tupu – our Māori Strategy.

Ko te pae anamata whakamaua. Hello tomorrow.

FY23 highlights

## REALISING THE VALUE OF INFRASTRUCTURE ASSETS
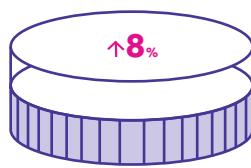
$911m

in proceeds

TowerCo transaction enabling returns to shareholders and investment in future growth

GROWING SHAREHOLDER RETURNS

27c

per share

↑8%

Total FY23 dividend of 27 cents per share, 100% imputed, with a value of $501 million[1] – up from 25 cents per share in FY22. $146 million returned through on-market share buy-back

MOBILE LEADING THE MARKET

9%

growth

↑9%

Mobile service revenue grew 9%, supported by data-driven marketing, brand strength, product innovation and growing data usage – maintaining market leading position

## BETTER CUSTOMER EXPERIENCES

1.57m

MySpark app unique users

↑10%
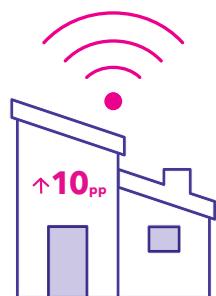
Interaction net promoter score +31 points and MySpark app unique users growing 10% YoY to 1.57 million

1 This includes the dividend paid for H1FY23 of $252 million and the estimated dividend to be paid for H2FY23 of $249 million.

WIRELESS BROADBAND GROWTH

30%

of broadband base

Meeting three-year ambition by growing wireless broadband from 20% of our base to 30%, providing customer choice and supporting broadband profitability

↑10 PP

ENGAGED PEOPLE

70%

engagement

Employee engagement remains strong at 70%[3], approaching upper quartile performance among large New Zealand businesses, with continued investment in skills development, progression, wellbeing and diversity

NEW TECHNOLOGY INVESTMENTS
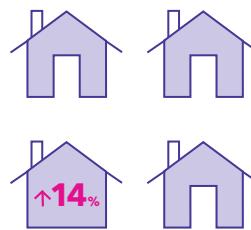
1.46m

IoT connections

5G in 77 locations across the country, Internet of Things[2] connections up 76% to 1.46 million, Takanini data centre expansion and satellite trials underway

↑76%

TECHNOLOGY FOR GOOD

27k+

households

Skinny Jump connecting over 27,000 households in need and new research launched showing digital technology could support at least 42% of the emissions reductions required to hit New Zealand's 2030 carbon budget targets

↑14%

2 The Internet of Things is a network of physical objects that are embedded with sensors, software, or other technologies to capture data and share this with other devices or systems over the internet.
3 From FY23 we changed how we measure the engagement of our people to a more comprehensive engagement score.

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– hello tomorrow

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About this report

- This is an integrated report that shares our financial, social, environmental and economic performance. To inform our approach we've applied the International <IR> Framework, which considers the creation of value over the short, medium and long term, thinking holistically about the resources and relationships the organisation uses or affects and the dependencies and trade-offs between them as value is created.

- At the heart of this approach is the <IR> value creation model (laid out on pages 6 and 7), which details the 'capitals' we draw upon, our strategy and business model, and the outputs and outcomes we deliver. We have a section of the report dedicated to each of these capitals. Our detailed financial report is covered in pages 88–139.

- The report also applies the Global Reporting Initiative (GRI) standards, the most widely used global sustainability reporting standard. This requires us to apply a materiality lens to identify and report against the sustainability issues most important to our business and our stakeholders. We have a dedicated sustainability appendix at the back of the report that includes our materiality matrix and our GRI index that directs to where we have covered specific sustainability topics in the report and elsewhere. See pages 151–156.

- We report climate-related disclosures against the TCFD (Taskforce on Climate-related Financial Disclosures) Framework and, where possible, we have aligned to the incoming External Reporting Board (XRB) requirements. See pages 74 – 77.

- This Annual Report is published alongside a suite of other disclosures covering the FY23 period, including our Corporate Governance Statement, our Modern Slavery Statement and our Greenhouse Gas Inventory Report. For the full suite of FY23 disclosures please visit https://www.sparknz.co.nz/about/governance/

Key dates

Annual Meeting
03 November 2023

FY24 half-year results announcement
28 February 2024

FY24 year-end results announcement
23 August 2024
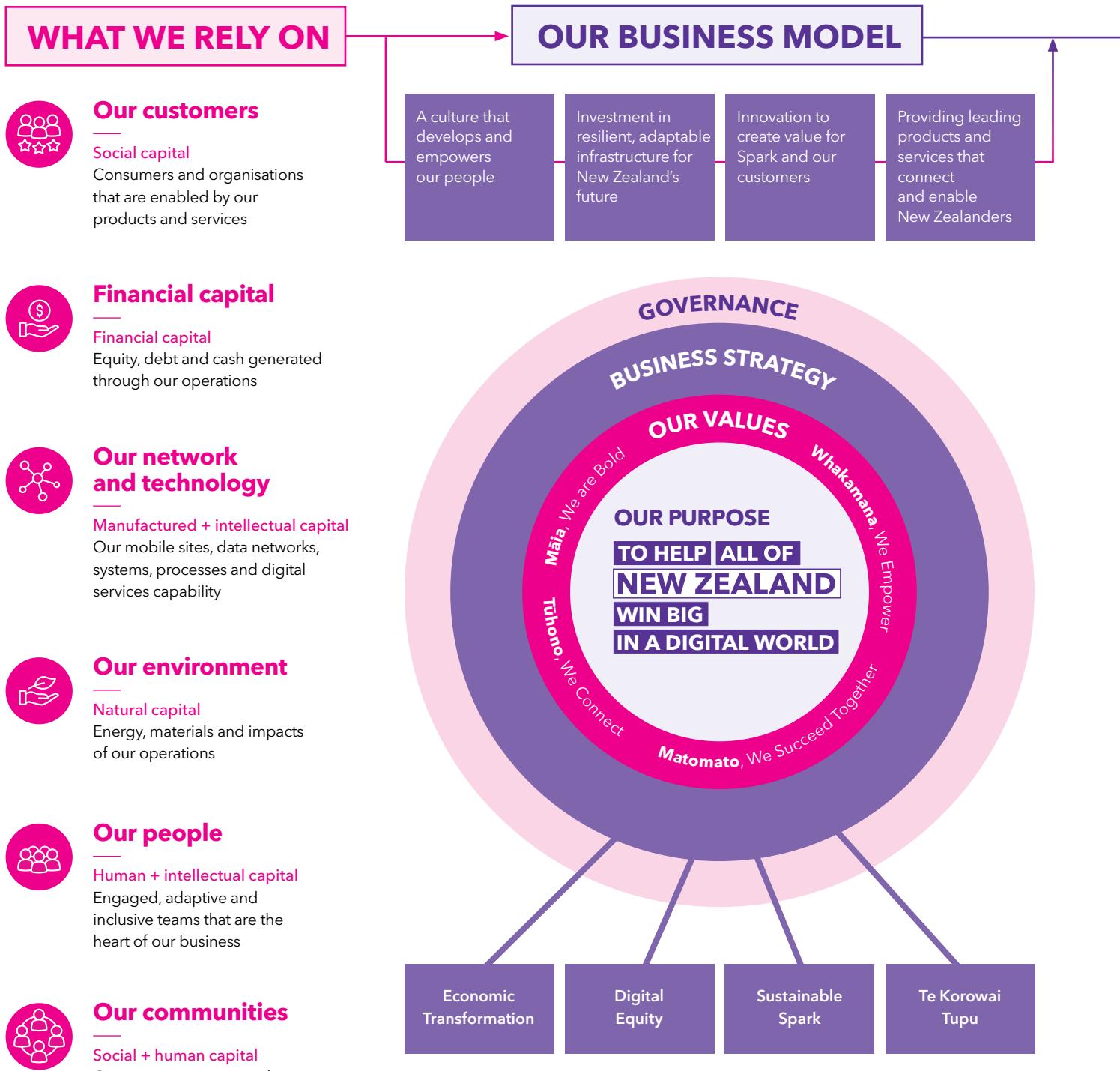
This report covers the activities of Spark New Zealand Limited and its subsidiaries for the period 1 July 2022 to 30 June 2023. It is dated 18 August 2023 and is signed on behalf of the Board of Spark New Zealand Limited by Justine Smyth, Chair, and Charles Sitch, Chair Audit and Risk Management Committee.

Justine Smyth, CNZM
Chair

Charles Sitch
Chair Audit and Risk
Management Committee

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 environment
—
Natural capital
Energy, materials and impacts of our operations

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

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

OUR BUSINESS MODEL

A culture that develops and empowers our people

Investment in resilient, adaptable infrastructure for New Zealand's future

Innovation to create value for Spark and our customers

Providing leading products and services that connect and enable New Zealanders

GOVERNANCE

BUSINESS STRATEGY

OUR VALUES

Māia, We are Bold

Whakamana, We Empower

Tūhono, We Connect

Matomato, We Succeed Together

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

Economic Transformation

Digital Equity

Sustainable Spark

Te Korowai Tupu

Including the elements of our Sustainability Framework pages 14 and 16

OUTPUTS FY23

- 2.7 million mobile connections, up from 2.5 million in FY22
- 699,000 broadband connections, down 5,000 from FY22
- Consumer and small business interaction score (iNPS), up 2 points from FY22 to +31
- Growth of technology solutions to solve real-world business problems

- $4,491 million reported operating revenue and other gains. Adjusted operating revenue and other gains up 5.1% to $3,908 million
- $1,135 million reported net earnings. Adjusted net earnings up 5.6% to $433 million
- 27 cents per share dividend, up 2 cents per share from FY22

- 120% increase in mobile capacity over the past three years
- 56 additional locations with 5G now live in 77 locations across New Zealand
- Investment in mobile core and Optical Transport Network 2.0 to build adaptability, resilience and capacity

- 13,318 tCO_2e scope 1 and 2 emissions, down 29.8% from FY22
- 559 tonnes of e-waste recovered, up 14 tonnes from FY22
- 14,913 mobile phones collected for recycling, down 5,696 from FY22
- Efficiencies enabled across other sectors

- Employee engagement score of 70%
- 40:40:20 gender representation at Board, Leadership Squad and senior leadership levels
- 83% of employees sharing ethnicity data
- Investment in learning and development

- Skinny Jump benefitting 27,341 households, up from 23,323 in FY22
- 622 connections to the Digital Marae Connectivity Programme, up from 586 in FY22
- Improved approach to supplier risk through Modern Slavery Framework
- Community investment through Spark Foundation

OUTCOMES FY23

Connected customers

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

Capital for future investment

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

Connected and resilient New Zealand

Enabling a connected New Zealand and providing infrastructure to support innovation

Reduced draw on natural capital

Enabling a reduced draw on natural capital in our business and through our customers' use of technology

Engaged and inclusive teams

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

Connected and empowered communities

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

Spark's operations

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

98%
of New Zealanders reached by our 4G network

99%
of the population reached by our Internet of Things network[1]

63
retail stores

699k
broadband connections

24
regional business hubs

16
data centres
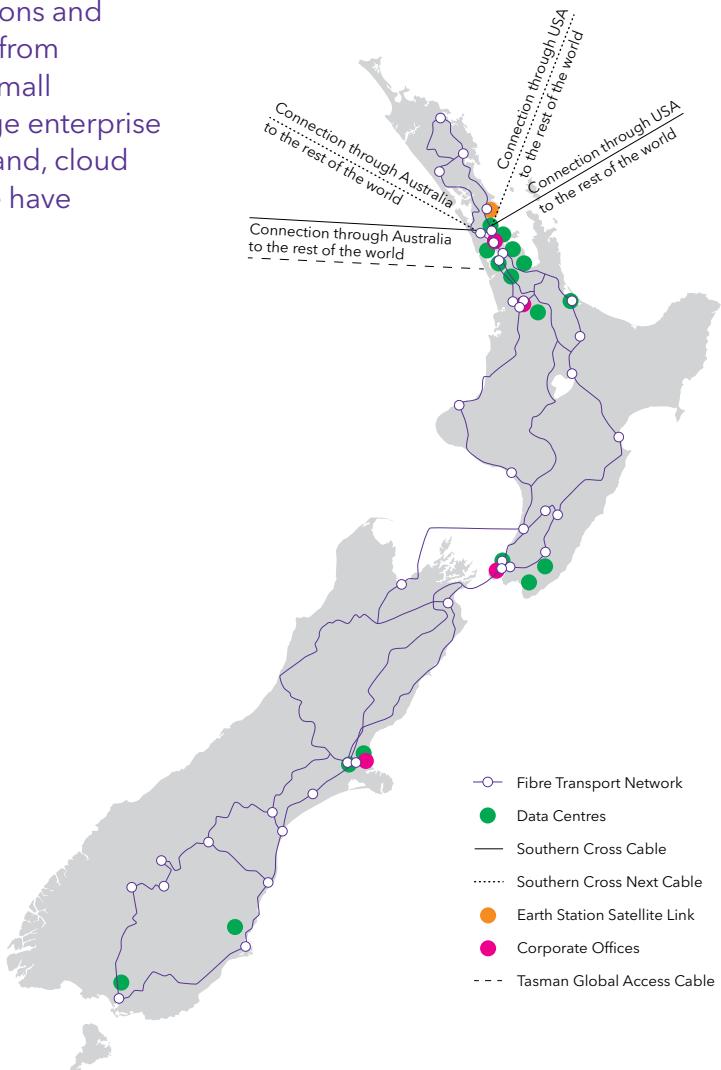
Active infrastructure on

~1,500
mobile sites supporting more than 2.7 million mobile connections

5,432
New Zealand employees

Connection through Australia to the rest of the world

Connection through USA to the rest of the world

Connection through USA to the rest of the world

Connection through Australia to the rest of the world

- Fibre Transport Network
- Data Centres
- Southern Cross Cable
- Southern Cross Next Cable
- Earth Station Satellite Link
- Corporate Offices
- Tasman Global Access Cable

We operate the following brands and businesses

Consumer	Business	Community	Growth markets	Other brands
Spark^{nz}	Spark Business Group	Spark^{nz} Foundation	Spark Health	Spark^{nz} Wholesale
Skinny	CCL Digital Island*	Skinny Jump	Spark^{nz} IoT (internet of things)	entelar group
	Qrious leaven.		MATTR	

1 Cat-M1 Internet of Things network.

Spark's performance snapshot FY23

Reported operating revenue and other gains

$4,491m ⬤20.7%

Adjusted operating revenue and other gains[1]

$3,908m ⬤5.1%

Reported EBITDAI[2]

$1,722m ⬤49.7%

Adjusted EBITDAI[1,2]

$1,193m ⬤3.7%

Reported net earnings

$1,135m ⬤176.8%

Adjusted net earnings[3]

$433m ⬤5.6%

Mobile revenue

$1,470m ⬤8.8%

Broadband revenue

$626m ⬤-2.0%

Cloud security and service management revenue

$436m ⬤-2.2%

Free cash flow[4]

$489m ⬤12.9%

Capital expenditure[2]

$515m

Consumer and small business iNPS[5]

+31 ⬤2 points

Employee engagement

70% New measure

1 Adjusted for the impact of the net gain on sale of Connexa (formerly TowerCo) of $583 million, within other gains, and the one-off provision of $54 million for Spark Sport, within operating expenses. There were no adjusting items in FY22.

2 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.

3 Adjusted for the impact of the net gain on sale of Connexa of $583 million, the one-off provision of $54 million for Spark Sport, the $5 million net gain on dilution of the investment in the Connexa group and related tax impacts of $168 million. There were no adjusting items in FY22.

4 Free cash flow is a non-GAAP measure and is calculated on page 9 of Spark's FY23 Detailed Financials. The prior year comparative has been restated to align with the FY23 definition for free cash flow.

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

Ko Te Pae Anamata, Whakamaua

Tēnā koutou,

Justine Smyth, Chair,
and Jolie Hodson, CEO

Over the last twelve months we have been focussed on delivering what we said we would in the final year of our three-year strategy, while setting a path for the future.

It is fair to say the last three years were a time like no other. When we created the strategy no one had heard of a lockdown, and it was inconceivable that New Zealand would close its borders to the world. But like all businesses in Aotearoa, we had to adapt at pace to a constantly changing environment, and it is testament to the execution capability of the Spark whānau that we were able to do so without wavering from our strategic goals.

Through the locally unique data and AI capability we have developed, our simplified portfolio, and the significant network and technology investments we have made, we have achieved market leadership in mobile, stabilised our number one position in broadband and scaled our growth markets of Internet of Things and digital health. Our business fundamentals are stronger – with higher customer and people engagement, consistently growing brand strength and top quartile sustainability performance.

During these uncertain times we know our shareholders have been looking for consistent returns. Through a focus on effective portfolio management and maximising the value of Spark's considerable portfolio of infrastructure assets, we have grown shareholder value over the last three years.

Our infrastructure review resulted in the strategic divestment of a 70% stake in our TowerCo business to the Ontario Teachers' Pension Plan (OTPP) for $911 million and when combined with our decision to exit

Spark Sport, delivered a net EBITDAI gain on sale of $529 million. We committed to return up to $350 million of these proceeds to shareholders through an on-market share buy-back, with $146 million returned at the end of June.

We have allocated an equal amount to investment in future growth, with $250-$300 million to be invested in the high-growth data centre market and $40-$60 million into 5G Standalone, which will open up new commercialisation opportunities across our portfolio.

The TowerCo business was rebranded to Connexa during the year, and successfully acquired the passive mobile tower assets of 2degrees from its owners Macquarie Asset Management and Aware Super Limited. This resulted in our shareholding diluting from 30% to approximately 17% of the resulting larger business, and will deliver greater operational efficiencies that will support more infrastructure sharing, better network economics, and faster deployment of new digital infrastructure across Aotearoa.

We completed FY23 maintaining our ~31% EBITDAI margins and growing sustainable free cash flow to support a higher dividend. As we look to FY24, we have confidence in our ability to continue to grow earnings and our free cash flow to ~$490 to $530 million and are guiding to a total FY24 dividend of 27.5 cents, 100% imputed.

This is a strong finish to the last three years, with Spark strengthening its competitive position in key markets, and ranking #4 for shareholder returns when compared to global peers – with a three-year total shareholder returns CAGR of 9.3%.

"Over the last twelve months we have been focussed on delivering what we said we would in the final year of our three-year strategy, while setting a path for the future."

Our FY23 performance

As a result of the TowerCo gain on sale, our FY23 reported revenue grew 20.7% to $4,491 million. When adjusting for this transaction, revenue increased 5.1% to $3,908 million, driven largely by our standout performance in mobile.

Mobile service revenue grew 9% to $980 million and we continue to lead the market, as mobile connections grew and roaming returned to 86% of pre-COVID-19 levels. Our dual brands Spark and Skinny continue to meet a wide range of customer needs, and the launch of our new Team Up mobile plans delivered greater value to our customers and growth for Spark.

We continue to lead the market in broadband, and while revenue declined 2% to $626 million, ongoing growth in wireless broadband supported profitability in a highly competitive sector and we achieved our three-year ambition of 30% of our base on wireless.

Cloud, security and service management revenue decreased 2.2% to $436 million, as the mix shift from private cloud to public cloud continued and service management activity normalised post COVID-19. We are actively refocussing the business to adapt to these trends, realigning our cost base to changed margin profiles and investing in product innovation within enterprise service management and hybrid cloud, where Spark is uniquely positioned to lead.

During the year we announced the expansion of our portfolio to include new satellite services for our customers. Through a partnership with Lynk Global we will start trialling a text-to-mobile service at the end of 2023, and in partnership with Netlinkz, we will supply Starlink business-grade satellite broadband to business customers following the completion of trials currently underway.

We continued to see strong growth in Internet of Things with revenue up 33% and total connected devices growing 76% to 1.46 million – surpassing our three-year target of ~1.2 million. While digital health revenues were impacted by delays and deferrals due to health sector reforms, digital health and Internet of Things collectively contributed $122 million of revenue during the year.

As a result, we delivered adjusted EBITDAI growth of 3.7% to $1,193 million, in line with guidance, and adjusted Net Profit After Tax (NPAT) growth of 5.6% to $433 million, driven by EBITDAI growth, lower depreciation and amortisation costs, partially offset by higher tax expense.

Free cash flow was towards the upper end of our FY23 aspiration at $489 million, driven by EBITDAI growth and disciplined capital management.

We were pleased to confirm a total FY23 dividend of 27 cents per share for our shareholders, 100% imputed and an increase of 8.0% or 2 cents year on year.

Looking forward – our new strategy

Looking ahead to the next three years, we know the pace of change and disruption will only accelerate from here. The world around us is changing rapidly and we need to change with it.

Aotearoa is growing, getting older and becoming more diverse. This brings tailwinds from higher immigration, which support mobile and broadband growth, and headwinds as we have larger numbers exiting the workforce and fewer entering, over time.

Our business customers are facing inflationary cost pressures, supply chain challenges and labour shortages, which is forcing a focus on efficiency and productivity. The opportunity for Spark is to harness the power of emerging and converged technologies to provide new solutions to these challenges that haven't been possible in the past.

As we have shaped our new strategy we have done so with our changing country in mind, to position Spark for success in multiple potential futures.

Our three-year focus is on empowering the people and businesses creating Aotearoa's tomorrow. As an enabling business our success will be measured in the success of others. We will bring New Zealanders the best digital first experiences, curated to their needs, and support local businesses big and small to grow and become more productive and sustainable through technology.

We will build on the progress we have made over the last three years through our capability-led approach by continuing to invest in our key sources of differentiation – our data and AI capability, simpler and more digital customer experiences, our network and technology investment and the strength of our people and culture.

Finally, how we do business will remain just as important as what we will do, with a focus on Toitū Sustainability at Spark and integrating te ao Māori into our business, an enduring part of our new strategy.

"We are proud of the results Spark has delivered during FY23 and over the last three-year strategy period and the value we have created for our shareholders."

Toitū Sustainability at Spark

Over the last three years we have made strong progress across our sustainability focus areas, which is reflected in our acceptance into the Dow Jones Sustainability Australia Index and our ranking in the top quartile of the Worldwide Benchmarking Alliance's Digital Inclusion Benchmark.

To support Aotearoa's economic transformation, we have accelerated our 5G rollout, expanded rural coverage and undertaken research into the role digital technology can play to meet New Zealand's climate change challenge.

We have invested a cumulative $5 million into community-led digital equity solutions through Spark Foundation and grown our not-for-profit broadband service Skinny Jump 150% to support over 27,000 homes across the country – with over $6 million of data provided for free during FY23 alone.

And we have made significant improvements to our own business. We established our science-based emissions reduction target and efficiency programme and we have enhanced our ethical supply chain processes and supplier auditing.

We still have more work to do to increase female representation within Spark and to meet our 40:40:20 target. We held flat in FY23, with women representing 34% of our workforce. We did, however, make strong progress reducing our gender pay gap from 28% in FY20 to 21.6% at the end of FY23. We have also made progress expanding our focus to ethnic diversity – with over 83% of our people now sharing their ethnicity with us, which will enable targeted initiatives to increase representation in the future.

Our new Sustainability Framework is outlined on page 17 and commits Spark to a clear set of Key Performance Indicators (KPIs) that we will hold ourselves accountable to annually in this report. We believe this is an ambitious roadmap that is focussed in the areas Spark can make the most meaningful contribution.

This framework sits alongside our Māori strategy, Te Korowai Tupu, which remains a strategic focus. We continue to integrate te ao Māori across our business, and in the next three years our ambition is to grow both Māori and Pasifika representation within Spark by five percentage points.

Thank you

We are proud of the results Spark has delivered during FY23 and over the last three-year strategy period and the value we have created for our shareholders. We would like to recognise the hard work and commitment of the Spark whānau that has delivered these results.

We would also like to acknowledge the extraordinary efforts of the teams who supported our customers during Cyclone Gabrielle – working around the clock to restore connectivity to communities and to ensure our customers were able to reconnect with loved ones as quickly as possible. Thank you also to our shareholders, customers, suppliers and partners, for your ongoing support.

Ngā mihi nui
[thank you]

Justine Smyth, CNZM
Chair

Jolie Hodson
CEO

Our FY24-FY26 strategy:
empowering the people and businesses creating Aotearoa's tomorrow

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

TŪHONO: we connect

WHAKAMANA: we empower

MATOMATO: we succeed together

MĀIA: we are bold

Our FY24-26 focus

We will empower the people and businesses creating Aotearoa's tomorrow by:

Bringing New Zealanders the best digital-first experiences, curated to their needs

LEAD Mobile

OPTIMISE Broadband

Enabling New Zealand businesses to grow and become more productive and sustainable through technology

LEAD SME & Business

GROW High-tech Solutions

Our enablers

Next evolution technology

Simple, data-driven organisation

Innovation culture

Our commitment: to stand together for generations to come

Toitū Sustainability at Spark

Economic Transformation

Digital Equity

Sustainable Spark

Te Korowai Tupu

Our Māori Strategy

Our FY26 outcomes

Low/mid single digit CAGR EBITDAI growth

>10% Free cash flow growth

+10 lift Customer engagement

Top decile People engagement

Top quartile Sustainability benchmarking

Spark's plan on a page

During the year we launched our new three-year strategy, which sets out our ambitions to FY26.

The new strategy builds on the progress we have made over the last three years through our capability-led approach and investment into new growth markets and positions Spark for success in multiple potential futures. We will continue to accelerate Spark's transition from its telecommunications roots to broader digital services by investing in digital infrastructure and high-tech solutions that will generate new revenue streams.

This includes a $250-$300 million investment into the high-growth data centre market, and $40-$60 million investment into the development of 5G standalone and multi-access edge compute, which will open up new commercialisation opportunities in mobile, broadband and digital services.

Our focus over the next three years will be to empower the people and businesses creating Aotearoa's tomorrow by:

- **Bringing New Zealanders the best digital first experiences, curated to their needs**
  - » We will deepen our use of data-driven personalisation for individuals and households and leverage our technology investments to enable us to continue to **lead mobile** and **optimise broadband.**
- **Enabling New Zealand businesses to grow and become more productive and sustainable through technology**
  - » We will lead **SME (small-medium enterprises)** by delivering scalable, standardised technology solutions that meet the needs of our customers.
  - » We will **lead business** by accelerating simplification and portfolio focus to deliver growth and efficiency, and by enabling our customers to become more productive and sustainable through technology.

- » We will **grow high-tech solutions** for our enterprise and government customers by leveraging new capabilities and technology convergence to create innovative solutions to problems that unlock new value.

We will build on our capability-led approach established over the last three-years by focussing on a set of enablers that give us a competitive advantage and underpin growth in established and new markets:

1. Next evolution technology

We will continue to deliver a highly secure, automated and resilient network, while investing in the digital infrastructure our customers need to grow. We will deploy 5G standalone nationwide to create the opportunity for us to provide 'fibre-like' experiences, accelerating our competitiveness and fuelling new growth areas.

2. Simple, data-driven organisation

We will unite our focus on simplification and data and extend the competitive advantage we have built in mobile and broadband further into SME, and across to business, and the Spark enterprise at large.

3. Innovation culture

We will offer our people opportunities to learn and develop skills that will fuel our growth ambitions and prepare them for the future of work. This will differentiate Spark by creating a culture of learning and innovation, progression opportunities and top decile people engagement.

How we do business will remain just as important as what we will do.

Toitū Sustainability at Spark is integrated into Spark's business strategy through our commitment to the three pillars of Economic Transformation, Digital Equity and a Sustainable Spark. These commitments sit alongside our Māori Strategy, Te Korowai Tupu, which informs how we develop strong connections with Māori and builds our understanding of te ao Māori.

- **Toitū Sustainability at Spark**
  - » We will continue to pursue growth that supports Aotearoa New Zealand's economic transformation, protects our natural environments and helps to close the digital divide.
- **Te Korowai Tupu**
  - » Our Māori Strategy finds the shared space between te ao Māori and the corporate world, with a focus on meaningful partnerships that increase Māori participation and progression in our sector and supports the revitalisation of te reo Māori.

With this focus we will deliver sustainable growth for our shareholders, measured by:

- **Delivering** top-line revenue growth through reinvestment in the business, which when combined with sustained cost discipline, will deliver low-mid single digit CAGR[2] EBITDAI growth.
- **Disciplined** capital management and free cash flow growth, which will grow dividends for our shareholders and generate market-leading total shareholder returns.
- **Lifting** customer engagement by +10.
- **Achieving** top decile people engagement.
- **Maintaining** top quartile sustainability benchmarking.

1 5G standalone refers to a network that has a 5G core, as well as 5G on mobile towers rather than non-standalone 5G, which uses a combination of existing 4G LTE architecture with a 5G radio access network (RAN).
2 Compound Annual Growth Rate.

"Toitū Sustainability at Spark is integrated into Spark's business strategy through our commitment to the three pillars of Economic Transformation, Digital Equity and a Sustainable Spark."

TE KOROWAI TUPU

Our Māori strategy, Te Korowai Tupu (the cloak of growth), takes the threads of a tangata whenua (indigenous people) world view that can be woven across Kora Aotearoa (Spark New Zealand) – into our strategies, actions, and values.

Te Korowai Tupu is inspired, driven, and led by kawa (protocol), tikanga (process), and kaupapa Māori, and supported by Spark's talented group of Māori leaders – our Kaiārahi.

Over the next three years we will focus on:

- Meaningful partnerships that deliver great outcomes for Māori
- Increasing Māori representation within Spark and the broader technology sector
- Te Tiriti o Waitangi principles of protection, partnership, and participation
- Supporting the normalisation of te reo Māori (language) and tikanga Māori (practices)

In doing so, our aim is to find the shared space between te ao Māori and the corporate world. In this spirit of partnership, threads of Te Korowai Tupu have been woven throughout this report and highlighted using the Kora Aotearoa logo.

 = **Relates to Te Korowai Tupu**

Our new Sustainability Framework

As we look to the next three years, we have updated our Sustainability Framework to provide greater transparency and accountability. Our three key focus areas are enduring and represent the highest materiality to both Spark and our broad range of stakeholders.

Each focus area has a clear set of commitments with KPIs to track our progress, which have been mapped to the Sustainable Development Goals. We will report on our progress against these KPIs annually in our Integrated Report, while continuing to provide updates at our half and full-year results announcements.
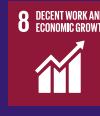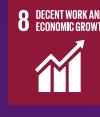
In economic transformation we know that the biggest contributions we can make are to invest in the technologies that will help our country transform; to expand connectivity to more of the places New Zealanders live and work; and to support businesses to become more sustainable through technology.

In digital equity we want to increase the accessibility of our products and services, while maintaining the highest security and privacy standards; we will continue supporting low-income households to participate in the digital world; and we will focus both Spark and Spark Foundation investment on increasing Māori and Pasifika participation in the technology sector.

Lastly, in Sustainable Spark we will continue to invest in the capabilities, wellbeing and diversity of our people; we will reduce our impact on the natural environment; and we will operate a responsible and ethical business and supply chain.

We believe this is an ambitious roadmap that is focussed in the areas where Spark can make the most meaningful contribution to Aotearoa.

TOITŪ SUSTAINABILITY AT SPARK

	Our commitment	KPIs	Sustainable Development Goals
Economic Transformation Empower New Zealand to transform to a high productivity, low carbon economy	**Emerging technology:** we will invest in the digital technologies and infrastructure Aotearoa needs to transform	• Deliver 5G Standalone nationwide by FY26 to enable innovation	7 AFFORDABLE AND CLEAN ENERGY 8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 13 CLIMATE ACTION 17 PARTNERSHIPS FOR THE GOALS
	Digital infrastructure: we will expand connectivity to more of the places New Zealanders live and work	• Increase 5G connectivity to all towns with a population >1,500 by end FY26	
	Business digitisation: we will support businesses to harness the power of technology to become more sustainable	• Champion the integration of digital technology into Aotearoa's climate change planning	
Digital Equity Champion digital equity so all New Zealanders can thrive in a digital future	**Products and services:** we will increase accessibility and maintain the highest security and privacy standards	• Maintain top quartile position in the Worldwide Benchmarking Alliance's annual Digital Inclusion Benchmark	1 NO POVERTY 4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES
	Skills and pathways: we will focus Spark and Spark Foundation investment on increasing Māori and Pasifika participation in the technology sector	• Increase Māori and Pasifika participation within Spark by +5 percentage points by end FY26[1]	
	Affordability: we will support low income households to participate in the digital world	• Extend the reach of our not-for-profit broadband service Skinny Jump, with YoY growth	
Sustainable Spark Be bold in our business to have a positive impact on our people, the environment and our communities	**Our people:** we will invest in the capabilities and wellbeing of our people and champion diversity and inclusion	• Achieve 40:40:20 gender representation across Spark by June 2024 • Spark has a top decile innovation culture by FY26	4 QUALITY EDUCATION 5 GENDER EQUALITY 7 AFFORDABLE AND CLEAN ENERGY 8 DECENT WORK AND ECONOMIC GROWTH 13 CLIMATE ACTION
	Our environment: we will reduce our impact on the natural environment	• Science-based target (SBTi): reduce Scope 1 and 2 emissions 56% from FY20-FY30 and ensure 70% of our suppliers by spend[2] have SBTi-aligned targets in place by 2026	
	Governance: we will operate a responsible and ethical business and supply chain	• Maintain top quartile benchmark in the annual Corporate Sustainability Assessment • Complete five JAC[3] aligned supplier location audits annually	

TŪHONO: we connect   **WHAKAMANA: we empower**   **MATOMATO: we succeed together**   **MĀIA: we are bold**

1. Excluding subsidiaries   2. Covering purchased goods and services and capital goods   3. Joint Audit Cooperation

Our performance

Reported EBITDAI[1]

$1,722m ⬤ 49.7%

Adjusted EBITDAI[1,2]

$1,193m ⬤ 3.7%

Reported net earnings
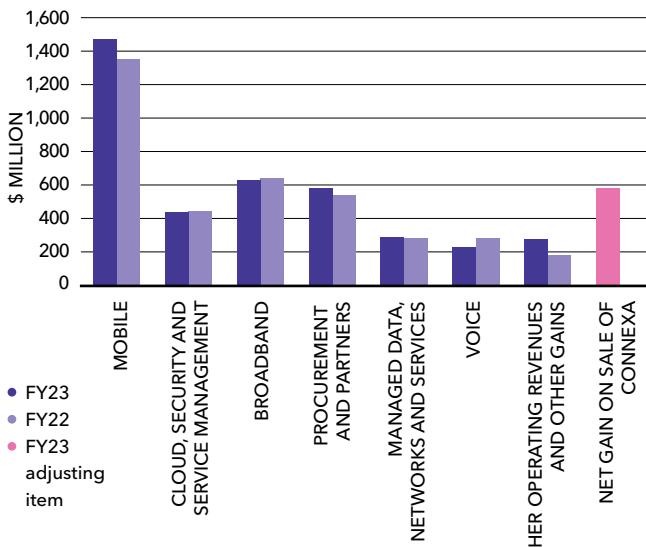
$1,135m ⬤ 176.8%

Adjusted net earnings[3]

$433m ⬤ 5.6%

Operating revenues and other gains

- Mobile revenue growth of $119 million, or 8.8%, has been driven by a growth in service revenue of $81 million, or 9%, due to mobile connections growth and an increase in roaming and inbound travellers revenue, with borders being fully open from the end of July 2022. Non-service revenue also grew by $38 million, due to an increase in handset prices and higher volumes of accessories sales.

- Broadband revenue declined mainly due to a decline in average revenue per user (ARPU) with customers migrating off legacy plans and being acquired on lower priced in-market plans.

- Procurement and partners revenue increased by $46 million, or 8.6%, mainly due to increased licencing renewals for software, particularly in the health sector.

- Cloud, security and service management revenue was impacted by the ongoing shift between private and public cloud and service management workloads were impacted by lower activity in the health sector post COVID-19.

- Managed data, networks and services revenue growth of $4 million was driven by customer growth, along with increased connections in key products.

- Voice revenues declined due to a combination of connection losses and associated lower calling volumes as part of a continued shift from fixed line to wireless calling, together with a return to normalised 0800 and fixed-to-mobile calling revenues after the COVID-19 related spikes in FY22.

- Other operating revenue grew $89 million, or 58.6%, driven by mobile infrastructure revenue, including a full-year contribution of Connect 8[5] compared to five months in FY22, and IoT revenue growth resulting from increased connections.

- Adjusted other gains of $33 million, up $7 million from FY22, were mainly generated from the sale and acquisition of mobile and data centre network equipment and other assets, and gains on lease modifications and terminations.

- Excluded from the adjusted result is the net gain of $583 million from the sale of Connexa (formerly TowerCo), which contained Spark's passive mobile tower assets.

$4,491m ⬤ 20.7%
($3,908m up 5.1% on an adjusted basis)

$ MILLION

- ● FY23
- ● FY22
- ● FY23 adjusting item

(Bar chart categories: MOBILE; CLOUD, SECURITY AND SERVICE MANAGEMENT; BROADBAND; PROCUREMENT AND PARTNERS; MANAGED DATA, NETWORKS AND SERVICES; VOICE; OTHER OPERATING REVENUES AND OTHER GAINS; NET GAIN ON SALE OF CONNEXA)

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

2 Adjusted for the impact of the net gain on sale of Connexa of $583 million, within other gains, and the one-off provision of $54 million for Spark Sport, within other operating expenses. There were no adjusting items in FY22.

3 Adjusted for the impact of the net gain on sale of Connexa of $583 million, the one-off provision of $54 million for Spark Sport, the $5 million net gain on dilution of the investment in the Connexa group and related tax impacts of $168 million. There were no adjusting items in FY22.

4 This represents the H1 FY23 first-half dividend of 13.5 cents per share, together with the H2 FY23 second-half ordinary dividend declared of 13.5 cents per share. Referenced on page 19.

5 On 31 January 2022, Spark acquired the remaining 50% of Connect 8 Limited, a mobile infrastructure business.

Reported basic earnings per share

60.7 cents ⬤ 177.2%

Adjusted basic earnings per share[3]

23.2 cents ⬤ 5.9%

Connexa gain on sale

## $583m

Dividends per share[4]
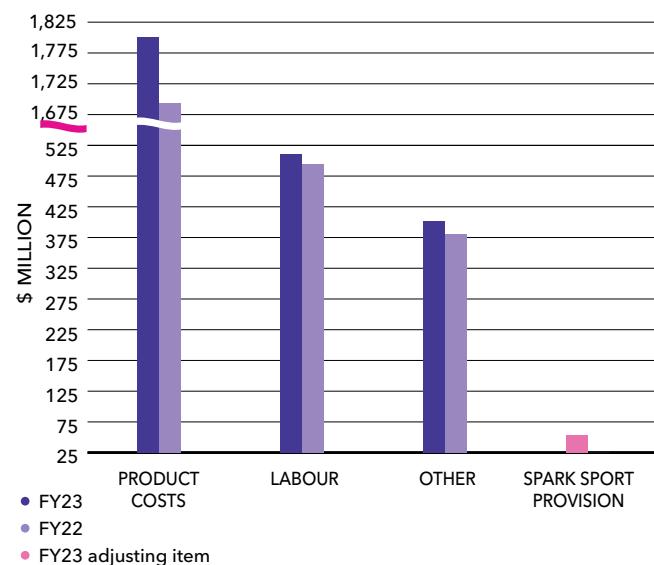
27.0 cents ⬤ 8.0%

Operating expenses

- Product costs increased by $108 million, or 6.4%, driven by increases in mobile handset costs, procurement and mobile infrastructure costs supporting the increased revenues, partially offset by decreased voice costs as it continues to become a smaller part of the business.

- Labour costs increased by $16 million, or 3.2%, due to the inclusion of a full year of Connect 8 results, insourcing of field services, growth in subsidiaries Entelar Group and MATTR, and increased remuneration costs.

- Adjusted other operating expenses increased by $21 million, or 5.5%, including an $18 million increase in accommodation costs, driven by operating charges under the new Connexa lease and a $6 million increase in travel costs following the easing of travel restrictions.

- Excluded from the adjusted result is $54 million for the Spark Sport provision. This was taken in the year following the announcement that TVNZ would become home for the majority of Spark Sport content from 1 July 2023. The provision includes ongoing obligations under content rights agreements that extend to FY28.
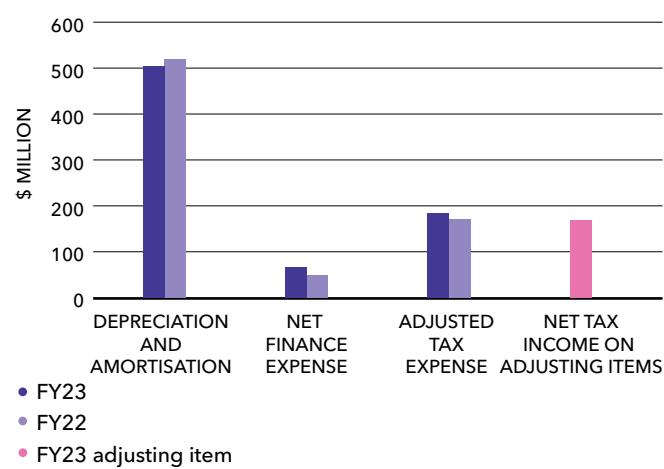
$2,769m ⬤ 7.7%
($2,715m[2] up 5.6% on an adjusted basis)

- FY23
- FY22
- FY23 adjusting item

Other

- Total depreciation and amortisation reduced by $16 million. Depreciation and amortisation for property, plant and equipment and intangibles was $10 million lower, primarily driven by the disposal of Connexa assets. Depreciation on right-of-use assets reduced by $5 million due to a net decrease in mobile right-of-use assets following the Connexa transaction.

- Net finance expense increased by $19 million, with both finance income and finance expense increasing as a result of increasing interest rates. The overall increase in the year was driven by higher lease interest expense largely because of interest on the new Connexa lease.

- Adjusted tax expense increased by $14 million, in line with the increased adjusted earnings before tax for the period.

- Tax income on the adjusting items includes $14 million for the Spark Sport provision and $154 million as a result of the Connexa transaction. Note that income tax payments in FY23 were $190 million, up from $160 million in FY22.

- FY23
- FY22
- FY23 adjusting item
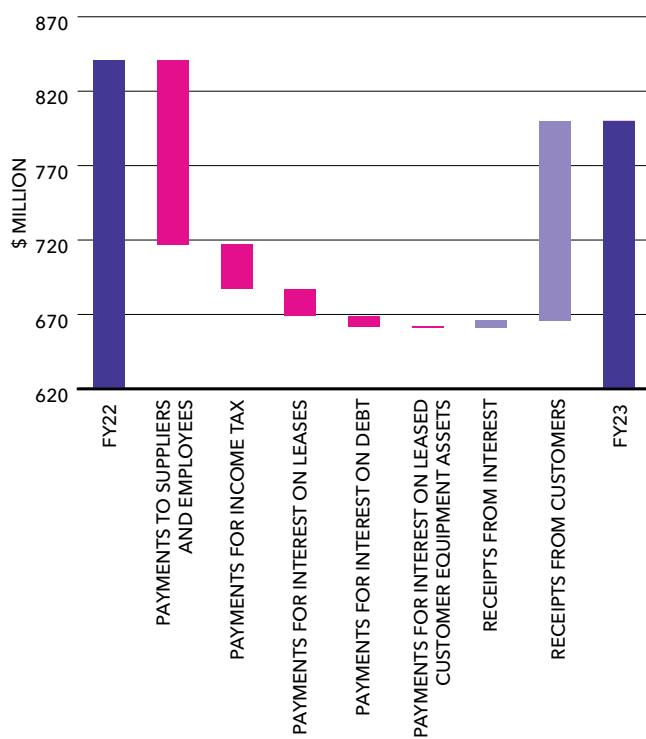
Cash flows

YEAR ENDED 30 JUNE	2023 $M	2022 $M
Net cash flows from operating activities	800	841
Net cash flows from investing activities	425	(492)
Net cash flows from financing activities	(1,196)	(350)
Net cash flows	29	(1)
Free cash flow[1]	489	433

- Operating cash flows decreased by $41 million with increased net earnings being more than offset by higher payments for provisional tax in FY23 and higher payments for interest on leases, driven by interest on the new Connexa lease.
- Investing cash inflows were $917 million higher than the prior year largely due to net proceeds from the sale of Connexa of $893 million, after transaction costs, and $11 million of cash proceeds from the sale of assets. Reduced payments to long-term investments offset increased spend in capital assets due to additional spend in growth opportunities. Payments for spectrum represent a prepayment for spectrum rights to be received in FY24.
- Financing cash outflows increased by $846 million primarily due to net repayments of debt in FY23 using Connexa proceeds, $146 million of share repurchases under the on-market share buy-back programme and higher payments for dividends due to an increase in the H1 FY23 dividend to 13.5 cents.
- Free cash flow was $56 million higher in FY23, driven by the increase in EBITDAI and lower payments for the capital expenditure included in free cash flow[1], partially offset by increases in payments for interest and tax outlined above.

1 Free cash flow is a non-GAAP measure and is calculated on page 9 of Spark's FY23 Detailed Financials. The prior year comparative has been restated to align with the FY23 definition for free cash flow.

Operating cash flows

$800m -4.9%

Capital expenditure[2]
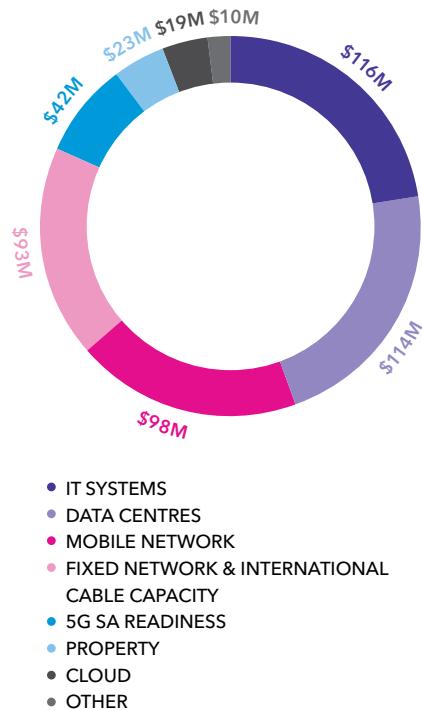
$515m

Key capital expenditure projects for the year included:

- IT systems investment included lifecycle investment and licencing for internal IT systems, enhancements to support new products and deliver simple, intuitive customer experiences, development of deep customer insight functionality and expansion of enterprise systems capability.

- Data centre spend was primarily on the new facility at Takanini, with supporting investment into the Mayoral Drive facility.

- Mobile network investment included continued investment in Spark's radio access and 5G deployment, increasing capacity and coverage for mobile and wireless broadband. It also included sustain and resilience investment in mobile core.

- Fixed network and international cable capacity included investment to meet future requirements for Spark's fibre and transport network, continuation of our core network expansion and resilience programme, advancement of our exit strategy for the PSTN and international cable capacity purchases to meet forecasted demand for data.

- Investment in the Radio Access Network (RAN) was to support full 5G standalone (SA) capability as an enabler of future revenues from emerging technologies.

Capital expenditure to adjusted operating revenues

13.2%[3] (FY22 11.0%)

$23M $19M $10M $116M $42M $93M $114M $98M

- IT SYSTEMS
- DATA CENTRES
- MOBILE NETWORK
- FIXED NETWORK & INTERNATIONAL CABLE CAPACITY
- 5G SA READINESS
- PROPERTY
- CLOUD
- OTHER

2 Capital expenditure is a non-GAAP measure and is defined in note 2.5 of the financial statements.
3 Capital expenditure to reported operating revenues is 11.5% (FY22 11.0%).

Creating value for our customers

Social capital

OUTCOMES FY23

Connected customers

As New Zealand's largest telecommunications and digital services company, we have relevance for almost every New Zealander. Our customers range from individual New Zealanders and households to small businesses, not-for-profits, government and large enterprise customers, as we deliver mobile, broadband, cloud, digital services and entertainment.

We are excited by the opportunities digitisation brings and recognise our responsibility to help Aotearoa leverage new capabilities to become more productive and sustainable through technology.

+31

Our interaction net promoter score rose 2 points to +31 points in FY23.

Customer experience

We have an enduring focus on improving the experiences of our customers at Spark, by making their interactions with us simple and effective. This work is showing up in customer feedback, with our measure of customer satisfaction, our interaction net promoter score (iNPS), up 2 points to +31 in FY23.

Simplifying to deliver on today's customer needs

We have continued our focus on simplification – retiring legacy products and services and developing new and more intuitive ones that better reflect our customers' needs.

This includes reducing the number of legacy mobile and broadband plans our customers have been using, by recommending the most similar available plan, based on their usage and current charges. In FY23 we moved over 240,000 lines onto modern plans, enabling us to retire 38 legacy plans across mobile and broadband.

In October, we retired our 'Companion Plans' and launched 'Team Up', which offers customers savings based on the number of plans they have with Spark – with a percentage discount off each plan of up to 35%.

During the year we also closed down our Collect Calling and 0900 services, with usage in steep decline and the technology used to deliver these services reaching end-of-life.

Transparency

In FY22 we provided our customers with a rolling 12-month view of their mobile and broadband usage in the MySpark App and MySpark web portal, and this year we took this a step further with roaming usage monitoring. This allows customers to track their calling, text and data usage and better manage their roaming pack allowances while travelling overseas.

After a successful trial of a new right-planning programme for our consumer customers, 'Made for You Review', in FY23 we launched the programme more broadly. The 'Made for You Review' prompts customers to check they are on the best plan for their needs, with an email providing a personalised view of their usage and a recommendation on the best plan available to them.

We are now working to extend the programme to all of our broadband customers and those on selected legacy plans.

Making it easier for our customers to interact with Spark

This year we have continued to focus on how we can further meet our customers' preference to interact with Spark digitally, by providing the most convenient and seamless digital platforms for communication and self-service.

At the heart of our interactions with our customers is our 'Unified Frontline' (UFL) team, where our people are cross-skilled across multiple customer touchpoints (such as messaging, contact centres or retail stores) and then moved around based on customer demand. Over the past year, we have evolved this model to ensure that it best serves our customers' needs.

Our messaging tool, which is available via the MySpark App or a customer's preferred messaging app, is becoming an increasingly popular way for our customers to reach us. Messaging allows customers to respond in their own time to an ongoing conversation, unlike calling or live chat, which require both the customer and agent to be available to talk at the same time. For our UFL team members, it means they can support customers during any quiet periods in stores – ensuring we are taking every opportunity to deliver timely responses to customer queries. Use of our messaging tool has increased by 10% in the last financial year, and our MySpark App now has around 1.57 million unique users (growing 10% year-on-year) with 2.33 million interactions per month on average.

Over the past couple of years, we have been working to introduce 'Shadow Mode', which allows our UFL teams to use the same online journey as our customers, rather than navigating more complex, separate systems. This means agents can see exactly what our customers can see when providing support, which enables faster and more effective customer support.

We also made some changes to our website shop through our 'Future Web' programme, implementing a new format with a new look and feel that is more intuitive for customers and better integrates with our internal systems.

In FY23 we saw a 13% increase in customer journeys taken digitally for sales and service, contributing to a 12.6% decline in customer care contact via voice.

Supporting our customers through Cyclone Gabrielle

The impact of Cyclone Gabrielle was significant, with large-scale power outages and cuts to fibre backhaul putting incredible pressure on telecommunications networks in impacted areas. We worked with urgency to restore connectivity for New Zealanders, which you can read more about in the network and technology section of this report.

We also moved quickly to put support measures in place for our impacted customers. Our seven-day support package helped impacted mobile customers stay connected:

- Prepaid mobile customers received an extra 100GB of data and unlimited calling and texting
- Pay monthly 'Endless' customers had their reduced speed thresholds removed, enabling them to access max speeds.
- Pay monthly 'Rollover' customers had data caps lifted so they had access to unlimited max speed data.
- All mobile customers received free hot spotting so they could use their data on other devices as well.

As our stores in impacted regions recovered from any damage and gradually opened their doors, they became local support hubs offering technical support, device recharging and access to store WiFi.

We kept our customers informed on the connectivity restoration progress through a dedicated webpage and social media and set up a dedicated phone line to ensure our call centre could prioritise support for impacted customers.

Once services were resolved, we proactively contacted our mobile, landline and broadband customers in the area, who had been without service for an extended period, and applied credits to their account for each day they were without service. We also offered impacted customers disconnections without fees and our Customer Link service, which allows customers to pause their landline plan and retain their phone number for six months without incurring any charges.

Using data and AI to personalise customer interactions

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

We have been developing our data capability for a number of years now and through the use of artificial intelligence and machine learning we are now able to better predict the needs of our customers and deliver them the right product or service at the right time. Market-leading data and AI capability, combined with simplified portfolio, delivered 17% annual improvement in conversion and 9% efficiency gains.

We are using a similar capability for our small to medium enterprise (SME) customers, with a programme led by our 'SMILE' (SME Intelligence) squad. This programme aims to understand where our SME customers are on their digitisation journey with insights generated through artificial intelligence, which then enables our team members to respond with the most relevant products and services.

When utilising these capabilities, we are guided by our AI Principles, our Privacy Values and our Privacy Policy, which ensure we take a responsible and ethical approach to the design and operation of AI technologies. Our AI principles are published on our website, providing transparency for all our stakeholders: **www.sparknz.co.nz/about/governance**

Investing in our brand strength

Spark has one of the most well-known brands in Aotearoa, and we continually invest in our brand strength to support our marketplace success. Our three-year ambition to FY23 was to grow brand strength by 10 percentage points. Over the last 12 months we have focussed on driving efficiency, effectiveness and impact for our brands Spark and Skinny through data-driven brand measurement that helps us better understand how to connect with current and potential customers.

We achieved strong growth of 7 percentage points and our tracking shows that Spark has the highest brand strength of all telecommunications companies in New Zealand, is the country's most trusted telco and has also taken a leadership position in the Auckland market.

Spark 5G Street Museum: A 5G-powered, augmented reality experience

From August 2022 through to June 2023, we put a modern twist on the traditional museum experience through our 5G Street Museum – demonstrating what emerging technologies like 5G can bring to art, culture and entertainment. The Museum showcased a co-created series of 5G-powered augmented reality (AR) experiences that brought to life unseen stories of some of our nation's most iconic creatives – Parris Goebel, Benee, David Dallas, Teeks and Askew One.

The Spark 5G Street Museum app was available free to download for all, with exhibits initially available to view across selected streets in Auckland, Hamilton, Wellington, Christchurch and Dunedin. Each exhibition explored new forms of storytelling and self-expression through the power of 5G and AR.

Bringing New Zealanders the entertainment that moves them

Spark is focussed on bringing New Zealanders the best of entertainment, offering services such as Netflix and Spotify with mobile and broadband plans, as well as giving our customers the chance to get closer to the music they love, thanks to our entertainment partnerships.

Our partnership with Spark Arena and other festivals allowed us to provide our customers with exclusive pre-sales, unique experiences and the opportunity to win free tickets to shows via exclusive Spark customer competitions. Spark Arena hosted ~500,000 patrons during the year, some of whom we also hosted at 'S Lounge', a VIP space that Spark customers and their guests can enjoy prior to shows.

To remind our customers of the extra value available to them by being a Spark customer, this year we introduced a programme called 'Value Playback' – which shows customers the true value they get through Spark, including their personal savings, additional benefits they could take advantage of, as well as the broader value all New Zealanders benefit from through Spark.

Farewell to Spark Sport

In December we announced our decision to exit the sports streaming market with TVNZ becoming the home of the majority of Spark Sport content from 1 July 2023. After entering the sports streaming market in 2019, we delivered a wide range of high-quality sporting content to our customers across Aotearoa, alongside our valued partners. With New Zealand Cricket, we successfully produced three seasons of world-class cricket matches in New Zealand, which grew cricket viewership, particularly among younger audiences, and increased the quality and quantity of women's cricket coverage.

At the same time, it was challenging to reach the scale we aspired to across the Spark Sport platform, with COVID-19 causing major disruption to sporting codes globally. That slower than expected start, coupled with the escalating costs of content rights globally, made it difficult to justify the type of investment Spark Sport required when we have a wider range of investment opportunities across our broader business.

We worked with our partners to transition their content over to TVNZ and also supported our Spark Sport people to find new employment opportunities within the market.

Partnering with New Zealand businesses, big and small

Spark is a trusted partner to New Zealand's business community, with customers ranging from start-ups and family businesses all the way through to government and New Zealand's most complex and innovative enterprises.

Supporting small-medium businesses

Spark supports over 110,000 small to medium businesses (SMEs) around New Zealand through our network of local Business Hubs. We use a licensee model, which means Business Hubs are locally owned and have a deep understanding of the needs of their customers. This 'local like you' approach is resonating, with a 5-point increase in our net promoter score over the last year.

In a high-inflation environment we know the number one concern for our SME customers is escalating costs, and we continued to support them to achieve productivity and efficiency improvements by leveraging the power of technology.

We also continued to encourage small businesses more broadly to get their businesses online and adopt digital tools through our ongoing support of the Digital Boost Alliance. Our CEO Jolie Hodson served as Chair of the Governance Board

in FY22 for the Alliance's first year of operation. Greg Clark, our new Consumer and SME Director, is now on the Board. Approximately 62,000 small businesses have participated in the Digital Boost programme so far.

Spark Lab

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

At a time when we are seeing the possibilities for digital technology to enable cross-sector transformation, Spark Lab worked with experience design company, Semi Permanent, to bring some of the world's top innovators to Auckland for our 'Future State' event in March. Future State was a keynote speaker event that explored the driving forces behind the next era of technological innovation. Speakers shared new trends, practical advice and new approaches to innovation with ~1,000 attendees, including many of our SME customers, to support their commercial success through technological and creative development.

Partnering with Māori businesses

Our partnership with Whāriki, an independent network of Māori professionals, business owners, entrepreneurs and rangatahi (youth), is now in its third year and helped to deliver a series of four regional events in Whangārei, Tāmaki Makaurau, Te Whanganui ā Tara and Ōtautahi. The 'Talking Tech, Digital & Pākihi Māori – Developing Capability through Kōrero' events brought together thought leaders, innovators and entrepreneurs from across the motu to discuss the challenges and aspirations of Māori businesses in the tech industry.

We also continued our support of the Kōkiri Māori Business Start-up Accelerator, run by Te Wānanga o Aotearoa, to ensure Māori businesses receive the support and investment they need to flourish as they pitch for seed funding. This year, alongside financial support, we have five leaders from Spark who have volunteered to be on the advisory boards of each start-up to provide guidance and support. While this is about providing technology expertise to Māori start-ups participating in the programme, the reciprocal relationship also enables our people to grow on their own te ao Māori journeys.

Supporting New Zealand's large enterprise businesses

Spark Business Group continued to support New Zealand's largest businesses to grow and transform through technology, with some notable examples outlined below.

In January, Parliamentary Service announced Spark as its new IST (Information, Systems and Technology) partner, with Spark now assisting with the delivery of the IST strategic direction and future technology roadmap for Parliament. In December, our cloud business CCL was appointed the multi-cloud managed service partner for Christchurch City Council and will provide a broad suite of hybrid and multi-cloud capabilities.

Australasian infrastructure company, Fulton Hogan, sought our cloud consulting business, Leaven's assistance to re-imagine time consuming and high-risk road inspections. Leaven developed an AI-based observation platform in Amazon Web Services (AWS), taking video footage of road surfaces captured by a video camera fixed to a road assessor's vehicle. The platform reviews millions of images of road surface damage, classifying defects and providing a maintenance schedule and severity rating to estimate the scope of repairs. Real-time processing ensures datasets for each piece of road can be assessed and compared as road inspectors capture video.

Our call centre business Digital Island supported telehealth service, Reach Aotearoa (formerly known as CBG Research), to develop an urgently needed national case investigation service so that it could assist the Ministry of Health in providing close contacts of COVID-19 cases with information and support. Digital Island developed a sophisticated omnichannel contact centre solution, which helped thousands of New Zealanders to isolate safely, thereby limiting the spread of the virus.

Spark's data and AI business, Qrious, teamed up with MyEnviro and Adroit to create an environmental monitoring system for a Mangaone catchment group of farms. The software platform draws on the live data provided by high-resolution water

testing sensors across the entire catchment, monitoring water PH, dissolved oxygen, conductivity and temperature, as well as a scan-developed sensor measuring nitrates, suspended solids and turbidity. This is supported by a full weather station and two soil moisture sensors. Data from the sensors is uploaded to Adroit's cloud via Spark's dedicated Cat-M1 Internet of Things network, enabling energy efficient transmission that conserves the battery of isolated sensor equipment.

Supporting the digitisation of the health sector

During the year, Aotearoa shifted away from regional District Health Boards to three national health services: Manatu Hauora (Ministry of Health), Te Whatu Ora (Health New Zealand) and Te Aka Whai Ora (Māori Health Authority). The prior health system review identified that developing data and digital capability would be a critical enabler of its transformation, requiring partners with deep sector experience, who can create solutions that enable the delivery of improved health outcomes.

With Spark Health having won national contracts for digital services under the newly established Te Whatu Ora last year, we continue to provide Microsoft, Non-Microsoft and Azure Software and IT services to the sector.

Wholesale

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

In the past year, our wholesale business continued to grow Spark's data centre and connectivity portfolios locally and supported global carriers, Content Delivery Networks (CDNs) and global cloud partners with their growth plans within New Zealand. We also supported global cloud provider requirements for higher rate wholesale international capacity services, including 100Gbps and 400Gbps bandwidths on submarine cable paths out of New Zealand. Domestic and global wholesale customers were also supported with the new 'application to person messaging' short messaging service (A2P One), to help them communicate by text with their New Zealand end-customers effectively.

"Spark is a trusted partner to New Zealand's business community, with customers ranging from start-ups and family businesses all the way through to government and New Zealand's most complex and innovative enterprises."

In FY23, Spark's cyber defence tribe won the award for Best security team at the 2022 iSANZ awards.

"We have a large security operations team with over 100 security subject matter experts."

Developing new services for our customers with emerging technology

MATTR

MATTR, a standalone Spark subsidiary company, provides infrastructure for verifiable data and digital trust. MATTR's Software as a Service (SaaS) Platform products MATTR VII and MATTR Pi provide enterprises, governments and people next generation capabilities to support trusted digital interactions.

MATTR products provide new, privacy respecting, convenient ways for people and organisations to hold their own digital credentials securely on their device and be able to selectively share their verifiable credentials with different relying parties either in person or over the internet.

In April, MATTR was appointed technology partner for the New South Wales (NSW) Government's pioneering NSW Digital ID and Verifiable Credentials program. MATTR will provide products that enable verifiable credentials to be issued via the NSW Government's apps and independently verified by third parties – helping the people of NSW prove who they are and what they are eligible for, while limiting the amount of personal information they need to share.

MATTR offers both public and private cloud deployments of its platform and currently supports public cloud customers in New Zealand, Australia, Europe, USA and Canada.

Cyber security, customer safety and privacy

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

Cyber security

The World Economic Forum's Global Risk Report 2023 identified widespread cybercrime and cyber insecurity as one of the top 10 most severe risks over the short and long term. In New Zealand Spark is a trusted advisor to businesses on cyber security and works alongside cyber security agencies to monitor and respond to threats.

Our Chief Information Security Officer (CISO) has responsibility for Spark's cyber security, while all members of the Spark Board's Audit and Risk Management Committee have governance responsibility. We govern our security programme using the industry's best practice frameworks, including ISO27001 and NIST CSF (National Institute of Standards and Technology Cyber Security Framework). All Spark services and networks are built with multiple checks in place during the 'design', 'build' and 'operate' phases, to ensure that they are deployed with industry-leading levels of security, and we continually assess and measure our cyber security maturity level.

Our cyber security strategy is shaped with the following inputs:

- **Dynamic road mapping**: We adopt a dynamic three-year outlook on our security posture in an effort to predict and prepare for potential cyber threats in the coming years, whilst remaining flexible to the realities of threats as they arise. Roadmap management allows our team to scrutinise the cyber security strategy on a quarterly basis, taking into account evolving global cyber security threats and any new technologies we can implement to enable and protect our people and customers.

- **Maturity assessments**: Our goal is to always be aligned with, or even exceed, the latest industry standards, to consistently elevate our cyber security maturity. We audit our security maturity through internal and external audits, with frameworks like NIST, SOC-CMM and a proprietary CMMI Maturity model developed by Accenture forming the backbone of these assessments. In FY23 we also partnered with Google's Mandiant to undertake a comprehensive maturity assessment, which will aid in our bi-annual external board assurance audit.

- **Alignment with Spark's business strategy**: Our cyber security strategy is carefully aligned to both our wider business strategy and the network evolution strategy to ensure it can support the business as it evolves.
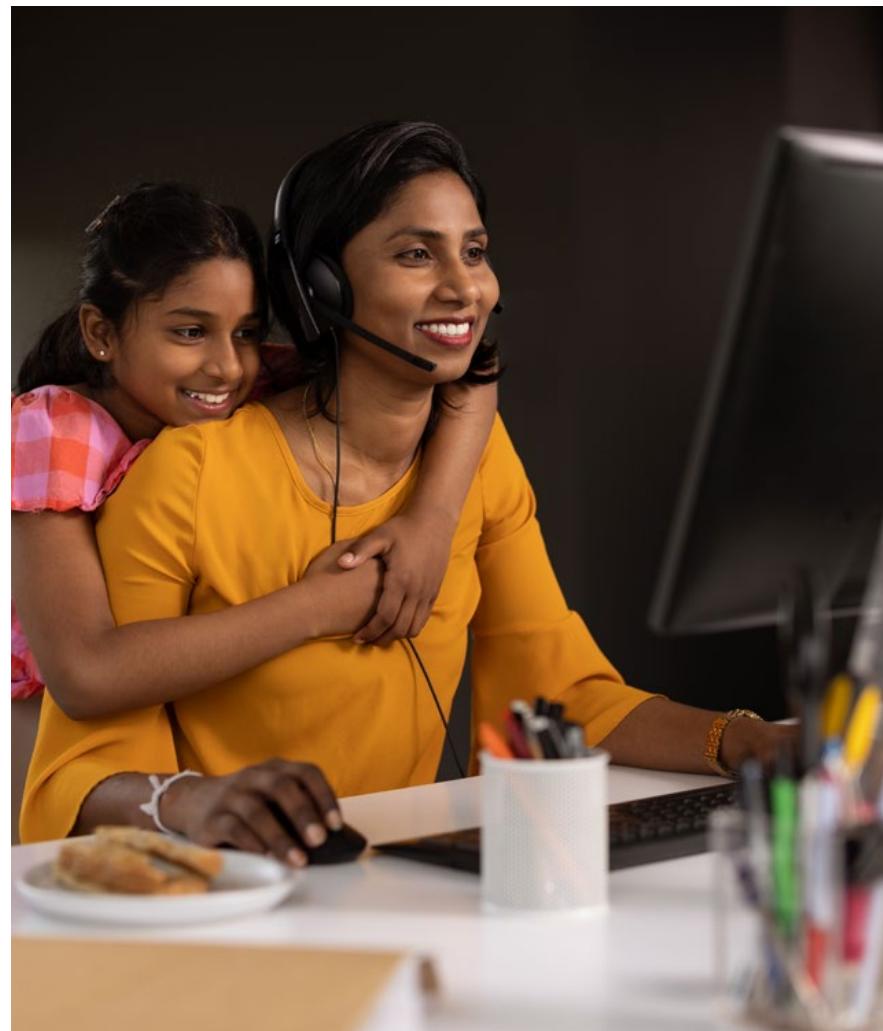
People also play a critical role in helping to detect and defend against potential cyber security threats. For that reason, everyone at Spark is required to undertake regular cyber security training modules, to equip them in identifying and helping to mitigate potential threats.

We have a large security operations team with over 100 security subject matter experts and processes that ensure appropriate ownership, oversight and ongoing risk management is applied to our customers' and Spark's IT systems and data. Our Incident Response Plan governs how we respond to threats, and we have invested heavily in our threat intelligence platform. In FY23, Spark's cyber defence tribe won the award for Best Security Team at 2022 iSANZ (Information and Security Awards New Zealand).

Customer safety

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

As in previous years, we work to limit the number of scam calls our customers receive by monitoring unusual calling activity and blocking offending numbers. We work closely with the broader New Zealand telecommunications industry via the NZ Telecommunications Forum

(TCF) to share information so that numbers can then be blocked across all networks. We also block access to URLs featured in scam texts to prevent customers inadvertently clicking on the links. Where possible, our security and fraud teams work with law enforcement to identify and shut down scamming operations but this is challenging when they are located offshore.

Because we cannot stop scamming from occurring, we are focussed on empowering our customers to be vigilant when it comes to scams. We regularly educate and alert customers on fraudulent activity, including through direct customer communications,

regular updates on our scam alert website, sharing alerts about widespread scams on our social media channels, partnering with Netsafe on its educational scam call brochure and ensuing our customer service teams are equipped to assist with scam call enquiries.

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

"We're committed to keeping customers' personal information safe and managing it in ways that align with customer expectations, Spark's Privacy Values and the law."

Customer privacy

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

Our privacy programme

Spark's Digital Trust team leads Spark's privacy programme, providing frameworks, tools and training to support Spark people to follow our Privacy Policy and Values, as outlined below.

Internal processes and controls to safeguard customer privacy:

- **Risk assessments**: New products and services are assessed for any privacy risks, with appropriate mitigations embedded into design and implementation. New vendors are also screened to ensure privacy will be managed appropriately.

- **Personal information access management**: Spark's Call Investigation Centre (CIC) manages requests for personal information from customers and government agency requests for personal information. We report on these requests in our Spark Transparency Reports: **www.spark.co.nz/help/privacy-and-safety/how-we-manage-privacy/spark-transparency-report**

- **Responding to data breaches**: Our dedicated Data Breach Reporting Tool enables any breaches to be reported by Spark people and managed in a customer-focussed way, in compliance with the Privacy Act 2020.

Awareness and support for Spark's people:

- **Privacy resources**: Spark's Policy Playbook contains guides for applying privacy considerations to everyday activities and comprehensive resources are provided for Spark people online.

- **Privacy training**: All Spark people must complete privacy training on joining and annually.

- **Support resolving privacy issues**: Spark people are encouraged to raise any privacy issues they become aware of via the Digital Trust team or Spark's internal online whistleblowing tool.

Supporting Spark customers:

- The Privacy and Online Safety section on our website contains a range of tools and services to help customers safely manage their privacy and security.

Privacy compliance and reporting

In FY23 Spark people reported 140 data breaches for investigation with 28 of these meeting the Privacy Act criteria for notification to affected individuals and the Office of the Privacy Commissioner (OPC). Most notifiable breaches involved fraudsters impersonating individuals using personal information obtained from non-Spark sources, such as compromised online accounts or phishing (where fraudsters trick individuals into sharing their personal information). We also notified impacted customers and the OPC of unauthorised access to some MySpark and Xtra Mail accounts. These incidents generally occur when individuals enter their credentials into a phishing website or use the same password on other online platforms, which have subsequently been compromised and their credentials harvested. These incidents follow broader New Zealand trends, with phishing and credential harvesting a key driver of reports to CertNZ by individuals over the past year. As fraudsters' tactics continue to evolve we continually review our internal processes and educate our customers around best practice password management and avoiding scams.

In FY23 Spark received 19 substantiated privacy complaints from customers, where we identified opportunities for minor enhancements to our practices and processes, or targetted coaching. Spark also received two substantiated complaints via the OPC; one carried over from FY22 and one preliminary enquiry.

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 internal communication across the business. See: **www.sparknz.co.nz/about/governance**

During FY23, there were no Advertising Standards Authority decisions upheld against Spark Group.

Spark continues to engage constructively with the Commerce Commission as appropriate, both proactively and reactively, on a case-by-case basis to ensure we are complying with all applicable laws and regulations. This includes working proactively with the Commission on various 'retail service quality' (RSQ) initiatives, such as greater disclosure of broadband speeds.

Spark did not receive any formal sanction by the Commerce Commission in FY23.

Having received a warning letter from the Commerce Commission concerning the historic sale of Spark's wire maintenance service to wireless and fibre customers in August 2022, we have since undertaken all agreed remediation steps. This includes customer refunds and improving our systems and processes to ensure this does not happen again.

Creating value through our network and technology

Manufactured + intellectual capital

OUTCOMES FY23

Connected and resilient New Zealand

Our extensive networks and valuable portfolio of digital infrastructure assets underpin Aotearoa's digital economy and help enable the people and businesses creating our country's tomorrow.

Our portfolio includes:

- Active infrastructure on ~1,500 mobile sites
- A 1,396km national fibre backhaul network
- Partnerships with local fibre networks and Chorus to access the Ultra-Fast Broadband (UFB) and national copper networks
- 16 data centres and 35 major network sites (exchanges)
- A purpose-built Satellite Earth Station (SES) in Warkworth

- ~41% shareholding in Southern Cross Cable Network, which owns the Southern Cross and the Southern Cross Next international submarine cables.
- ~17% shareholding in Connexa (formerly TowerCo)

Smart, automated and unconstrained

Building a smart, automated network with unconstrained capacity was one of the core capabilities we identified in our three-year strategy to FY23. With exponential growth in demand for data ongoing across the motu, we continued to invest in the digital infrastructure our customers need to grow.

5G and emerging technologies

We have now deployed 5G into 77 locations and following the allocation of 80MHz of C Band spectrum from the New Zealand Government, we continue working towards nationwide coverage. At the same time, we're taking the opportunity to upgrade 4G capacity on many of our cell towers.

In parallel to increasing and densifying our 5G coverage across Aotearoa, our 5G standalone capability continues to mature, and we are committing $40-$60 million to its development over the next three years. 5G standalone refers to a network that has a 5G core, as well as 5G on mobile towers – and this delivers enhanced performance and lower latency, unlocking capabilities, such as multi-access edge compute and network slicing.

In January, we carried out a successful deployment trial with Ericsson and Red Hat, which demonstrated the ease with which a standalone, cloud-native[1] solution can be deployed and the low latency, high bandwidth and reliability it can deliver to enable high-performance use cases, such as real-time video analytics.

While 5G networks in New Zealand today use frequencies adjacent to 4G, in the future these 5G networks will be able to use a higher frequency range, known as millimetre wave (mmWave). 5G in this frequency range offers the opportunity for optimised performance, faster speeds on 5G connectivity and improved customer experiences. We are exploring 5G technology operating in mmWave spectrum and in July 2022, we conducted New Zealand's first rural trial of mmWave technology. The trial achieved a peak speed of 2.4 Gbps at a range of 3km and 1.4 Gbps at an extended range of 7km.

The internet of over a million things

Spark IoT (Internet of Things) solutions have continued to grow, surpassing one million 'things' being connected via Spark's networks this financial year. The growth demonstrates the momentum behind business adoption and cements Spark as one of New Zealand's largest IoT providers, with connections growing 76% to 1.46 million and revenue growth of 33% over the year.

IoT solutions enable businesses to monitor things in the natural and physical worlds around them, collecting data that can then be analysed and used to inform decision-making. This makes IoT a natural enabler of initiatives that improve productivity, health and safety, and sustainability. Our solutions are now connecting tsunami gates, natural water sources, forests, livestock, electricity and water meters, construction equipment, business fleets, pharmacy refrigerators and much more.

We deliver these solutions through a range of different Spark networks, each catering to different business use cases, depending on bandwidth and coverage requirements. Networks delivering Spark IoT solutions include our 3G, 4G and 5G mobile networks, our Cat-M1 network, our NB-IoT network and our LoRaWAN network. Specialist IoT devices are used to record and capture the data customers want to monitor, and IoT platforms with dashboard and alert features can be used by our customers to act immediately on the insights gathered.

Our purpose-built Innovation Studio in Auckland allows New Zealand businesses to explore and learn about emerging technologies across IoT, 5G, multi-access edge compute and mixed reality. The studio also provides a space for our IoT team to work with selected businesses to co-create solutions that can help them solve the challenges they face.

For examples of real-life Internet of Things solutions in action, see the following two pages for case studies.

1 An application that was designed to reside in the cloud from inception.

The convergence of our high-tech capabilities

Over the year, we have continued to develop our 'high-tech' capabilities, such as AI, machine learning, 5G standalone, multi-access edge compute and the Internet of Things.

Up until now these capabilities have operated largely independently of each other but globally we are seeing a rapid acceleration of convergence or the bringing together of these different technologies to solve business problems where it was not possible or cost-effective to do so in the past.

Over the next three years we will bring our high-tech solutions together to deliver our customers converged, end-to-end business solutions. Considering the challenges New Zealand businesses are currently facing – high inflation, labour shortages, and adapting to climate change – we believe technology convergence has an important role to play in boosting productivity and sustainability outcomes across our economy.

Solving real-life business challenges with high-tech solutions

Protecting Christchurch's Waitākiri, Bottle Lake Forest Park from fire threats

More than 800 hectares of commercial pine trees, regenerating native ferns, orchids, grasses and shrubs in Christchurch's Waitākiri, Bottle Lake Forest Park are now protected by New Zealand's first environmental sensing and early fire detection network through a trial we conducted with Christchurch City Council and our technology partner Attentis.

The trial saw the installation of five self-powered sensors that will deliver environmental monitoring, live micro-climate weather updates, air quality and ground temperature information and visual and thermal imaging that assists in early fire detection. The 360-degree cameras and Internet of Things sensors are continuously monitoring conditions, providing valuable real-time data. The data is transmitted to Fire and Emergency New Zealand (FENZ), who will be able to take action if conditions present a fire danger. This means that in the event of a fire, emergency teams can strategically position ground and aerial personnel at the most effective locations or even track changes in wind speed and direction to stay ahead of the event.

The technology will help protect the forest, neighbouring properties and wildlife. And the public will also be able to check out things like pollen count, temperatures, rainfall, and other environmental data online, which could be helpful for asthmatics or allergy sufferers.

"Globally, we are seeing a rapid acceleration of convergence or the bringing together of different high-tech capabilities to solve business problems where it was not possible or cost-effective to do so in the past."

New Zealand's first environmental sensing and early fire detection network has been deployed at Christchurch's Waitākiri, Bottle Lake Forest Park.

Trialling 5G and AI-powered industrial robotics with the University of Auckland

We have been working with researchers from the University of Auckland to explore the potential of 5G to transform the world of industrial robotics. Industrial robots are commonly used in electronics, food and medical manufacturing as they can be programmed to carry out automated tasks with precision and accuracy. In a recent trial, a research team from the University's Faculty of Engineering explored whether they could be controlled remotely in the cloud via a 5G network.

The researchers measured the connection's latency (whether there is any 'lag') and jitter (how reliable and consistent the connection is) by testing various public and private 5G network settings and sending data between Auckland, Sydney, London, Singapore and Oregon (USA). Through this trial the team learned that the key to achieving optimal speeds and reliability performance is to incorporate artificial intelligence (AI) algorithms to compensate for any issues during data transmission.

In the long term, the researchers imagine this technology could have the potential to enable a range of activities that are not possible today – for example, the remote operation of robots to work in dangerous environments.

Safeguarding animal vaccines with Internet of Things technology

In December, our Internet of Things teams worked with agriculture business PGG Wrightson to deploy a solution that monitors animal vaccine fridge temperatures to reduce the likelihood of vaccines going to waste through insufficient storage measures.

Temperature and humidity sensors installed in the fridges are now providing real-time information through a centralised dashboard and issuing alerts any time they get too warm, whether due to a faulty fridge, loss of power or a door being left ajar. Previously, manual fridge monitoring meant issues weren't always detected early enough resulting in not enough vaccines available for stock, expensive losses and lots of paperwork. This solution has successfully reduced these risks and staff have been freed up to help customers or tend to other pressing issues in their day.

Water sensors have been installed near various water sources along the Ōtākaro-Avon river enabling Christchurch City Council to respond quicker to water contamination events.

Watercare uses Internet of Things solution to better service commercial properties

Watercare has started rolling out smart loggers on water meters for commercial premises in Auckland to better manage water usage across the city, save on manual reads and improve billing accuracy for commercial premises. The managed service solution designed by Spark IoT (Internet of Things) includes a device and Subscriber Identity Module (SIM) management platform to make it much easier to manage devices and data at scale.

The new smart meters mean Watercare can focus on efficiency gains thanks to having near real-time data across the connected non-residential properties, which provide a detailed overview of their water use. Faults and leaks are more easily identified and fixed, leading to cost and water savings across the board.

Monitoring water quality with Christchurch City Council

We have been working with Smart Christchurch and specialist environmental monitoring company Adroit to install sensors near various water sources along the Ōtākaro-Avon river, which will enable Christchurch City Council to respond more quickly to water contamination events. The goal for the Council is to have the ability to see pollution events unfold in real time and potentially take preventative action. Each sensor station is powered by its own solar panel and takes water measurements every 15 minutes. The data is then uploaded to the Adroit Cloud platform via the Spark Cat-M1 network.

Network resiliency in the face of accelerating natural disasters

Cyclone Gabrielle response

New Zealand is no stranger to extreme weather events, and in the vast majority of situations our telecommunications networks hold up incredibly well. However, Cyclone Gabrielle was an exceptionally extreme weather event that caused significant and sustained power outages and destroyed many roads and bridges that hold fibre backhaul – which connects mobile towers to mobile exchanges.

As a result of this, more than 600 mobile towers (across Spark, One New Zealand and 2degrees) went offline during the storm. Within Spark's network only one of our cell sites sustained physical damage – all our outages were caused by power outages or fibre cuts. While our cell sites have back-up batteries, these only last around four to eight hours and generators rely on a steady supply of diesel, and need to be refuelled regularly, which poses Health & Safety challenges, particularly for remote areas or areas where roading infrastructure has been impacted.

While most copper landlines will continue to work even when there is a power outage, for the most part even copper broadband/landlines will not function once the batteries running the local street-side cabinet they are served from run out. Unfortunately, when power networks are out for long periods of time, this inevitably affects all forms of communications networks.

Mobile network availability

Mobile network availability	FY22	FY23
Availability of 4G/LTE network due to site outages*	99.85%	99.69%

* Calculated as the total availability time of all sites minus outages / total availability time of all sites. The YoY change reflects the impacts of extreme weather events in FY23.

The Telecommunications Emergency Forum, a working party made up of key network operators and retailers, coordinated by the Telecommunications Forum (TCF), was activated immediately and worked alongside the National Emergency Management Agency (NEMA) to coordinate an urgent industry response.

Generators and dispatch satellite units were flown into the affected areas via helicopter, and our teams were on the ground to restore connectivity as soon as it was safe to do so.

As a result of these efforts, within 96 hours, more than 90% of impacted towers were back online.

Enhancing telecommunications resilience
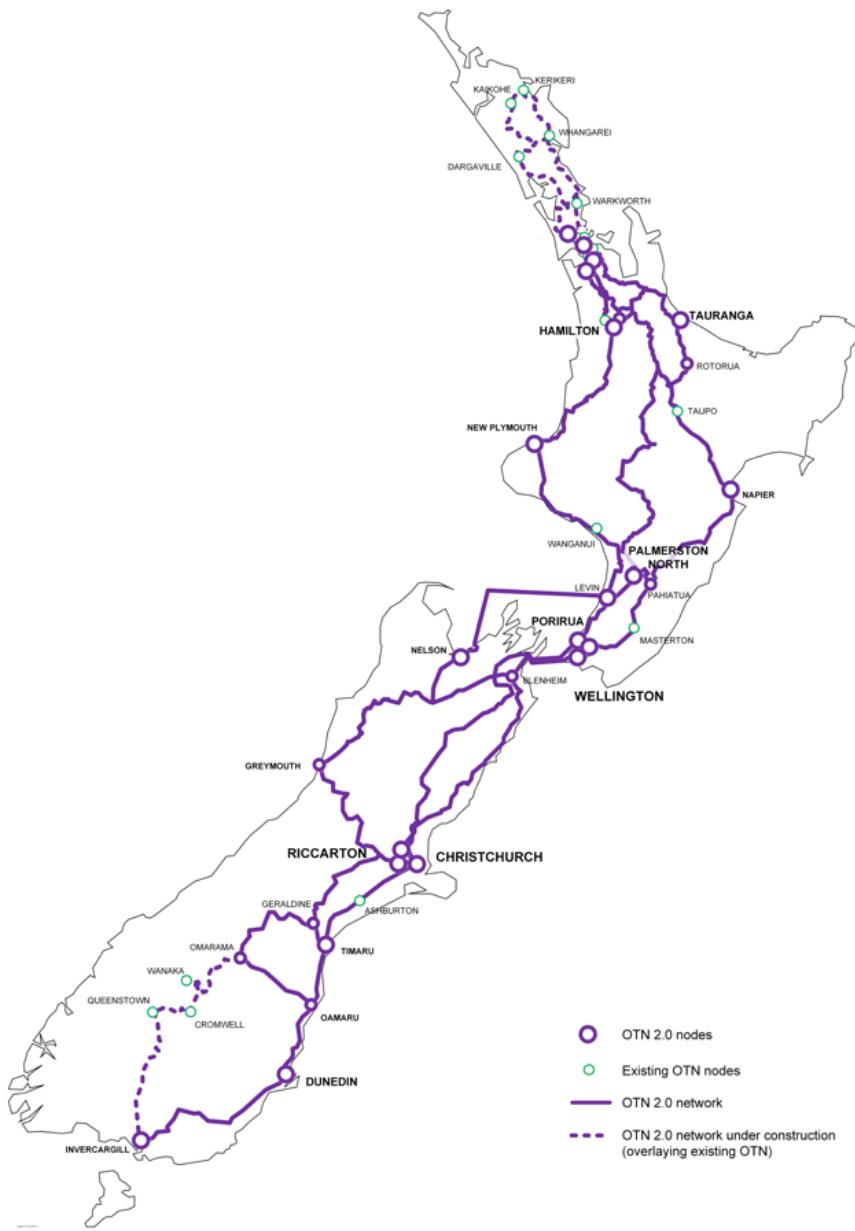
Our customers rely on us to provide networks and technology that is highly reliable and available in the face of unpredictable events – from unexpectedly high levels of usage during COVID-19 lockdowns, to extreme weather events. New Zealand's telecommunications industry already invests hundreds of millions of dollars into its networks each year, and at Spark, we invest more than $100 million into network resilience every year.

Following the recent severe weather events around Aotearoa, the telecommunications industry has been focussed on how resilience to natural disasters can be further enhanced. In May, the TCF prepared a report exploring current industry investment in resiliency measures and what more can be done in the future. The report considers the interconnectedness of infrastructure during an emergency – particularly telecommunications networks, electricity infrastructure and roading – and what this means for future preparations and responses and what could be possible with government co-investment and other forms of support. The report contributes to the Government's established 'Cyclone Gabrielle Taskforce', which in part seeks to establish what can be done to ensure New Zealand's infrastructure is resilient to unpredictable events. The report was prepared with input from TCF members and can be found on the TCF's website under '2023 Telecommunications Resilience Plan' at: **www.tcf.org.nz/industry/resources/publications/reports**

> "At Spark, we invest more than $100 million into network resilience every year."

Entelar Group loading helicopter with power generators for our cell sites in Gisborne during Cyclone Gabrielle.

Map legend:
- ○ OTN 2.0 nodes
- ○ Existing OTN nodes
- — OTN 2.0 network
- ---- OTN 2.0 network under construction (overlaying existing OTN)

Trialling the role satellite can play in resilience

We believe satellite has an important role to play in adding an additional layer of connectivity resilience. In May, we announced a partnering agreement with Netlinkz – an ASX-listed network-as-a-service technology company. Netlinkz will supply Starlink business-grade satellite broadband to customers later in the calendar year, following trials with a small number of New Zealand businesses. This will help businesses to continue providing services to New Zealanders in the event of extreme weather events or other disruptions to traditional connectivity.

In addition, we intend to begin trials for a satellite-to-mobile service with a subset of Spark mobile customers as early as this calendar year in partnership with satellite provider Lynk Global. The initial trial service will enable text messaging periodically during the day, building towards a more regular service during 2024 as more commercial satellites are deployed. At that time, the service will be offered to Spark customers more broadly. We also intend to offer voice and data services in the future, as these services become reliably available.

A stronger, higher capacity fibre backbone for our network

Our Optical Transport Network 2.0 (or OTN2.0), stretching from Auckland to Christchurch, is now complete, strengthening our network resilience and capacity. The OTN is the existing fibre backbone of our network, providing core connectivity between the main cities in New Zealand, transporting all our customers' mobile, broadband, landline and business traffic and connecting Spark's network with other service providers and with international cable networks.

The new OTN2.0 will replace the OTN over time and has 'self-healing' capabilities. This means that it enables the light signals that carry data across fibre to automatically change their path when a cut to that fibre occurs, automatically restoring services where it is possible to do so. OTN2.0 has seven times the data capacity of the OTN, which will support Spark's 5G rollout and give our fixed and mobile networks enough capacity to meet ongoing growth in data consumption.

We are also taking more ownership of our fibre backhaul network through our access and aggregation programme. This will support our future 5G ambitions with fit-for-purpose backhaul with significant capacity uplift, network automation and improved resilience. At the end of FY23, more than 200 cell sites had been integrated into this new network and we have an ambition to integrate a further 200+ cell sites by the end of FY24.

$911m

from the sale of a 70% stake in Spark's mobile towers.

Priority cellular services for the Public Safety Network

In November, we announced a new joint venture that provides users of the Public Safety Network with the ability to roam across both Spark and One New Zealand's mobile networks, improving redundancy in the event of network impacts. The new communications service, which was established by Next Generation Critical Communications *Poutama Whai Tikanga Pāpāho*, will be used by New Zealand's frontline emergency responders, including Fire and Emergency New Zealand (FENZ), Police, Hato Hone St John and Wellington Free Ambulance, and will eventually see Public Safety Network communications prioritised across both networks.

Future proofing 111 calls

Spark operates a 111 service for New Zealand known as ICAP (Initial Call Answering Point), which means when someone calls 111, a specially trained Spark operator answers and transfers the call to an operator for FENZ, Ambulance (Hato Hone St John and Wellington Free Ambulance) or New Zealand Police.

Previously, our ICAP system relied on several end-of-life technologies, so in August we completed a complex migration to a new platform to ensure this essential service can remain reliable into the future. The new platform is more resilient, provides a more user-friendly experience for our ICAP operators, including better flexibility when managing high call volumes, and operates using more modern and reliable technologies. The migration was completed successfully with no interruptions to 111 services.

Establishment of mobile towers business Connexa

The sale of a 70% stake in Spark's mobile towers to the Ontario Teachers' Pension Plan Board for ~$911 million was completed during the first half of FY23, with the new independent business branding itself as Connexa.

In June Connexa acquired 2degrees' passive mobile telecommunications towers from its owners, Macquarie Asset Management and Aware Super. We believe this will deliver greater operational efficiencies that will support more infrastructure sharing, better network economics, and faster deployment of new digital infrastructure across Aotearoa. Because we did not contribute equity to the acquisition, our shareholding in Connexa was diluted from 30% to approximately 17% of the resulting larger business following completion of the acquisition.

Connexa is now the home of our 'passive' mobile assets, which includes the towers and light-poles that carry our 'active' assets, such as our radio equipment. Our focus is now on our active assets, or the 'smarts' of our network, that drive our differentiation in the market, and we continue to own these assets.

Connexa is well placed to deliver our build programme of 670 towers over the next 10 years and Spark has already been working with Connexa on our accelerated 5G rollout, delivering six new sites during FY23.

The creation of Entelar Group

Entelar Group provides services such as fibre and mobile builds, service and field delivery, integrated supply chain, IT distribution and mobile repair, testing and service capabilities for Spark and other customers, including Connexa.

Investing in our Data Centres

Excellent progress has been made on both our Takanini Data Centre campus expansion and our Mayoral Drive Exchange upgrade to host significantly more wholesale and cloud data centre services.

The first stage of our Takanini Data Centre Campus expansion was completed in August 2023, with the second stage to be developed in FY24. This will increase capacity by an additional 10MW of which 85% has been contracted and 100% committed.

At our Mayoral Drive Exchange, the first stage of upgrades has been completed and great progress is being made on stage two, and we are pleased to have our first large international customer already operational.

The data centre built-capacity market is expected to rapidly expand over the next three to five years and we will be investing $250-$300 million into this high-growth market to deliver long-term reliable returns for our shareholders.

Connecting rural Aotearoa

Improving rural connectivity remains a key priority for Spark as we, alongside our industry partners, work to close the geographical digital divide. While our networks reach 98% of New Zealanders, there are significant challenges in providing coverage across mountainous, foliage-dense terrain with highly dispersed populations.

In December 2022 the Rural Connectivity Group (RCG) completed its contract to build 400 cell towers in rural New Zealand under the Government's Rural Broadband Initiative Phase 2 and Mobile Blackspot Fund programmes. The contract was delivered on time and within budget and successfully provided connectivity to ~32,000 households, ~1,000 km of state highways and 100 tourist locations. This included 20 large-scale, off-grid towers and a modern mobile network for the Chatham Islands.

The RCG is a joint venture between Spark, One New Zealand, and 2degrees to share the costs of building rural mobile infrastructure where it would otherwise not be commercially viable.

As part of the agreement we signed with the Crown for the allocation of C-band mobile spectrum, Spark, One New Zealand and 2degrees have each committed an additional $24 million in funding to the RCG between 2023 and 2025, for the expansion of mobile coverage further into rural New Zealand and the further reduction of mobile black spots on State highways. We have also committed to accelerating our own deployment of Spark's 5G network to 25 regional towns, including new 5G sites that would not otherwise have been built under our existing commercial deployment plans. When we combine that commitment with our broader 5G rollout plans, our ambition is to expand 5G connectivity to all towns with a population of more than 1,500 people by the end of June 2026.

We will also extend our Internet of Things networks into more rural areas, which will enable rural businesses to make the most of this technology. Our upcoming satellite rollout will also help to plug blackspots in particularly isolated rural areas that mobile networks cannot reach.

> "Our ambition is to expand 5G connectivity to all towns with a population of more than 1,500 people by the end of June 2026."

RCG cell tower at Lindis Pass providing mobile coverage for 4km of State Highway 73, powered by 36 solar panels.

Making mobile calls over WiFi connections

We launched WiFi calling services on a range of mobile devices in August last year. WiFi Calling, also known as Voice over WiFi, allows our customers to make and receive voice calls using a suitable WiFi connection even if there is no mobile coverage. This makes it a great option for those with poor or no mobile coverage but a steady broadband connection.

WiFi Calling works the same way a regular cellular mobile call does using the dialling functions on your phone – the difference is how the call is transmitted. WiFi Calling uses a WiFi connection to carry the call instead of the cellular network but can handover between WiFi and cellular during a call for a continuous connection while on the go.

We expect to launch texting over WiFi in the first half of FY24.

60%

To date, we have decommissioned almost 60% of our PSTN[1] switches.

622

A total of 622 marae have been connected through our Marae Digital Connectivity programme.

Closing our 3G network to make way for 5G in rural Aotearoa

In line with announcements from New Zealand's other mobile network operators, in March we confirmed that we will close down our legacy 3G network towards the end of 2025. The 3G network currently uses limited radio spectrum that is required to roll out 5G in rural areas, so closing it will enable us to re-farm that spectrum for use in our rural 5G rollout.

We recognise that this network closure may cause concern for the few rural communities where there is currently only 3G available, which is why we will be enhancing our 4G network in these areas ahead of the closure.

At the same time, we are aware that some of our customers are still connecting to 3G in areas where 4G is available. Predominantly, this is due to customers using devices that can't make voice calls over 4G[1], and therefore still use 3G, so it's important that these devices are replaced ahead of the 3G network closures of all mobile network operators. Other customers may have the capability on their phone but need to enable it in their settings or they may have purchased a phone overseas, or from and importer, that is not compatible with the spectrum our 4G network operates in.

We will be getting in touch directly with customers to support them to make any necessary device replacements over the next two years.

1 Mobile voice calls over 4G are technically known as VoLTE (Voice over LTE).

1 Public Switched Telephone Network.

Connecting rural marae

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

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

Comprehensive training on how to use the technology was rolled out around the country by Te Wānanga o Aotearoa as part of the initiative and a total of 622 marae had been connected through the programme at the end of FY23.

Migrating customers off legacy technology onto future-proof alternatives

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

The Spark-operated PSTN – the traditional way of providing landline services – was built in the 1980s and is rapidly reaching end-of-life. The network's components have not been manufactured since 2003 and the people with the skills needed to maintain it are getting harder to find. The majority of New Zealanders have already made the switch to fibre or wireless proactively. In 2017 we had over a million customers on the PSTN and by the end of June 2023 we had 118,000 with around 5,500 customers on average migrating off this technology every month. As customers move off the PSTN, Spark is also able to decommission legacy PSTN equipment. To date, we have decommissioned almost 60% of our NEAX switches, which has resulted in a significant decrease in Spark's power usage and carbon emissions.

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

Spark is taking an area-by-area approach to our PSTN shut down programme, focusing on areas where the vast majority of customers have access to alternative technologies, such as fibre and wireless. In cases where customers have no alternative, we are working with them on a case-by-case basis to ensure they stay connected. We have a dedicated customer service team for customers going through either a PSTN or copper migration and offer free in-home visits where required.

Connecting New Zealand with the world

Southern Cross NEXT cable

In July 2022, Southern Cross Cable Limited (SCCL) celebrated the completion of the Southern Cross NEXT cable between Australia, New Zealand, the United States and Pacific Islands Fiji, Tokelau and Kiribati. The new cable expands New Zealand's global connectivity by an additional 72 terabits per second – almost doubling total international capacity.

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

The launch of the Southern Cross NEXT cable provides long-term certainty and capacity for Spark and its wholesale customers for decades to come.
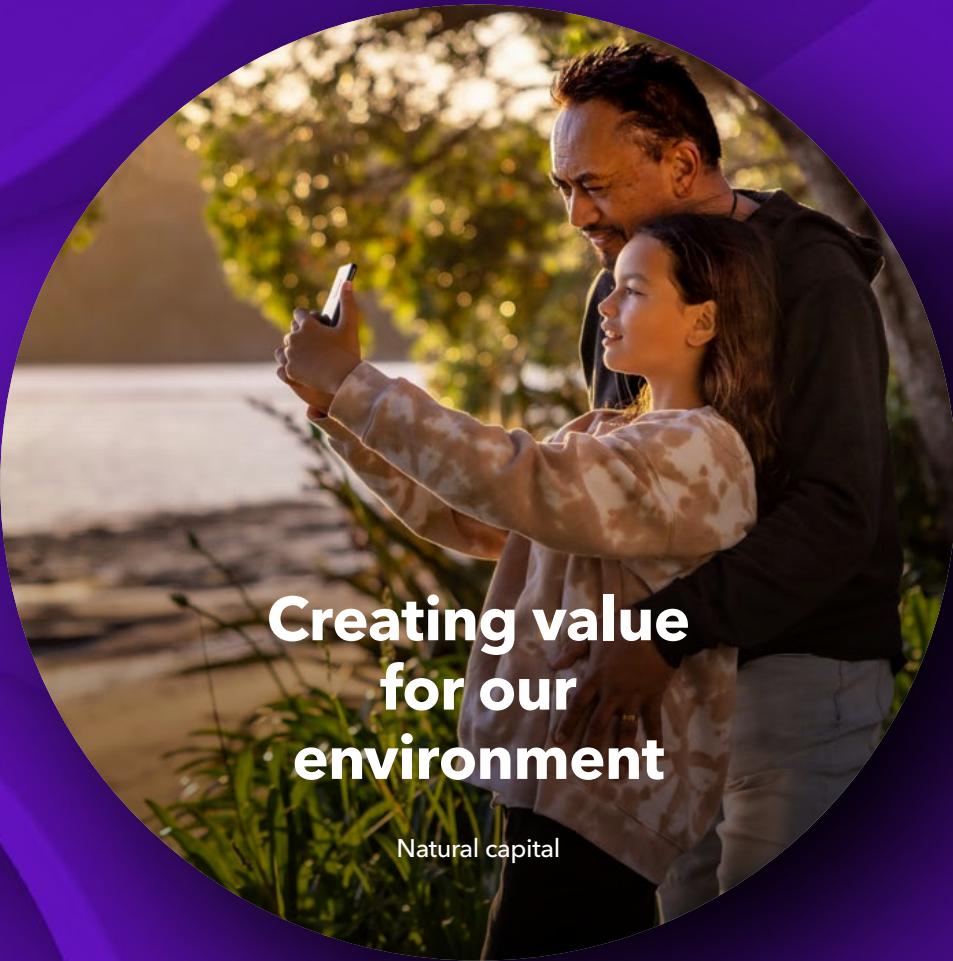
We have been working with Southern Cross this year to create a 'point of presence' for the Southern Cross Cable Network at our Mayoral Drive data centre, making it more accessible to customers.

Tasman Global Access Network (TGA) cable

Having completed the third upgrade of the TGA cable system in FY22, through a consortium with Telstra and One New Zealand, this year we have been working on its fourth upgrade, which is anticipated to complete in December 2023. This will further increase capacity on the cable to service growing demand for connectivity between Australia and New Zealand.

Recovering retired submarine cables

While older, retired submarine cables are benign structures, this year we have begun recovering and repurposing them. In June, we recovered and sold our old ANZCAN (Australia, New Zealand, Canada) cable to Subsea Environmental Services, a US-based organisation founded on the principle of responsibly recovering and recycling out-of-service submarine telecommunications cables.

Creating value for our environment

Natural capital

OUTCOMES FY23

Enabling a reduced draw on natural capital in our business and through our customers' use of technology

We rely upon natural capital through the diverse materials drawn from around the world to manufacture the physical assets that make up our networks and technology, and the devices our customers use. We also draw upon natural resources to power our technology and our broader business operations.

Our networks, distributed across New Zealand, are also impacted by changes in the environment, which has implications for the resilience of our infrastructure and the supporting services required to operate them.

Through the products and services we provide our customers are able to live and work more sustainably and productively, enabling them to reduce their impact on the environment and use of natural resources.

We can reduce our draw on natural capital and shift towards circular and renewable operating models. And by being deliberate about our role in enabling emissions reductions and climate adaptation we can ensure our customers and all of New Zealand can realise the benefits of digital technology in protecting natural capital and responding to environmental challenges.

Our approach to environmental management

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 our environmental footprint. This is available at: www.sparknz.co.nz/about/governance

The policy was first introduced in FY21 and since that time we have implemented an online training programme for all employees to learn about our approach to sustainability and the expectations for them to consider environmental impacts in their day-to-day activities. This was launched in August 2022.

For our most material environmental topics, particularly our energy use and emissions, we have formal governance processes in place. We measure and report our energy use and emissions on a quarterly basis, with this information shared in updates to our Technology Leadership Team, who act as a governance group for our emissions reduction work.

We also report our emissions performance, alongside other quarterly sustainability KPIs, to our Leadership Squad. The Leadership Squad act as a steering committee for sustainability across Spark through a standing quarterly agenda item at their regular meetings. We believe sustainability is relevant to all areas of the business, so key updates and decisions are participated in by all members of our leadership team. The Spark Board also receives quarterly updates on key

sustainability topics, and our performance against our emissions reduction target is integrated into our half-year financial reporting.

A dedicated Emissions Reduction Squad has oversight of our emissions performance. The Tribe Lead for Network Simplification is the champion for emissions reduction in the technology team. This is the area of the business responsible for retiring legacy network assets – Spark's largest source of energy reductions and electronic waste.

In June we also hired a dedicated Environmental Manager to lead the development of our emissions reduction programme and other environmental actions.

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

The Science Based Targets initiative (SBTi) is established as the global standard for corporate emissions reduction targets. Over 3,100 organisations have set verified emissions reduction targets since it launched in 2015. In New Zealand 21 companies have set targets, with a further ten committed to set targets within two years.

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

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

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

SPARK'S SBTi-VERIFIED EMISSIONS REDUCTION TARGET

56%

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

70%

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

Since we established our target, we have rescoped our emissions reporting and baseline to account for changes to our business. These changes are detailed in our GHG Inventory Report, published at: **www.sparknz.co.nz/sustainability/ environment**. This includes:

- The sale of a 70% stake in our passive mobile tower assets to Connexa. At these sites we have retained ownership of the site electricity consumption and associated emissions. This includes emissions from electricity used to run cooling systems and lights, alongside active mobile network equipment. Where the ownership of cooling systems has transitioned to Connexa, we have removed associated refrigerant fugitive emissions from our GHG reporting, including re-baselining back to our FY20 baseline year. This has reduced our fugitive emissions for our baseline year by 124 tonnes CO_2e or 0.67% of our total scope 1 and 2 emissions.

- The investment to take full control of Connect 8, which has been integrated into the Entelar Group. This includes the integration of a fleet of field services vehicles and equipment, and two depots. This has increased our reported emissions from fleet for our baseline year by 536 tonnes CO_2e or 3.0% of our total scope 1 and 2 emissions.

These changes are not significant enough to require us to recalculate our SBTi emissions reduction target, which remains at a 56% reduction from FY20 to FY30. The reporting scope changes have been applied to our FY20 emissions baseline, meaning our ambition level remains the same.

PSTN switches being decommissioned.

Performance against our scope 3 supplier engagement target
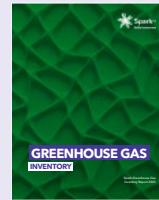
Over the past year the percentage of our spend with suppliers with SBTi-aligned targets in place has increased slightly to around 33%, the majority of which have been verified by the SBTi. Two of our key local suppliers are in the process of finalising SBTi-verified targets, which will significantly increase our spend percentage. Around 23% of our spend is with suppliers that have publicly committed to setting targets within the next two years.

Our new SAP Ariba supplier management platform provides an opportunity to gather more data on supplier environmental commitments, including emissions reduction targets and alignment and validation against SBTi methodology. For local suppliers, membership of the New Zealand Climate Leaders Coalition, of which Spark is a member, is a step we may encourage. Membership requires businesses to work towards implementing a science-based target. Our largest supplier by spend, Chorus, recently joined the Coalition.

For global suppliers, our membership of the global industry group, the Joint Audit Cooperation (JAC), offers a chance to engage suppliers alongside other telecommunications companies with similar SBTi-verified supplier engagement targets. For more information on JAC and how we are developing our approach to engaging suppliers on sustainability and ESG matters, please see the Our Suppliers section on page 70.

Greenhouse Gas Inventory Report

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

Our emissions

In the past year we saw our emissions reduce significantly, with our scope 1 and 2 emissions down 29.8% and now tracking below our SBTi pathway, aligned to our 56% reduction target from FY20 to FY30.

Our electricity use, as the source of power for our networks and infrastructure, is our largest source of emissions. The emissions intensity of the electricity we use is dependent on whether it is generated renewably or from fossil fuels such as coal and gas. The mix of sources determines our emissions factor per unit of electricity.
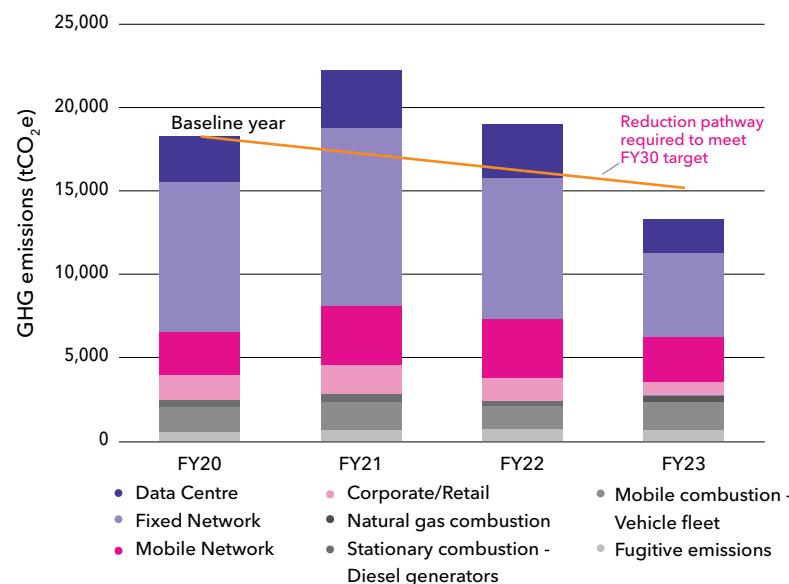
Our FY21 emissions were significantly higher than our FY20 baseline. This was due to dry hydrological conditions which saw a significant increase in non-renewable electricity generation on the New Zealand grid. In FY22 this trend was reversed, with a cleaner electricity mix and underlying reductions in energy use delivering a significant emissions reduction.

This trend continued over the past year, driven by ongoing reductions in the grid emissions factor, which is down from 0.1108 kg/kWh to 0.0696 kg/kWh, or a 37.1% reduction.

Our scope 1 emissions have increased 13.6%, driven by an increase in vehicle fleet emissions which are up 24.2%, mostly due to increased diesel use from the Entelar Group fleet as a result of our Connect 8 acquisition. We also saw a significant increase in stationary combustion, up 21.1%, as we have purchased diesel to fill new tanks for expanded energy storage alongside expanded data centre investment.

Greenhouse gas emissions

Electricity consumption

Electricity consumption

Over the past year electricity accounted for 79.8% of our scope 1 and 2 emissions. The majority of our electricity use is in powering our fixed networks, data centres, and mobile network. Emissions from our electricity use reduced significantly in line with the lower emissions factor, with our scope 2 emissions down 36.0% on FY22.

Our underlying electricity use has grown slightly, driven by increased investment in our 5G mobile networks and data centres. Overall electricity use is up 1.8%, with 152.6 GWh consumed in FY23.

We have a long-running programme of network simplification, including the decommissioning of legacy equipment such as the public switched telephone network (PSTN), which has driven year-on-year reductions in electricity use across our business. We continue to reduce electricity consumption through a focus on energy efficiency and removing old, inefficient equipment.
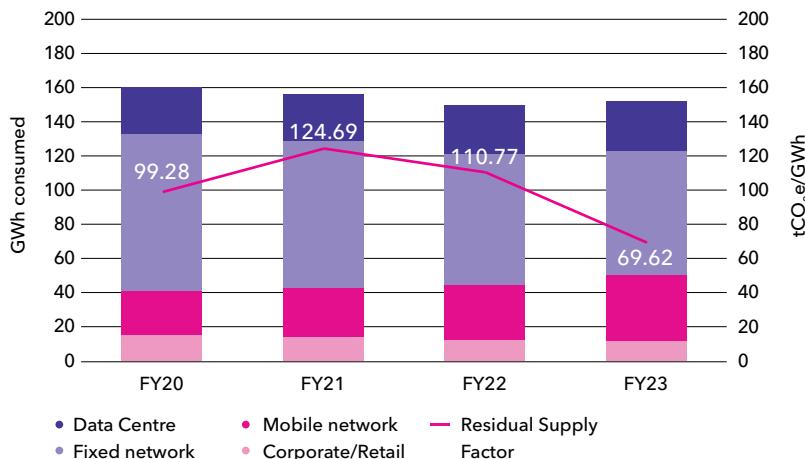
We are also investing in new infrastructure as traffic grows across our network. This is important to support innovation to drive emissions reductions and productivity across all sectors. This includes the rollout of 5G, and investment to expand our data centres. Although energy efficiency is a focus in our rollout of new infrastructure and in the construction of new data centre space, we expect our electricity usage to slowly increase over time.

Supporting renewable energy investments

In New Zealand we benefit from a high share of existing renewable generation. In a typical year over 80% of all electricity supplied comes from renewable sources, which means when compared to many operators in other markets our emissions are low. However, to achieve our SBTi target, we need to further reduce the emissions intensity of our electricity, particularly as we invest in more digital infrastructure for the future.

It is projected that the New Zealand grid will continue to decarbonise over the next decade, aligned with New Zealand's national emissions reduction budgets and

plans. In addition to expected national improvements, Spark is actively pursuing options to link our electricity purchasing to new renewable electricity generation capacity. Our partnership with our electricity provider includes a commitment to work with Spark to achieve our SBTi target.

We are currently working with our partner to accelerate options for procuring new renewable generation capacity, and exploring options for on-site renewable generation, such as solar. On-site solar generation is an option in some sites with significant areas to house panels. In these cases, on-site generation works alongside electricity provided by the grid, which would be required to provide the majority of electricity to our network sites.

Business travel

Flights and business travel are classed as scope 3 emissions, so are not included in our SBTi emissions reduction target. However, business travel is a significant source of emissions which is easily influenced by our policies and behaviour.

COVID-19 restrictions significantly reduced our business travel over the previous three years. This has bounced back over the past year, with our emissions up 288% year-on-year. Despite this our FY23 business travel emissions are still 25.8% below our FY20 baseline year for reporting. We have implemented processes to monitor travel-related emissions and determine if any further action is required to manage business travel.

Case study: Energy efficiency in our mobile network

Mobile data speeds, latency, and other functions have leapt forward with each new mobile generation. Energy efficiency per unit of data has also improved as technology evolves. This means that as the upgrade from 4G to 5G delivers a more than 500% increase in the data transmission rate, the cell tower equipment may require up to 60% more power.

This increase will be offset with the removal of legacy equipment, such as our decommissioning of the PSTN and the shutdown of our 3G network, which was announced in the past year. But as mobile traffic continues to grow, we need to maintain a focus on energy efficiency.

At our Hagley Park East mobile site in Christchurch, we have piloted a suite of energy saving features with our network partner Samsung. These smart features switch the mobile site to lower power states at off-peak times.

The pilot showed a 20.7% reduction in power consumption in the remote radio unit, and an overall 10.6% reduction in electricity use at the site. Alongside the energy saving the overall data volume for the sites was similar to the baseline, with no impact on site coverage. Following the success of the pilot we have rolled the feature out to over 300 sites with the same capabilities nationwide.

Our fleet

Spark's fleet is responsible for 12.5% of our reported scope 1 and 2 emissions. Our reporting now includes Connect 8 fleet data, which forms part of Entelar Group, and has been backdated to our baseline year. Our FY23 fleet emissions were up 24.2% on the previous year, with increased fuel use across all areas of our fleet. In our core fleet this is expected as this is the first full year reported without COVID-19 restrictions and therefore a higher level of vehicle use.

In the past year we piloted an 'Electric First' policy for the Spark Corporate Fleet, including individually-assigned vehicles, with all vehicles due for renewal to be replaced by an Electric Vehicle (EV). In FY23 all vehicles introduced to the Spark corporate fleet were electric or Plug-in Hybrid Electric Vehicles (PHEVs), with an increase in 30 EVs.

At the end of FY23 we had three pure petrol or diesel vehicles remaining in the core Spark fleet of 197 vehicles. We had 41 full electric vehicles, up from 11 in the previous year, 21 PHEVs and 132 hybrids. We still have progress to make across the broader Spark fleet, including with our subsidiaries. Across the rest of the Spark Group we have 182 vehicles, of which two are full EV, one is a PHEV, 64 are hybrids and 115 are non-EV.

E-waste and network recycling

Spark has a long-standing programme to managing end-of-life network equipment and technology. Recovered equipment is separated into different waste streams – such as printed circuit boards, copper cables, lead batteries, and all types of metals. These materials are processed by our local recycling partners and then some components are sent overseas for recycling, reselling, or reusing.

In FY23 we recovered a total of 559 tonnes of e-waste, up slightly from 545 tonnes in FY22. Of this, 154 tonnes were network e-waste (up 3 tonnes on FY22), and 405 tonnes were metals, cables, and batteries (up 11 tonnes). We continue to improve our

recycling collections focussing on education within Spark and working with some of our larger customers to support them to responsibly recycle their surplus equipment.

Mobile phone recycling

In FY23 Spark received 14,913 mobile devices for recycling, down from 20,609 in FY22. This continues a longer-term trend of reduced recycling collection numbers. As mobile devices are becoming more advanced and robust their lifecycles have extended, meaning customers are replacing their devices less frequently and we are experiencing a lower volume of recycling as a result. However, we still only take back a small proportion of the total number of devices sold each year.

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

Spark is a member of the Telecommunication Forum's (TCF) RE:MOBILE product stewardship scheme.

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

The current RE:MOBILE scheme takes unused mobile phones, and either refurbishes and on-sells them in overseas markets or recycles them to recover the materials used. Profit from the scheme is donated to the charity Sustainable Coastlines.

Alongside the Spark Foundation, we also support the Recycle A Device (RAD) scheme to collect and refurbish used laptops for students and others in need of a device. See page 65 for more information.

Meeting the climate challenge through digital technology

In the past year we partnered with sustainability consultancy thinkstep-ANZ to develop research on the role digital technology can play in supporting Aotearoa New Zealand's response to the challenge of climate change. This work combined global and local perspectives to quantify emissions reductions opportunities and inform future action.

The research modelled and quantified digital technology enabled emissions reductions opportunities across different sectors and identified a series of recommendations based on these findings.

The overarching finding showed that digital technology can support annual emissions reductions of at least 7.2 Mt by 2030 – equivalent to 42% of the reductions required to meet Aotearoa's carbon budget targets.
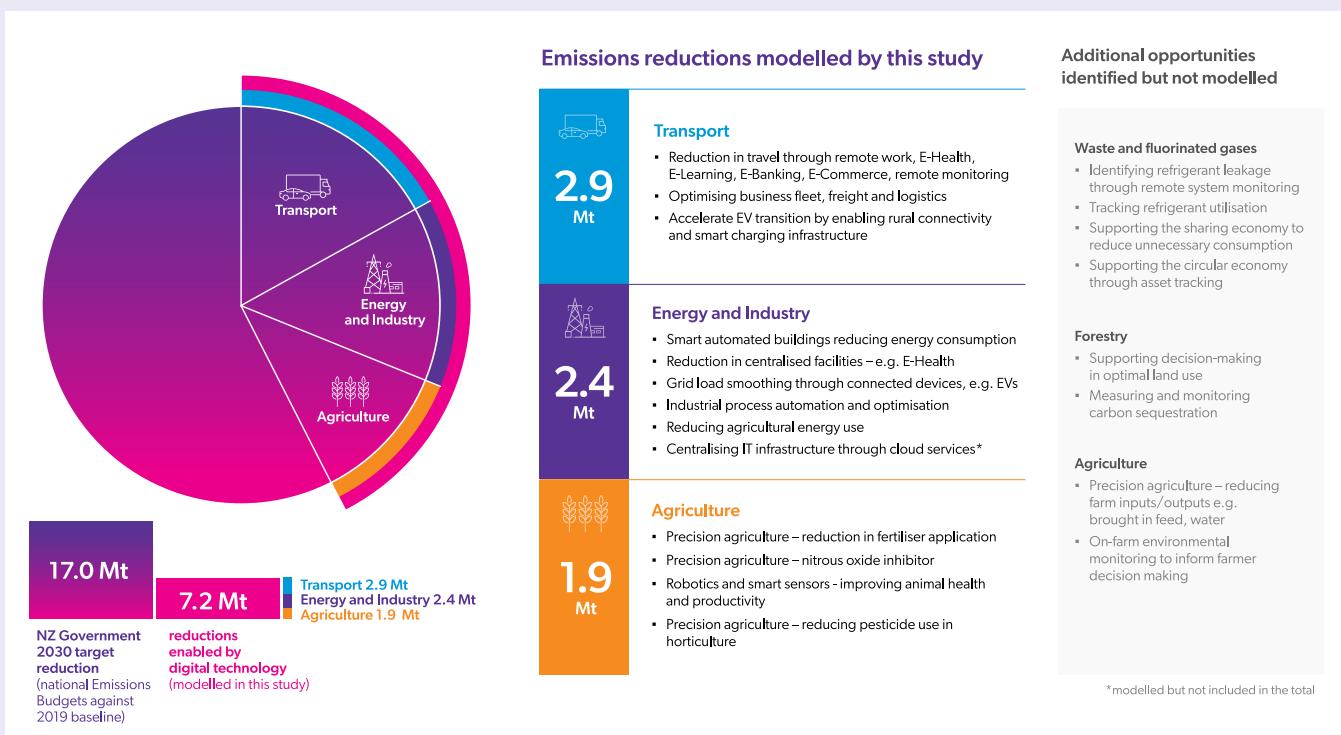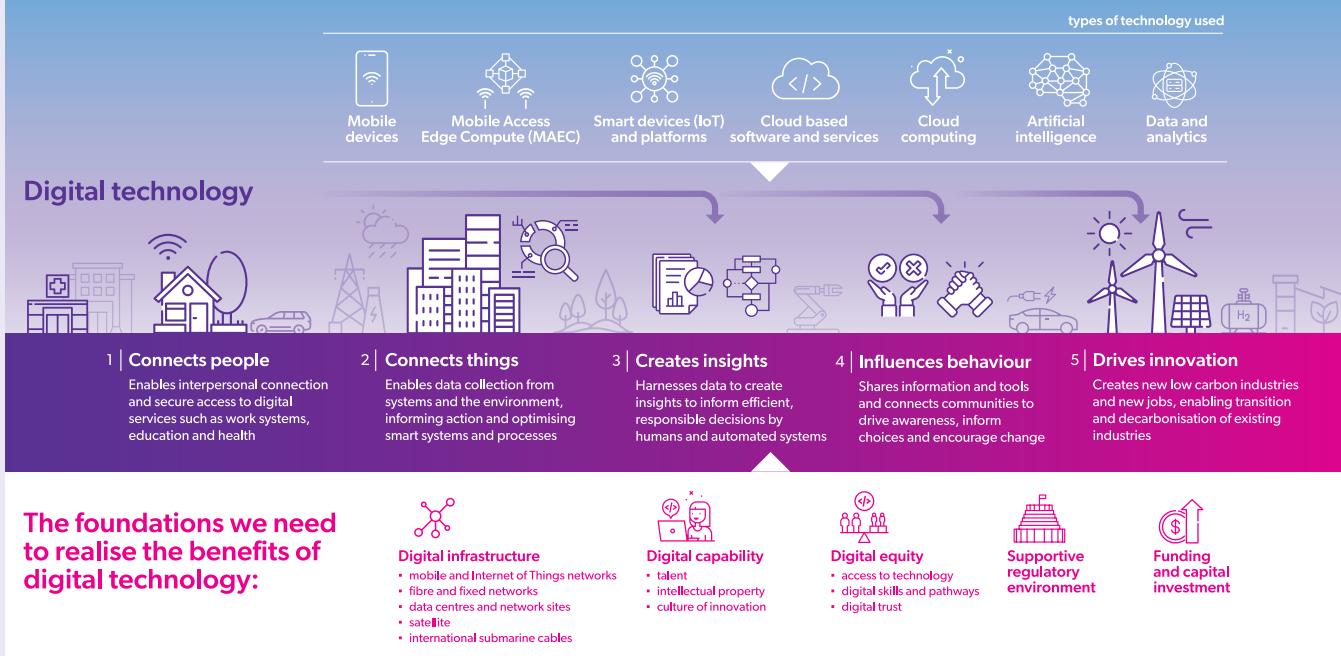
We launched the research at an industry briefing with former Prime Minister Hon Jacinda Ardern, Minister for Climate Change and Associate Minister for the Environment (Biodiversity) Hon James Shaw, Spark Chair Justine Smyth, and Spark CEO Jolie Hodson.
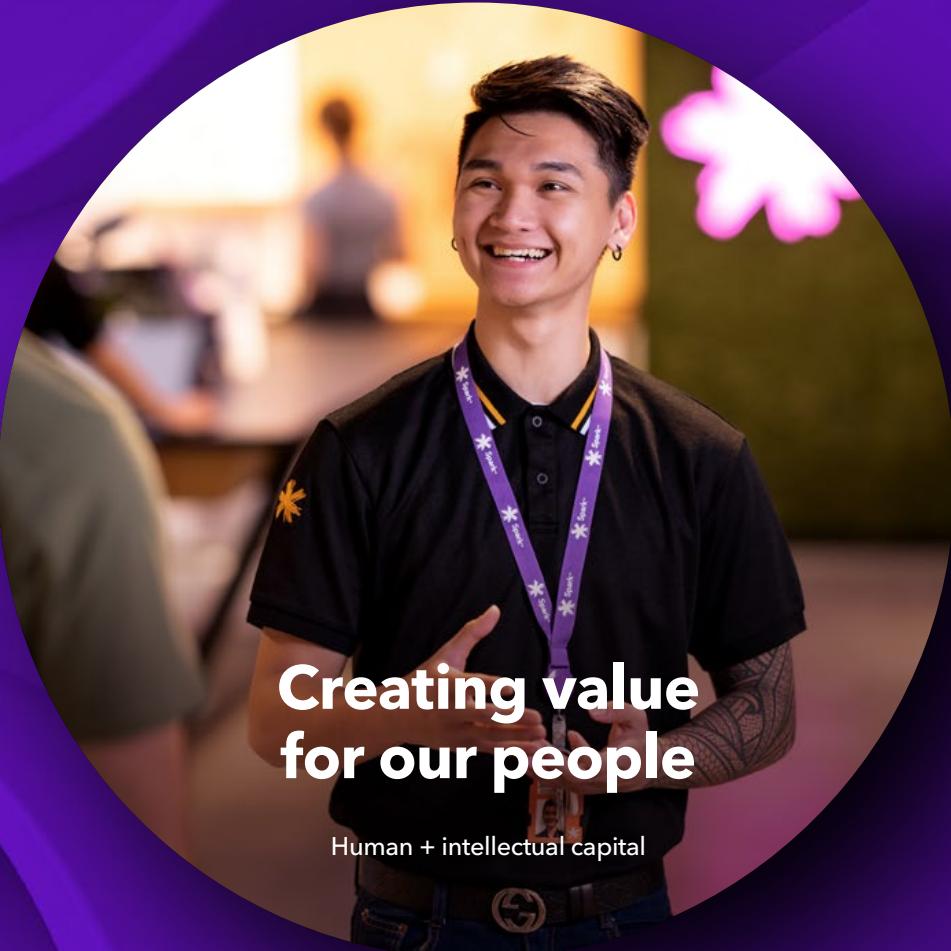
Our aim in conducting this research was to not only improve awareness of the role technology can play in decarbonisation, but to also encourage action. Since its launch we have been engaging with businesses in the sectors we studied – in particular Transport, Energy and Industry, and Agriculture – to integrate these findings into sector-based emissions reduction planning, and to strengthen the role of digital technology in New Zealand's overall climate mitigation approach. We are also contributing to the development of a Technology Roadmap alongside NZTech, with the aim of integrating this into New Zealand's next Emissions Reduction Plan.

"Our research showed that digital technology can support annual emissions reductions of at least 7.2 Mt by 2030 – equivalent to 42% of the reductions required to meet Aotearoa's carbon budget targets."

How digital technology enables a low carbon NZ

types of technology used

| Mobile devices | Mobile Access Edge Compute (MAEC) | Smart devices (IoT) and platforms | Cloud based software and services | Cloud computing | Artificial intelligence | Data and analytics |

Digital technology

1 Connects people	**2 Connects things**	**3 Creates insights**	**4 Influences behaviour**	**5 Drives innovation**
Enables interpersonal connection and secure access to digital services such as work systems, education and health	Enables data collection from systems and the environment, informing action and optimising smart systems and processes	Harnesses data to create insights to inform efficient, responsible decisions by humans and automated systems	Shares information and tools and connects communities to drive awareness, inform choices and encourage change	Creates new low carbon industries and new jobs, enabling transition and decarbonisation of existing industries

The foundations we need to realise the benefits of digital technology:

Digital infrastructure
- mobile and Internet of Things networks
- fibre and fixed networks
- data centres and network sites
- satellite
- international submarine cables

Digital capability
- talent
- intellectual property
- culture of innovation

Digital equity
- access to technology
- digital skills and pathways
- digital trust

Supportive regulatory environment

Funding and capital investment

Emissions reductions modelled by this study

Transport — 2.9 Mt
- Reduction in travel through remote work, E-Health, E-Learning, E-Banking, E-Commerce, remote monitoring
- Optimising business fleet, freight and logistics
- Accelerate EV transition by enabling rural connectivity and smart charging infrastructure

Energy and Industry — 2.4 Mt
- Smart automated buildings reducing energy consumption
- Reduction in centralised facilities – e.g. E-Health
- Grid load smoothing through connected devices, e.g. EVs
- Industrial process automation and optimisation
- Reducing agricultural energy use
- Centralising IT infrastructure through cloud services*

Agriculture — 1.9 Mt
- Precision agriculture – reduction in fertiliser application
- Precision agriculture – nitrous oxide inhibitor
- Robotics and smart sensors - improving animal health and productivity
- Precision agriculture – reducing pesticide use in horticulture

Additional opportunities identified but not modelled

Waste and fluorinated gases
- Identifying refrigerant leakage through remote system monitoring
- Tracking refrigerant utilisation
- Supporting the sharing economy to reduce unnecessary consumption
- Supporting the circular economy through asset tracking

Forestry
- Supporting decision-making in optimal land use
- Measuring and monitoring carbon sequestration

Agriculture
- Precision agriculture – reducing farm inputs/outputs e.g. brought in feed, water
- On-farm environmental monitoring to inform farmer decision making

*modelled but not included in the total

17.0 Mt
NZ Government 2030 target reduction (national Emissions Budgets against 2019 baseline)

7.2 Mt
reductions enabled by digital technology (modelled in this study)

Transport 2.9 Mt
Energy and Industry 2.4 Mt
Agriculture 1.9 Mt

Creating value
for our people

Human + intellectual capital

OUTCOMES FY23

Engaged and inclusive teams

Our success relies on our team of talented and diverse people. A career at Spark offers opportunities to learn, grow and belong to a business that encourages leading-edge learning and development, holistic wellbeing and the chance to be part of a team that operates in a diverse and inclusive agile environment.

Employee engagement

In FY23 we changed how we measure the engagement of our people – moving from our former Employee Net Promoter Score (eNPS) to a more comprehensive engagement score and establishing a baseline of 67% across the group in Q1. This measure reflects employee motivation, likelihood to remain with Spark and how likely they are to recommend Spark as an employer. The average score for New Zealand companies with 1,000+ employees is 66%.

We were pleased to see strong people engagement recorded using this new measure, with our overall average engagement score for FY23 at 70%. Our ambition is to achieve top decile engagement by FY26.

We use data and insights from our people to continuously improve our employee experience and maintain high levels of engagement over time. In FY23, we undertook a company-wide culture survey and were pleased to have 89% of our people participate, sharing their thoughts and feedback on our culture. Some of the highlights from the survey included 79% of our people feeling like they belong at Spark, 75% feeling like they have confidence in their business unit leaders and 67% who feel like they have good career opportunities at Spark.

The survey and our quarterly pulse checks provide us with important insights on where we can do better, the drivers of engagement and how we can continue to build a high-performance culture, where all our people feel like they belong.

Ways of working

Our agile maturity

Our Agile ways of working support us to deliver our strategic goals through collaboration, communication, learning and experimentation. Continuing to embed and lift our agile practices throughout the business remains a key focus. We evaluate our agile maturity using an 'Agile Maturity Assessment', or AMA, which rates the maturity of best practice across our squads and teams on a scale of 1–5. We have seen

further uplift in our maturity during FY23 and now have 89% of squads (teams) with an AMA of greater than 3.75 out of 5 (compared with 66% in FY22). Spark delivers certified agile programmes to further embed agile practices into our own business and also offer these externally for customers and partners. In FY23 we added the ICAgile Product Ownership Accreditation to our offering. Across Spark, 188 people and 72 external businesses completed and were certified from these courses.

Hybrid working

Creating a great workplace is key to how we continue to build our high performance, adaptive and inclusive culture.

Following a couple of years of COVID-19 lockdowns and remote working, we recognised that our people wanted some flexibility, but we also wanted to regain the team, social and in-person interactions they enjoyed before the pandemic, which helps our people build strong relationships and collaborate effectively as teams. Being 'in person' in the office also enables spontaneous and informal interactions that are more difficult to replicate virtually.

With insights from our people and clarity about what our customers and teams needed, in March we provided our people with a clear direction about hybrid working. This was to ensure consistent standards across the business – all in the pursuit of better outcomes for our people, teams, customers and business.

As part of this, we asked all teams (who are able to do so, based on how they deliver to customer needs) to adopt hybrid ways of working and commit to at least three days in the office, with two days then flexible (where team members can choose to either be in the office or work remotely). These teams were also asked to set a day each week when everyone in their team comes into a shared office space, to collaborate and connect in person.

Our hybrid ways of working underpin our ambition to continue to build an organisation where effective team practices, collaboration, and innovation are key to how we create great experiences for our people and customers.

79%

of our people feel like they belong at Spark

Fifty Albert Street

In May we announced that our Auckland teams will be moving to a new office space in early 2025.

Fifty Albert Street is a next generation development in the heart of Auckland's CBD where Spark will occupy the first six storeys.

The inclusive space will feature a dedicated learning experience centre, an interactive technology hub, parents' room, prayer room, all gender bathrooms, cafeteria and town hall space, external fresh air balconies and a private outdoor space just for Spark people.

The building's credentials align with our commitments to sustainability, including a 6 Green-Star energy efficiency rating and a 5-Star NABERS[1] rating.

1 National Australian Built Environment Rating System

1 ICAgile is an accreditation and certification body for agile training.

Leadership development programmes

In FY23 we designed and launched a new leadership programme called Spark Leaders, in partnership with BTS Australia to complement our Agile Leaders Programme. The programme has a range of learning experiences that equip leaders with the confidence to cultivate a strong culture, offer a consistent people experience and deliver great team outcomes. We delivered two cohorts to 120 leaders and feedback from participants was extremely positive, with an overall NPS of 90%.

We also continued to deliver our flagship Agile Leaders Programme, which aims to create the conditions for leadership of innovation and adaptivity across Spark. The programme is a significant investment in our key talent who we want to develop and progress. It runs over six months with a focus on building environments for people to thrive, leading innovation through design thinking, using leadership empathy for connection and belonging and coaching for sustainable high performance. In FY23, we concluded cohorts nine and 10 and launched cohort 11 with 53 leaders involved in the programme. So far, around 30% of our people who have completed the ALP programme have progressed to other roles within Spark.

For all of our leadership programmes we consistently meet our 40:40:20 gender commitments and ensure a diverse mix of people are participating, considering diverse experiences, skills, ethnicity, business team and career stage.

Investing in the development of our people

Continuous learning and innovation capability is a core focus of how we develop our people at Spark. We want to enable personal growth and adaptability, so our people are open to diverse ideas and perspectives, can adapt at pace and sustain high performance.

We enable this through quality coaching, leading-edge learning and development programmes and with a deliberate focus on progressing our own people through new roles and on-the-job learning experiences within our organisation.

Leadership pathways

In FY23, we announced changes to our Leadership Squad, with three newly created roles filled internally. These were the appointment of Greg Clark as Consumer and SME Director, Renee Mateparae as Network and Operations Director and our Chief Operating Officer, Mark Beder moving into the role of Customer Director – Enterprise and Government. Following the close of FY23 but prior to publishing this report, we made another appointment to the Leadership Squad, with Regulatory and Industry Affairs Lead John Wesley-Smith moving into the newly created position of Strategy and Regulatory Director. This discipline extends right across the organisation and during the year we moved 50 (or 10%) of our people from our Service Operations teams into other roles within the business.

"We want to enable personal growth and adaptability, so our people are open to diverse ideas and perspectives and able to adapt at pace and sustain high performance."

Spark Gigs

We continued the roll-out of Spark Gigs, our talent marketplace, built around an online platform that allows our people to build a profile of their skills, experience, passions and aspirations and then using AI, matches these skills and future ambitions with available opportunities within the business. Those opportunities could be a temporary job assignment in another team, an informal opportunity to put their skills to use to achieve something outside of their day-to-day role or in the form of a mentoring opportunity, helping them to learn from someone else.

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

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

Internal skill internships

In FY23, Spark created an internal internship programme that offers our frontline teams – those working in our stores and call centres – an opportunity to participate in new skilling and role opportunities. Successful participants complete two to three months of work experience in a new part of the business, while also retaining their current role. Participants may then be offered permanent opportunities at the completion of the programme.

In addition, participants also receive foundational learning and certifications to ensure they have the relevant qualifications to bolster their future careers. This training is further complemented by mentoring and networking events where cohorts share learnings with their peers. In the last year we ran two internship programmes with 19 participants and 14 successful placements (with 50% female representation). This internship prototype will fuel our further skills focus moving forward.

Compliance and mandatory training

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

Completion of these modules is monitored by people leaders and reported more formally on a quarterly basis. We use regular reporting to ensure there is ongoing visibility of completion for all Spark employees.

As part of our ISO27001 accreditation there are additional modules required for completion prior to gaining access to systems and sensitive information, to maintain high-quality standards when dealing with information, customer data and security. These are closely monitored and audited to ensure compliance and the necessary governance. Spark undertakes recertification every three years for ISO 27001 with the last certification issued in July 2022. Further surveillance audits are undertaken each year to ensure a high level of compliance.

Spark people participating in our flagship Agile Leaders Programme.

Health, Safety and Wellbeing

Mahi Tahi – Wellbeing

We continued to weave Mahi Tahi, Spark's wellbeing programme, into our people experiences and ways of working throughout FY23, so that wellbeing remained a key focus for our people and leaders.

Mahi Tahi works in partnership with our people to support their goals at work and in life. The four pillars of the Mahi Tahi framework are closely aligned with Te Whare Tapa Wha (the four cornerstones of Māori health).

1. **Healthy work environment**: Providing our people with a place to work that looks after more than just physical safety but also mental and social wellbeing.

2. **Connection, collaboration and community**: Ensuring we have meaningful activities in place so our people can foster strong connections with those they work with and care about.

3. **Mind health**: Supporting strong mental health capacity and confidence and fostering a growth mindset.

4. **Energy**: Building a culture where we help our people keep their batteries charged, so they can perform at their best.

We have an online Wellbeing Hub, which includes opportunities for our people to book sessions with our Spark-certified Mahi Tahi coaches, access support through our Employee Assistance Provider (EAP) or book a one-on-one appointment with one of our qualified psychologists, who we have partnered with directly to provide specialist care to our people in critical need.

This increase in support options and reducing stigma with mental health challenges has started to see more support accessed by our people through different channels. Since its introduction, we have seen more than 10% of our workforce seek support from either EAP or our psychologists. Our most recent culture survey pulse check showed that 70% of our people are happy with the tools and support available to them and 89% of our people shared that they feel well supported by their people leader when it comes to their wellbeing.

During FY23, we held a number of in-person and virtual Mahi Tahi hui with mental health and wellbeing experts such as clinical psychologists, Amanda Moate and Tiare Tolks; resilience expert, Dr Lucy Hone; Clearhead founder, Dr Angela Lim; and Take a Breathe app founder, Sarah Laurie. Each shared tips and strategies alongside our own leaders and people on maintaining and improving wellbeing and reducing anxiety.

89%

of our people felt well supported by their leader when it comes to wellbeing

Insights from our people have told us that anxiety is one of the top issues, so we have continued our partnership with Take a Breath – a breathing app designed to reduce stress and anxiety. Around 40% of our people have used this app so far, noting it has helped them to combat anxiety and improve their sleep. Thirty percent of our people have also gifted the app to their friends and whānau.

So far, we have trained 55 Mahi Tahi coaches (with 35 trained in FY23) and already had more than 200 of our people access specialist psychology expert support with Amanda Moate and Tiare Tolks. Our coaches, who are trained and supervised by our specialists, act as first-line support to our people when they're working day to day. This may see our coaches supporting leaders, teams or individuals to help them with their energy, focus or finding ways to seek different support options.

To really integrate Mahi Tahi into our core business practices, our People and Culture partners work closely with our senior leaders to incorporate wellbeing objectives and KPIs into their quarterly planning.

Spark people showing their support on Pink Shirt Day 2023.

Health and safety

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

- Strategy and Framework: A strong health and safety management framework providing a platform for success

- Hazard and Risk Management: Proactive 'owners' approach to health and safety and the management of critical hazards and associated risks

- Leadership and Ownership: A culture of empowerment at every level

- Resources and Supporting Activity: A commitment by the business to ensuring the resources and capabilities are in place to deliver the health and safety strategy.

No Spark employee or contractor suffered serious injury or death over the year, and our TRIFR (Total Recordable Incident Frequency Rate) held flat at 2.13 for FY23. No notifiable events were reported under current New Zealand Health and Safety legislation or health and safety prosecutions or notices issued to Spark by WorkSafe (New Zealand Regulator) during the same period.

Based on the experiences of the last few years, our pandemic planning and response activities now incorporate lessons from COVID-19 and the impact severe weather events have had on our people and places across New Zealand. We continue to follow a risk-based approach for our activities and work collaboratively across the business to ensure we have the right response and resources in place to support emergency preparedness.

In FY23 we continued to work with our Wider Leadership Group to further foster health and safety employee empowerment and participation as part of our Tribe, Unit, and Centre of Excellence (CoE) meetings and routine events continuing strong governance for health and safety across Spark. We continued our work with our

wholly-owned subsidiaries to identify the areas of greatest priority to support the development, application and monitoring of a health and safety continuous improvement framework.

Spark's health and safety system and injury management programme was reviewed by

the Accident Compensation Commission (ACC) under the Employers Accredited Programme (AEP) in August 2022. The audit outcome was very positive, with Spark retaining its tertiary status and remaining accredited in the same programme for another 12 months.

Diversity, equity and inclusion

Our focus and commitment on diversity, equity and inclusion is embedded into our day-to-day activities, standards and business practices. It is a strategic business priority and key enabler of our business strategy and culture.

This focus has helped us create an environment where our people feel comfortable bringing their whole selves to work, regardless of gender, ethnicity, orientation, age, experience, neurodivergence or ability.

In November, Spark's efforts to create a more inclusive and equitable work environment was recognised at the Deloitte Top 200 Awards, receiving the Diversity and Inclusion Award for 2023.

Spark's Blue Heart kaupapa in action

Our Blue Heart kaupapa sets the standards of behaviour, alongside our values, to foster a culture of connection and belonging. It is a visible icon of our heart-led approach to diversity and inclusion.

Blue Heart cultural celebrations and events remain an important part of bringing our people together and in FY23 we celebrated key moments, such as International Women's Day (IWD), Lunar New Year, Diwali, Eid celebrations and Matariki events at our offices throughout the country.

Te Korowai Tupu

Ko te whāinga kia hāpai te ahurea ahurei o Aotearoa whānui, ki te ao, kia ngita. We want our culture at Spark to both reflect and uplift Aotearoa New Zealand's unique cultural heritage, and this is where our Māori strategy, Te Korowai Tupu (the cloak of growth), comes in.

Te Korowai Tupu takes the threads of a tangata whenua world view that can be woven across Kora Aotearoa, or Spark New Zealand – into our strategies, actions and values – and is a core commitment of our new business strategy.

Spark's Kaiārahi (Māori group) guide and support the delivery of the strategy within our business. In FY23 the Kaiārahi created a set of guiding objectives that will continue to steer our mahi and our objective of weaving te ao Māori throughout our business. This also included a refresh of the Te Korowai Tupu narrative and the introduction of a new karakia that was composed specifically for Spark and is now being embraced by teams across the business.

In FY23 we continued to promote our people's understanding of te ao Māori by delivering cultural responsiveness modules, and Te Ara Reo, our Māori language pathway strategy, which delivers te reo Māori learning opportunities to our people at beginner and intermediate levels.

We continued to work in partnership to bring our strategy to life, alongside our key partners – Te Wānanga o Aotearoa, Whāriki, Kōkiri, Arataki Systems, Kiwa Digital, Education Perfect and Te Pūtahitanga o te Waipounamu.

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

Vaka Pasifika

Vaka Pasifika is Spark's Pacific Canoe – a community of the ~5% of Spark people who identify as Pasifika, formed in 2017 with a mission to empower, grow and build the capability of Pasifika peoples at Spark.

In support of this strategic ambition, the Vaka Pasifika group recently released their new strategy called 'Folauga mo Taeao – A Journey to Tomorrow'. The strategy sets out three key pillars over the next horizon of growing and supporting Pasifika aspirations at Spark, including growing the capability and leadership skills of the Vaka Pasifika team, growing Spark's cultural knowledge and enabling Spark to become an industry champion for Pasifika.

Pride

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

We are committed to our continued support of OUTLine NZ, a national charity that offers a free support line for members of the LGBTQIA+ community and family and friends. In FY23, this included equipment, software and tech support to keep OUTLine's support line and online chat support service running.

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

Our continued commitment, led by our Spark Pride committee and community, is to recognise, nurture and enhance belonging and connection throughout Spark for our LGBTQIA+ community.

Our diversity performance

We believe in the idea that what gets measured gets done and we take a data-led approach to achieving our Diversity and Inclusion ambitions.

Having a greater understanding of who we are will allow us to create experiences and provide support that is tailored to the diverse needs of our people.

Improving female representation

Over the past year we have continued to focus on improving female representation across the group and reducing our gender pay gap. Our ambition is to achieve 40:40:20 representation Spark wide by the end of FY24, 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 from FY20 to 18% by the end of FY25.

Overall, across the group we saw female representation remain flat at 34% in FY23. While overall representation appears static, it masks positive movement and change across the business and good progress in embedding standards and business practices. Within the core Spark business, female representation is higher at 37%, while in our wholly-owned subsidiaries representation is significantly lower at 21%.

In FY23 we reviewed and reset our targets for each business area – including overall representation targets and guidance on the starter and leaver gender mix that we would need to see to achieve our ambitions. We made strong progress in

shifting our recruitment of females, moving from 33% to 41% in FY23, but this was partially offset by an increase in the proportion of leavers who were female (35% to 38%). Improving female representation, particularly in the technology focussed areas of our business, remains a priority. This is an industry-wide challenge and we continue to work actively alongside our industry peers, external technology institutions, and other thought leaders to create a New Zealand-wide pipeline of women in technology careers.

Our People & Culture Partners are continuously upskilled with tools to increase our leaders' capability to address the gender pay gap and recruit for diversity. We also educate our senior leaders across the business by providing resources, standards and guidelines and data insights that help them to hire talented candidates with diversity in mind and track their progress against their goals and our Spark-wide ambitions. Each area has an

action plan to achieve its representation goals in addition to maintaining recruitment standards, such as 40:40:20 shortlists.

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

Our Board is 50% female and 50% male, with four female directors (including our CEO) and four male directors. One new female and one new male director joined our Board in August and one male director retired at the Annual Meeting in November.
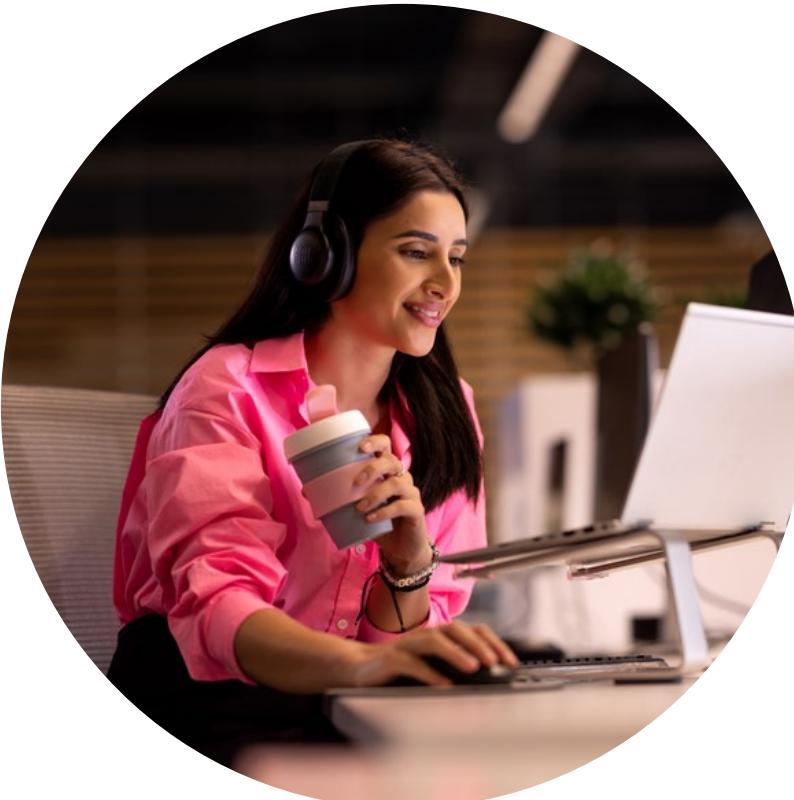
Over the past year one female leader resigned from our Leadership Squad, taking the female-to-male ratio to a 56% female and 44% male split. With the changes we have made at the start of FY24, the female-to-male ratio is now 55% female and 45% male.

34%
Female representation across Spark.

21.6%
Our median gender pay gap has reduced from 24% in FY22 to 21.6%.

Reducing our gender pay gap

We are pleased to see our median gender pay gap reduce further from 24% in FY22 to 21.6%. We also monitor the difference in mean (average) pay, which remained the same at 13%. Achieving our pay gap ambitions is closely linked to our approach to improving representation and Spark continues to support a New Zealand-wide pipeline of females in technology careers through our partnerships with external technology institutions and influencers such as GirlBoss NZ.

Our Diversity and Inclusion Policy sets out our framework in this area. **www.sparknz. co.nz/about/governance/**

Gender pay ratio

Category	Number of employees in category	Pay Ratio: Mean[1]	Pay Ratio: Median[2]
Leadership: Spark's wider leadership group, including the Leadership Squad	FY23: 77 (44 Male, 33 Female) FY22: 70	FY23: 4% FY22: -1%	FY23: -9% FY22: -12%
Technology: Employees who work in technology focussed areas of the business	FY23: 2,717 (2,101 Male, 604 Female) FY22: 2,338	FY23: -12% FY22: -9%	FY23: -23% FY22: -20%
Customer Channels: People primarily employed within our contact centres and retail operations	FY23: 892 (446 Male, 441 Female) FY22: 971	FY23: -1% FY22: -1%	FY23: 0% FY22: 0%
Rest of Spark: Including corporate, product, marketing and customer units	FY23: 1,746 (987 Male, 751 Female) FY22: 1,765	FY23: -17% FY22: -15%	FY23: -23% FY22: -17%
Total	**5,432**	FY23: -13% FY22: -13%	FY23: -22% FY22: -24%

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 2023. Negative pay gap values indicate that the median or mean earnings for women are less than those for men.

Demographics of our workforce

Including permanent and fixed-term employees of Spark and its directors, as of 30 June 2023.

| | Number of people | Gender[1] | | | | | Age | | |
		Female %	Male %	Female #	Male #	Gender diverse #[5]	Under 30 years old	30 – 50 years old	Over 50 years old
Directors	8	50%	50%	FY23: 4	FY23: 4		0%	0%	100%
	+1	+7%	-7%	FY22: 3	FY22: 4		no change	-14%	+14%
Leadership Squad[2]	9	56%	44%	FY23: 5	FY23: 4		0%	56%	44%
	-1	-4%	+6%	FY22: 6	FY22: 4		no change	-44%	+44%
Other leadership roles[3]	68	41%	59%	FY23: 28	FY23 40		1%	69%	29%
	+8	-6%	+6%	FY22: 28	FY22: 32		-1%	-8%	+7%
Permanent starters	1,274	41%	59%	FY23: 518	FY23: 749		35%	52%	12%
	+19	+8%	-8%	FY22: 413	FY22: 840		-4%	-1%	+4%
Permanent leavers	1,144	38%	60%	FY23: 434	FY23: 687		30%	56%	13%
	-217	+3%	-5%	FY22: 472	FY22: 888		+2%	-4%	+1%
Total[4]	5,439	34%	66%	FY23: 1,832	FY23: 3,582	FY23: 10	19%	56%	24%
				FY22: 1,729	FY22: 3,413	FY22: Not reported.			
	+280	0%	0%				-1%	-2%	+2%

1 For the purposes of NZX Listing Rule 3.8.1(c) no directors or members of the Leadership Squad self-identify as gender diverse.
2 Includes the CEO who is also included as a Director in the line above. The 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 5,432.
5 Gender diverse totals only reported in total figures. There are an additional 15 people who prefer not to answer this question.

Improving ethnic representation across Spark

Diversity does not start and end with gender and we have increased our focus on ethnic diversity over the last two years. In keeping with our data-led approach to change, one of our strategic ambitions was to increase the percentage of our people sharing their ethnicity data with us to 80%. We are proud that from our starting strategy position of only ~19%, to 50% in FY22, we achieved 83% by FY23.

As at 30 June 2023, the available data on our people shows that 47% come from NZ European or European ethnic backgrounds with 38% reporting a diverse range of Asian ethnicities, with the largest groups being Indian (16% overall), Southeast Asian (8%) and Chinese (7%). Four percent of our people are Māori and 5.5% report Pacific ethnicities, most commonly Samoan (2%).

Our senior levels have a higher proportion of people from NZ European/European ethnicities with 84% of our people in leadership roles (Leadership Squad and Wider Leadership Group) included in this grouping. Now that we have ethnicity information for a high proportion of Spark employees, we will focus more in FY24 on using this information to gain insights on how we can attract, retain and progress a diverse range of people across our organisation as well as sustain an inclusive culture. As part of our new strategy from FY24–FY26, we have also made a commitment to increasing Māori and Pasifika representation at Spark, with an ambition to lift this by a combined 5 percentage points.
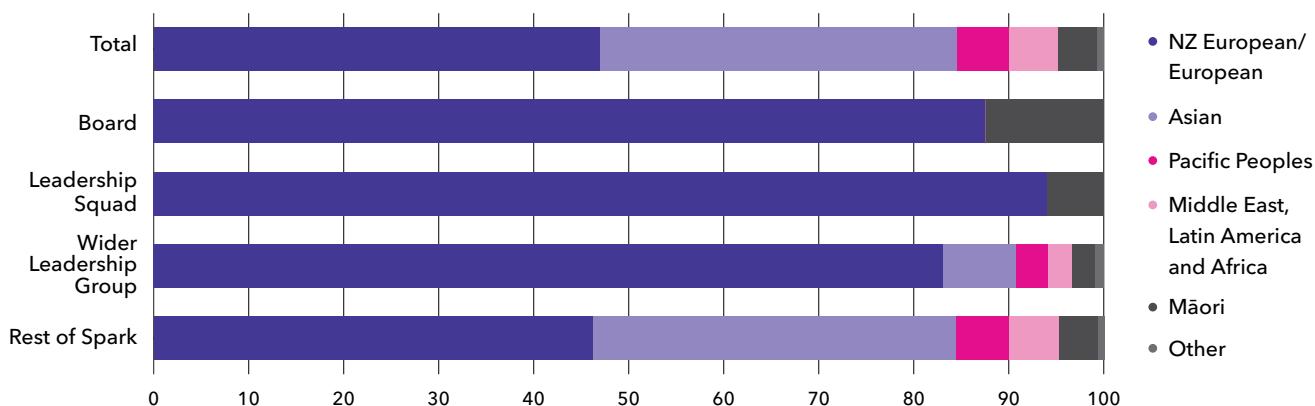
PERCENTAGE OF EMPLOYEES SHARING THEIR ETHNICITY DATA

83%

At end of June 2023.

9.5%

Of Spark people are Māori or Pacific peoples.

Legend:
- NZ European/European
- Asian
- Pacific Peoples
- Middle East, Latin America and Africa
- Māori
- Other

Percentages based on permanent and fixed-term employees at Spark as of 30 June 2023 who had provided ethnicity data (n=3,423). NZ European/European includes all European ethnicities (e.g. British, German) and Australian European. Excludes employees in Spark's wholly-owned subsidiaries. Spark collects information on main and other ethnicity where an individual identifies with more than one ethnicity. Consistent with the Champions for Change methodology, where an individual reports two ethnicities, each is counted as 0.5.

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.

In FY23, we refreshed our parental offering – Whakapuāwai – to offer better support to primary parents through the process of having children and returning to work but also encouraging secondary parents to be able to take a more active role in that journey to support more equitable outcomes.

Whakapuāwai, which means 'to cause to blossom', will see Spark top-up the Government's parental leave contributions so that primary carers receive 100% of their normal salary for 26 weeks, with continued employer KiwiSaver contributions of 3% during their parental leave period. Secondary carers will also receive four weeks paid leave (increased from two), so they can be present to support their partner and whānau during those pivotal first few weeks of their baby's life.

The package also includes a phased return-to-work policy for primary carers, who can work 80% of their regular hours on 100% salary for the first three months of their return.

Eligibility for Parental Leave is in accordance with Government legislation.

"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."

FY23 Parental Leave numbers	Female	Male[1]
Employees who took parental leave	102	4
Employees who returned to work after taking parental leave	70	3
Employees who were due to return to work	72	3
Return to work rate[2]	97%	100%
Employees who returned to work after taking parental leave who remain employed 12 months after their return to work	35	2
Employees returning from parental leave in prior reporting period	62	2
Retention rate[3]	56%	100%

1 Males who 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.

Creating value for our communities

Social + human capital

OUTCOMES FY23

Connected and empowered communities

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

It is estimated that one in five people in New Zealand currently experience some form of digital exclusion[1].

There are clear and compelling reasons for Aotearoa New Zealand to bridge this digital divide. In May 2023, Spark Foundation and NERA Economic Consulting released a report outlining the economic opportunity that a home broadband connection provides for a household – which showed that providing more homes with internet connectivity could benefit New Zealand's economy by around $464–$737 million per year.

Although digital equity is more complex than simply having an internet connection at home and a device to get online, this is certainly the starting line – and table stakes for people to be able to participate in an increasingly digital world.

At Spark our commitment to digital equity starts with our purpose – *to help all of New Zealand win big in a digital world* – and is guided by the Government's Digital Inclusion Blueprint, which identified four elements of digital inclusion: motivation, access, skills, and trust.

"Providing more homes with internet connectivity could benefit New Zealand's economy by around $464-$737 million per year."

27k+

households across the country who are actively using Skinny Jump.

Improving access and affordability through Skinny Jump

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

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

There are now 27,341 households across the country who are actively using Skinny Jump. For wireless broadband an active connection is defined as a customer having used their modem in the last 30 days. However Skinny Jump customers are more likely to have infrequent internet use as they have to reprioritise their monthly spending when budgets are tight. This is why for Jump, we also measure customers who have used their modem in the last 90 days, and in FY23 this totalled more than 30,000 households.

Jump provides customers with 35GB of data for just $5, with the first 15GB of data each month free. Customers can purchase up to six top-ups a month, which means Jump customers can access 225GB of data for just $30 a month.

In FY23 Skinny Jump continued its key partnerships, the 'Ciena Jump for Students Fund', which gives eligible students in low decile schools a free Skinny Jump connection until the end of the school year, and 'Awhi Matihiko: Red Cross Digital Settlement Package' – a collaboration with New Zealand Red Cross, Internet NZ, and Digital Inclusion Alliance Aotearoa that gives new refugees a free Skinny Jump connection (for 12 months), a laptop, and digital skills training. There are now over 445 students using the Ciena Jump for Students Fund and 45 households using the Awhi Matihiko: Red Cross Digital Settlement Package.

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

Spark's people go 'ALL IN'

On July 26, Spark held an event at Spark Arena in Auckland (and other locations in Hamilton, Tauranga, Wellington and Christchurch), as well as online, which brought Spark people together to help solve the issue of how to bridge the country's digital divide.

Around 1,500 people participated in ALL IN, which featured stories from six inspiring rangatahi (youth) who each had their own personal story of experiencing digital inequity and doing something to make a change.

There was Owyn Aitken and Hadi Doud – who co-founded Remojo Tech, the business behind Recycle A Device, which is a programme that teaches high school students how to refurbish donated second-hand devices, and then distributes them to households in need. To'e Lokeni and Mannfred Sofara, who after years of having their names mispronounced at school, created their digital platform Fa'amalosi ('Say It Right') on a teacher's laptop, and from devices they were able to borrow. Hope Cotton who as one of the 880,000 people in New Zealand who is deaf or hard of hearing, is spearheading a petition calling on the Government to institute legal captioning requirements. And Rangipo Taukira-Mita, who developed an affordable technology-backed water-testing programme to keep track of the quality of New Zealand's rivers, which has now expanded to reach marae across the country.

After being inspired by their stories, our people participated in an afternoon of workshops where we brainstormed ways to combat digital inequity. Following the event Spark created a dedicated squad of people from around the business to review, refine and prioritise the generated ideas.

The first initiative to come off the back of ALL IN was Spark's commitment to include closed captioning on all its audio-visual assets, including TV and digital advertisements, social media video content, and internal videos, to make them more accessible to those who identify as Deaf and Hard of Hearing. The next initiative will launch in FY24.

Championing digital equity through Spark Foundation

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

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

In FY23, Spark Foundation refreshed its strategic direction for the next three years, recognising the significant progress already made improving digital access. While the Foundation's three focus areas remain, over the coming years the focus on building digital skills and pathways into technology for Māori and Pasifika will be upweighted. We believe that equitable participation in our sector is the ultimate expression of digital equity.

To demonstrate our commitment to this cause, Spark Foundation has also implemented an ambition for its Board of Trustees to achieve a 40:40:20 balance of ethnicity – with 40% Māori, 40% of any ethnicity, and 20% Pasifika. The current Board of Trustees sits at 25% Māori, 25% Pasifika and 50% other ethnicities.

In FY23, following a 10-year tenure, Chair Andrew Pirie confirmed his intent to step down from the Board of Trustees. Current Trustee, Stacey Morrison (Te Arawa, Ngāi Tahu), who has served on the Spark Foundation Board for six years, was appointed Chair of Spark Foundation, effective 1 July 2023. Spark Foundation extends a warm thank you to Andrew for his contribution to Spark Foundation during his tenure and welcomes Stacey to the role.

Spark Foundation investment

In FY23 Spark Foundation invested over $1.8 million into organisations and projects that accelerate Digital Equity. Around 80% of project funding supports nine multi-year partnerships, which span around two to five years. The rest is allocated to smaller, one-off grants.

Spark Foundation partnerships in FY23

Digital access

Recycle A Device

Recycle A Device (RAD) takes second-hand laptops donated by businesses and households; teaches local ākonga (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 rangatahi (young people), 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 gifted to students within the school community itself, or to other community organisations for distribution to people in need. As well as Spark Foundation funding, Spark subsidiary, Entelar Group has partnered with RAD providing logistics support. In the last year, over 2,000 laptops were refurbished and gifted. In addition, RAD ran 24 one-day workshops where rangatahi learned the tech engineering skills needed to repair laptops. This means that over 360 young people can be kaitiaki (caretakers) of digital tools for their friends and whānau. In June, RAD received the 'Best Hi-Tech Solution for the Public Good' award at the 2023 New Zealand Hi-Tech Awards.

PACE: Porirua Access Connectivity and Education

Following a community talanoa in 2020 organised by Spark's Vaka Pasifika team, a community initiative, PACE, formed to specifically address the digital access, connectivity and education divide in Porirua, Wellington. In year one the focus has been establishing the Governance team and strategic plan. PACE will collaborate with local established organisations, government and non-government organisations to accelerate its efforts in the wider community.

Digital skills and pathways

Te Au Hangarau: Improving participation of Māori in tech: during FY23, Spark Foundation co-funded a piece of research alongside Tātaki Auckland Unlimited, in conjunction with Te Matarau, The Māori Tech Association, to gain a better understanding of the participation gap of Māori in the tech sector. The purpose of the research was to equip organisations across Aotearoa with an understanding of the barriers Māori talent face, so they could take steps to address these and create more inclusive environments. The qualitative research, 'Te Au Hangarau', was conducted by Pūhoro STEMM Academy and Aatea Consultants. Some of the key insights from the research included a need to address the capability gap at a much younger age – with more responsibility placed on organisations to collaborate with education facilities to encourage Māori into Science Technology Engineering Maths (STEM) at a young age, and to provide better access and opportunities for Māori, to participate in the digital world. The research can be accessed on the Tātaki Auckland Unlimited website. https://industry.aucklandnz.com/sites/build_auckland/files/media-library/documents/Te_Au_Hangarau_Insights_Summary.pdf

Digital Natives Academy

Spark Foundation has been in partnership with DNA for nearly six years. A kaupapa Māori organisation, Digital Natives Academy (DNA) Charitable Trust was established in 2014 to illuminate digital pathways and to inspire young people and their families to create, transform, shape and develop their own digital tools. DNA continues to grow from strength to strength in the creative tech space, including gaining Professional Leadership Development (PLD) accreditation and forming a strategic partnership with Media Design School. In 2019 DNA developed digital wellbeing programme Te Iwi Matihiko, and more recently established Minecraft e-Sport experience Mātauranga Wero Hanga. It is piloting this programme with 39 Kura ā Iwi to develop their digital fluency within a Māori medium context. In addition, focussing within Te Reo Māori space to support kura, as well as working with those not in education or employment who want to explore digital and creative pathways.

Pūhoro STEMM Academy: a kaupapa Māori approach that aims to improve representation of Māori in Science, Technology, Engineering, Maths, and Mātauranga. Working with schools, Pūhoro supports iwi affiliated rangatahi Māori from NCEA level 1 through to higher education, helping to guide them into high value careers. Spark Foundation is a funder of the Hawke's Bay regional programme which supports eight schools. In FY23, Spark Foundation and Tātaki Auckland Unlimited collaborated with Pūhoro to co-fund 'Te Au Hangarau – Accelerating Māori Participation in Tech' research, outlined earlier.

Fibre Fale

Fibre Fale was founded by two young Pacific leaders, Julia Arnott-Neenee and Eteroa Lafaele, to create pathways for Pacific people into the technology sector through education, advocacy, and facilitation. Launched in October, the initiative is backed by a number of corporate and philanthropic funders including Spark Foundation, Perpetual Guardian, Foundation North, and Fisher and Paykel Healthcare Foundation.

P-Tech

P-Tech is a public education model designed by educators and the technology sector to address New Zealand's STEM skills gap. Participating schools collaborate with private companies that provide students with mentorships, worksite visits, and paid internships. On completing the programme, students will have both their NCEA qualifications, and a New Zealand Diploma aligned to industry needs. In addition, successful graduates typically earn first-in-line consideration at affiliated industry partners when applying for jobs.

From Otara to NASA

In FY23, Spark Foundation partnered with the Ōtara Youth Hub to send a group of students from the South Auckland suburb of Otara to the 2023 Advance Space Camp Expedition at NASA in Alabama, USA.

The programme runs over seven days where rangatahi engage in various STEM activities as well as astronaut training exercises, engineering challenges, team-building activities and an extended-duration simulated space mission.

Hihiko Te Rawa Auahau: delivered by Toi Kai Rawa, the Bay of Plenty's Māori economic development agency, innovation hubs will be embedded into 30 Māori communities across the wider Bay of Plenty over the next few years.

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. In addition to Spark Foundation funding, during FY23 Spark supported the programme by employing its first Take2 graduate into the business.

Digital wellbeing

Digital Discipline

A programme that offers support to young people dealing with social media addiction through education, awareness, and strategies to balance the online world with the real world. Digital Discipline is currently focussed on South and West Auckland communities with collaborations in Rotorua, Porirua, and Ōtautahi/Christchurch. In the last year, Digital Discipline released a music video with local music artist, Sefa M., showcasing the impacts that digital addiction can have on an individual's relationship and family. Founder Tony Laulu was also featured on The AM Show on Three, discussing the negative impacts of social media on teenagers.

Digital Equity Coalition Aotearoa

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

Other partnerships and funding

In addition to multi-year partnerships, Spark Foundation also made smaller, one-off grants to a range of digital equity initiatives including The Light Project, Ōtara Community Builders (see below), Tāiki E! | Māori Tech leaders wānanga, Flying High, E-Steam 101 Vaka and Digital Tautua.

Spark's investment into the community

In FY23 we committed over $8 million in funding and free data, as well as significant internal resources, to achieve our digital equity ambitions and contribute to our communities.

In FY23 Spark donated nearly $1.6 million to Spark Foundation, with $1 million designated specifically for community projects, and the remaining funding operational costs. Combined with Spark Foundation's sale of its art collection, over

$1.8 million was invested into community initiatives and projects that accelerate digital equity.

Spark also funds the Spark Give and Spark Volunteer programmes, which match employee charitable donations (up to a total pool of $250,000 per year) and provides all Spark people with one day leave a year to commit to volunteering.

Spark's subsidised broadband service Skinny Jump has been designed to operate on a not-for-profit basis – with the revenue generated covering the costs of the free modems, community partner network, product development, and customer care and education. The commercial value of the data provided to households in need through Skinny Jump totalled over $6.3 million in FY23.

Connecting our people to our communities

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

As participation in Spark Give and Spark Volunteer had been steadily declining, in FY23 Spark refreshed the programmes to focus on a smaller group of charities to create a bigger impact and contribute to more meaningful social progress across Aotearoa.

In FY22 our people voted for the following charities as our official partners:

- Skinny Jump (Ciena Jump for Students Fund)
- Sustainable Coastlines
- Starship Foundation
- Hato Hone St John

Spark Give

Our payroll giving programme, Spark Give, enables our people to donate to schools and charities via their pay.

Spark matches donations towards our four key partners through Spark Give dollar-for-dollar (up to a cap of $250,000 per year). Our people also have the option to donate to their personal causes, and Spark continued to match most registered charities (except schools and religious

organisations) dollar for dollar (up to $500 per person per year, up to a maximum cap of $50,000 per year).

In FY23, Spark removed schools and religious organisations from the eligibility criteria for donation matching, to ensure Spark funding is directed to community groups most at need. This has seen the value of donations made through Spark Give during the year decline, however our people can continue to donate to these groups individually and still receive the tax credits, but their donation won't be matched by Spark.

Spark Give results for the year

Employee Donations:	$366,431 (FY22: $433,433)
Spark's Matching:	$59,239 (FY22: $157,775)
Number of employees participating:	205 (FY22: 452)

Spark Volunteer

Spark employees can take one volunteer day each year, for skills or mission-based volunteering. Skills-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 digital equity.

Some of the organisations that our people volunteered for over the year include Pride, Lifeline, Sustainable Coastlines, Summer of Tech, Shadow Tech, Hatch, GirlBoss NZ, P-Tech, Trees that Count and Take2.

Volunteer leave days used in FY23

Total staff eligible for volunteering:	4,259 (2022: 4,220)
Total employee participation:	462 (2022: 449 days)
% of employee participation:	11% (2022: 6%)

Our governance and ESG management

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

Our Sustainability Framework, as outlined on page 17, focusses our ESG (Environmental, Social, Governance) activities in the areas we can make the most meaningful impact – New Zealand's economic transformation, digital equity, and our own sustainable business practices. To realise these ambitions ESG is integrated into our ways of operating and governance, as outlined in this section.

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 (dated 1 April 2023) and substantially complied with the principles and recommendations of the ASX Corporate Governance Councils Principles and Recommendations (4th Edition) for the FY23 reporting period. You can read about how we have complied with these recommendations and principles in Spark's Annual Corporate Governance Statement 2023 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/**

Integrating ESG into our governance processes

Spark is committed to the continuous improvement of our ESG performance. Our sustainability governance structure helps us ensure sustainability is overseen at the highest levels of our organisation and embedded throughout our everyday operations.

Our Board and Leadership Squad have oversight of our sustainability performance. Sustainability (covering all facets of ESG) is a standing item at regular Leadership Squad meetings, which serves as a business-wide sustainability steering committee. These meetings include quarterly updates on performance against our sustainability KPIs. The Board has overall governance responsibility for sustainability and is updated on sustainability performance against the same KPIs on a quarterly basis. The Board also approves the sustainability framework and reviews and approves all policies related to ESG.

For day-to-day management our ESG Squad is a cross-functional group accountable for our performance, reporting, and risk management. The Squad is led by Spark's Sustainability Lead, and includes representatives from Spark's financial, risk, legal, investor relations, supply chain, regulatory affairs, people and culture, and corporate relations functions.

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

Our Sustainability Framework

Toitū Sustainability at Spark is integrated into Spark's business strategy through our commitment to the three pillars of Economic Transformation, Digital Equity, and a Sustainable Spark. These commitments sit alongside our Māori

Strategy, Te Korowai Tupu, which informs how we develop strong connections with Māori and builds our understanding of Te Ao Māori. For more information, see 'Our new Sustainability Framework' on page 17.

The framework is informed by our materiality assessment (see page 151). While the three focus areas are enduring, the activities within them will evolve over time to ensure we are responsive to our changing operating environment and the needs of our stakeholders.

ESG reporting
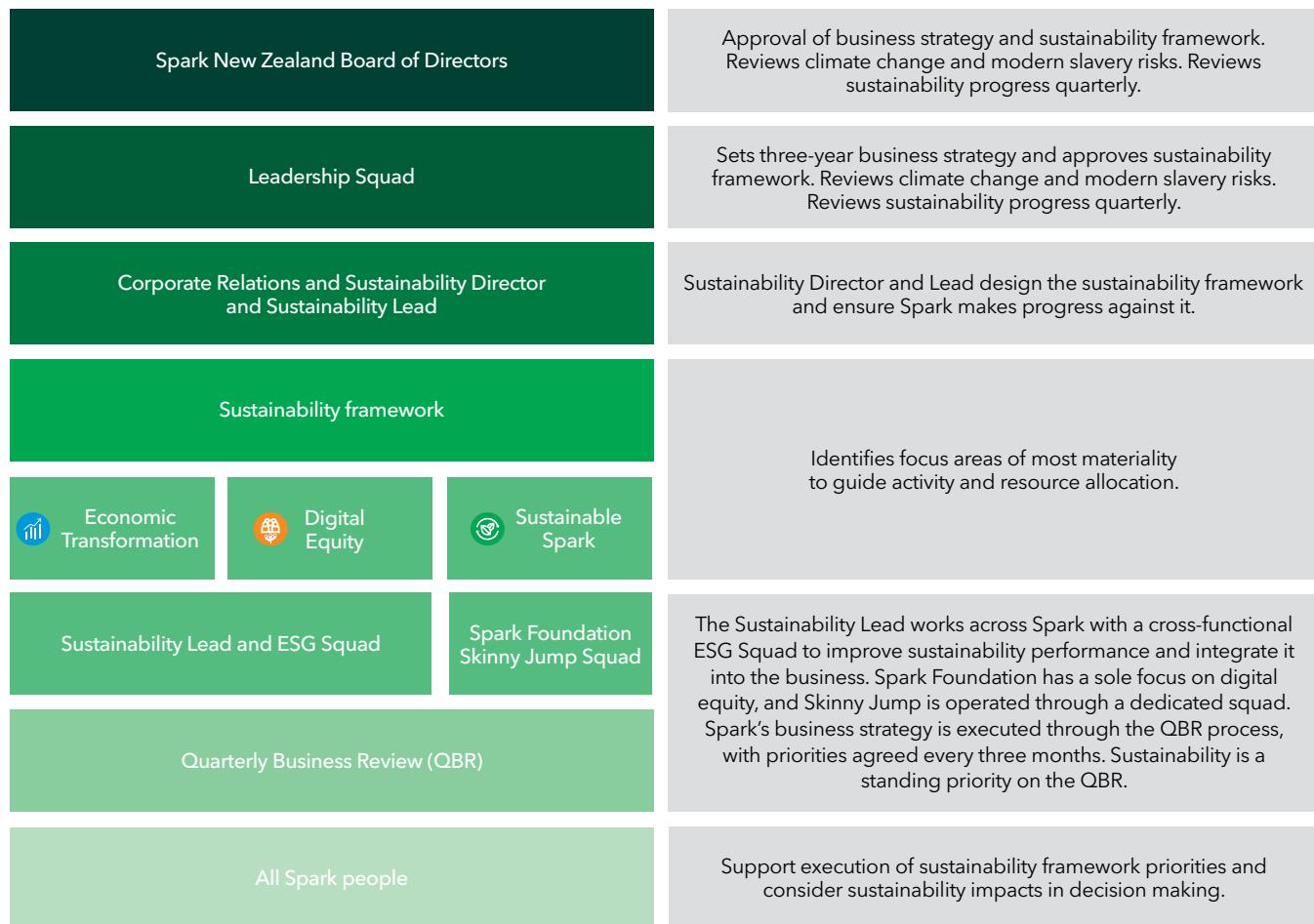
We seek to present a clear and transparent assessment of our ESG performance in our reporting. This report is prepared in accordance with the International <IR> Framework and with the Global Reporting Initiative (GRI) Core Option. It also incorporates climate risk disclosure aligned to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and to the incoming Climate Related Disclosures reporting requirements.

We focus our reporting on sustainability topics which substantively influence the assessments and decisions of stakeholders or have a significant environmental, social, or economic impact. We also consider whether a matter could substantively affect our ability to create value in the short, medium, or long term.

A detailed appendix to this report (see pages 151–156) includes a summary of our approach to materiality, our GRI Index, and information on our stakeholders and memberships of organisations.

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.

Spark New Zealand Board of Directors	Approval of business strategy and sustainability framework. Reviews climate change and modern slavery risks. Reviews sustainability progress quarterly.
Leadership Squad	Sets three-year business strategy and approves sustainability framework. Reviews climate change and modern slavery risks. Reviews sustainability progress quarterly.
Corporate Relations and Sustainability Director and Sustainability Lead	Sustainability Director and Lead design the sustainability framework and ensure Spark makes progress against it.
Sustainability framework Economic Transformation / Digital Equity / Sustainable Spark	Identifies focus areas of most materiality to guide activity and resource allocation.
Sustainability Lead and ESG Squad / **Spark Foundation Skinny Jump Squad** **Quarterly Business Review (QBR)**	The Sustainability Lead works across Spark with a cross-functional ESG Squad to improve sustainability performance and integrate it into the business. Spark Foundation has a sole focus on digital equity, and Skinny Jump is operated through a dedicated squad. Spark's business strategy is executed through the QBR process, with priorities agreed every three months. Sustainability is a standing priority on the QBR.
All Spark people	Support execution of sustainability framework priorities and consider sustainability impacts in decision making.

Benchmarking our ESG performance

We benchmark our performance using a number of international frameworks. These include the Corporate Sustainability Assessment (CSA). The CSA is a comprehensive benchmark of our ESG maturity against our peers, with good coverage against our material sustainability issues. The CSA is now a part of S&P Global and is the assessment framework behind inclusion in the Dow Jones Sustainability Index (DJSI) global series.

Our approach to ESG management has seen our score, and relative ranking against global industry peers, increase year-on-year in the CSA benchmark into the top quartile of all global telecommunications companies. As a result in the past year Spark was invited to join the DJSI Australia Index, recognising our progress and regional leadership.

We also participate in the Carbon Disclosure Project (CDP) and the Worldwide Benchmarking Alliance's annual Digital Inclusion Benchmark. This includes an assessment of our broader social responsibility governance alongside a detailed assessment of our digital inclusion programmes. Spark is currently ranked in the top quartile of this benchmark.

Human rights due diligence

In FY22 we introduced our Human Rights Policy. This Policy is an explicit commitment to respect all internationally recognised human rights and sets clear expectations on how we will address human rights issues across our value chain.

The Policy supplemented a number of long-standing policies and processes to protect and uphold human rights. For example, our Supplier Code of Conduct, which sets clear requirements for our suppliers, and our Privacy Policy and values, which outline clear expectations around the protection of our customers' rights around their personal data.

To develop the policy we engaged internal and external stakeholders and reviewed our approach against our global peers. We identified a number of areas of emerging human rights impacts and have implemented new policies and processes to address these issues.

This included the publication of a set of AI Principles, based upon existing internal guidelines for the ethical use of AI (Artificial Intelligence) technologies. For more information see **www.sparknz.co.nz/about/ governance/**

In the past year we designed a new customer human rights risk screening process which we will roll out to key teams in the year ahead. The majority of Spark's customers pose a low risk, and as a New Zealand-based business most of our customers operate exclusively within New Zealand where strong protections exist.

This process requires us to consider if services provided to customers pose any risk of negative human rights impacts, are used with vulnerable groups, or in high-risk industries or geographies where there is a greater risk of negative human rights impacts.

The process will flag customers for further consideration. The ESG Squad will conduct the initial review and recommendation, with complex, high-risk, or high-value cases escalated to the Leadership Squad for a final decision. In line with human rights best practice, this includes understanding opportunities to work in partnership with customers to mitigate any risks and address underlying human rights issues.

Together, our engagement with our suppliers (see below), our internal policies and processes, and our assessment of risk in the use of technology by our customers, represents our human rights due diligence process across our value chain.

Engaging our suppliers

We rely on a combination of local and global suppliers and partners to operate our business. We have around 2,000 suppliers, ranging from the largest global technology businesses to small local operators. Each year we spend around $2 billion to support our business and meet our customers' needs.

Our global supply chain is complex, with many indirect suppliers providing the source materials and components required to deliver consumer electronics and network infrastructure. We set clear expectations for our suppliers related to social and environmental performance through our Supplier Code of Conduct, which 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. All new suppliers are requested to sign up to the Code, or demonstrate commitment to an equivalent code of practice, as part of their onboarding process. For more information, visit: **www.sparknz.co.nz/suppliers**

We are in the process of transitioning our supplier management system to the SAP Ariba platform. This system provides improved processes for data collection from suppliers, including self-assessment questionnaires and compliance declarations, covering topics such as modern slavery and science-based emissions reduction targets. The system also includes a risk module that enables us to monitor suppliers across 300+ incident types (such as ethical practices, labour compliance, legal incidents, and operational disruption), and then segment suppliers into risk profiles as a result.

Modern Slavery Statement

Spark publishes a dedicated annual Modern Slavery Statement. This report provides a detailed summary of our approach to addressing modern slavery and managing broader risk in our supply chain, including actions taken over the past year to strengthen our systems and processes
You can find this at: **www.sparknz. co.nz/about/governance/**

Auditing suppliers – Membership of Joint Audit Cooperation (JAC) initiative

JAC is an international association of telecommunications operators aiming to align around a common set of requirements and KPIs for ICT suppliers to uphold human rights, social, labour, and environmental standards. The association aims to verify, develop, and assess the Corporate Social Responsibility (CSR) implementation across the manufacturing centres of suppliers in the industry.

JAC has been running for over a decade and has been gradually growing as new operators join the initiative. JAC members share resources and best practices. As of June 2023, the association encompasses 26 telecommunications operators.

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

Across all of its members, JAC has conducted a total of 910 audits and surveys since its establishment in 2010 through to 2022. In the 2022 calendar year a total of 98 audits were carried out. Across these audits 549 corrective actions were raised during audits by category of issue. The top audit findings were related to Health and Safety, Environment, and Working Hours.

As we share many common global suppliers with our industry peers many of the sites audited are relevant to our own supply chain, including a significant number of sites within the past two years. Details shared among JAC members are covered by a non-disclosure agreement, which means we cannot share details of JAC audits conducted by other members publicly, but we can use this information in our own internal risk assessment, to inform our engagement with suppliers, and to prioritise and select suppliers for audits.

To undertake the assessments, we have engaged a third-party auditor experienced in delivering site assessments against the JAC methodology. The suppliers identified for audits include two manufacturing sites in Asia, two service providers with significant numbers of workers working offshore, including our outsourced call centre operations in the Philippines, and one of our key suppliers in New Zealand. The first of these audits is scheduled for August 2023, with our commitment to complete five on-site audits by the end of the 2023 calendar year. We intend to report the findings of these audits in our FY24 report.

Of the five supplier sites we initially selected, one supplier manufacturing site in Asia had already been audited by another JAC member within the past two years, meaning we already have access to a recent assessment of performance. Because of this we have selected a different supplier, a service provider based offshore, for our 2023 audit programme.

For more information see:
www.jac-initiative.com

Public Policy and Lobbying Commitment

Public interest in lobbying is growing, with particular concern raised about lobbyists switching between political and lobbying roles and the potential conflicts of interest created. In response, the Government announced a number of measures aimed at providing greater transparency around lobbying at Parliament, including supporting lobbyists to develop a voluntary code of conduct to serve as a set of guidelines to improve transparency and accountability.

In the past year Spark has published its own Public Policy and Lobbying Commitment to set clear rules and processes for Spark to follow as it seeks to engage on public policy, either directly or via government relations agencies.

Spark has not made political donations for many years, and in our annual reports we have declared zero political donations as part of our financial reporting. Our new public Commitment formalises this practice as an explicit policy that we will not make donations to political parties in New Zealand or any other jurisdictions.
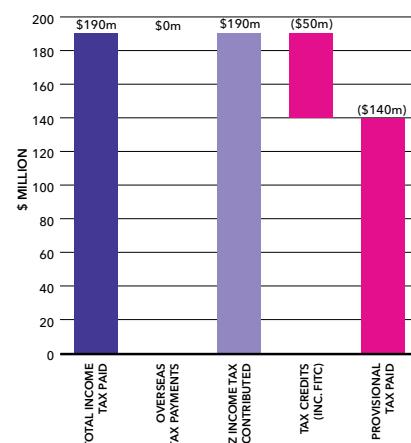
We also committed to disclosing our engagement with lobbying services providers. In the past year we have retained the services of government relations agency Thompson Lewis. As one of New Zealand's largest businesses and a lifeline utility we have an important role to play in the development of policies relevant to our sector and operations. We use this agency to provide additional resource that enables us to effectively fulfil this role.

Our approach to tax

We take a responsible and transparent approach to tax. We recognise that the digital economy is an important and growing sector in New Zealand, and the taxes we pay are an important source of government revenue. The Spark Group Tax Strategy follows the spirit of the law in addition to the pure interpretation of the law. We believe that it is important that those in the sector pay the right amount of tax to support the ongoing investment required for New Zealand's long-term success. This includes the provision of infrastructure, education, social and environmental services we rely on as a New Zealand-based company.
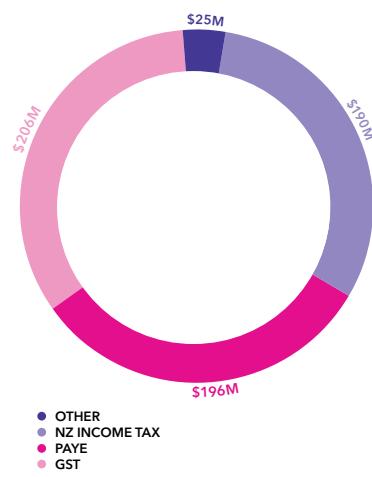
In FY23 Spark's effective tax rate after adjusting for the impacts of the Connexa transaction and Spark Sport provision was 29.9%. This is higher than the New Zealand domestic tax rate of 28%, primarily due to tax payable on Spark's share of Southern Cross' underlying earnings. As a large business, Spark makes a significant contribution to New Zealand's tax base. Spark contributed $190 million of New Zealand income taxes during FY23 (before any tax credits were applied).

Breakdown of income tax payments FY23

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 $617 million of taxes under management during FY23.

Taxes under management

- OTHER
- NZ INCOME TAX
- PAYE
- GST

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

Our risk management

Managing risk

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

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

Spark's framework is structured into five risk management domains that all work together to enable a robust system for risk management. Below is a description of each domain and some examples of activities by domain to help understand the framework in more depth. These five domains are embedded in Spark's Managing Risk Framework and ensure the Three Lines of Defence Risk Model (1. Own and manage 2. Monitor and 3. Provide independent assurance) is utilised.

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 81.

Strategy and objective setting

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

Performance

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

Review and revision

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

Information, reporting and communication

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

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

Spark's principal business risks

Principal risk profiles are updated twice yearly. The last update was finalised in May 2023. The principal risk themes identified were:

Protecting Spark and its customers from a major cyber-attack or data breach

Evolving external threats, changing legislation, and high expectations from customers and stakeholders mean robust security and privacy roadmaps and strong governance, involving the Leadership Squad, continue to be needed to ensure that significant risks are managed. 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. Spark also has a data retention policy, which sets out considerations and, in some cases, rules for data retention. Adherence audits for compliance with the data retention policy are performed by the Internal Audit team.

External reviews and certifications help to ensure that comprehensive security measures exist for the critical elements of our cyber security framework. These reviews include security maturity assessments and security device configuration audits to ensure our processes meet expected standards.

Maintaining a resilient network and delivering technology and network leadership

The use of established and proven delivery methods for large-scale network and technology projects (such as our 5G rollout) will help us to manage potential risks created by the delivery of new technologies and will also sustain our existing technology. This also includes long term physical risk to infrastructure from climate change. With a high share of operational cost, Spark's technology units also continue to execute net-cost reduction while maintaining operational standards. In addition to cost optimisation mitigations, technology units have robust operational risk management processes, which provide visibility and enable a coordinated response to risk.

Estimating economic environment impacts and responding with balanced judgement

Rising interest rates and inflation is impacting consumer behaviour and business confidence and resulting in cost increases. This is showing up most in the SME segment, with more businesses being forced to close. Recent weather events are also contributing to increased costs for Spark and changing customer behaviour in business and consumer areas. Although Spark has been impacted less than some parts of the economy, management continues to monitor this risk closely, particularly as unemployment increases and with the economy recently moving into a technical recession.

Executing simplification projects and customer migrations

Spark continues to simplify its portfolio of products and migrate customers to new plans and modern technologies. This objective introduces revenue and customer experience risks because execution requires cooperation by a complex set of stakeholders and retiring legacy products is challenging. In FY23, Spark's mature approach and capability for simplification enabled it to make good progress towards its simplification and legacy plan retirement targets. Close monitoring and robust processes enable Management to measure simplification benefits and work through risks and issues effectively, particularly when trade-off decisions are required.

Cost optimisation while maintaining operational standards and resilient service

Executing net cost reduction is a strength for Spark, and we do it in a way that ensures operational delivery standards for customers are maintained. To mitigate unintended risks (for example, customer service disruptions), the Leadership Squad has established a strong governance structure, coupled with a formal delivery methodology to ensure all initiatives are robustly tested. Trajectory toward targets is measured, which enables intervention and course corrections when required.

Achieving planned performance when there are talent shortages in New Zealand

Like most businesses Spark is impacted by New Zealand's labour shortages and access to the people and skills it needs to execute on its business strategy. Competition for skilled people in certain fields (for example, data and automation and artificial intelligence) is high with low unemployment and challenges attracting skilled migrant workers. Costs associated with attracting and retaining talent have also increased. Mitigation strategies are in place and proving effective with lower rates of attrition. These include workforce plans, succession and bench strength projects, targeted internships, upskilling, increasing internal talent mobility, and strategic development programmes. Management continues to actively manage this risk 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 ISO 22301 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 Service Resilience and Risk and Internal Audit Teams to ensure it is effective. External reviews and testing of key elements of the framework, such as the Level One Crisis Management Plan and Team, are also done to validate the effectiveness of the framework. Spark's business continuity framework performed well when called upon during the recent weather events, like Cyclone Gabrielle. Our continued investment in network resiliency, as outlined on page 36–37, also demonstrates application of the framework in practice.

Climate-related risk

Climate change poses a risk to our business due to potential disruption to our supply chain, our infrastructure, and our customers. A number of severe weather events over the past year have highlighted the impact that climate change can have on the resilience of our networks and our ability to provide connectivity to our customers.

We introduced climate risk reporting, aligned to the international Task Force on Climate-related Financial Disclosures (TCFD) framework, in our FY21 Annual Report. Changes in New Zealand regulation will make climate risk reporting mandatory for Spark and many other large-scale New Zealand businesses from 2024 onwards. This will require us to report in accordance with climate standards published by the External Reporting Board (XRB), which are aligned with the international TCFD framework.

Governance of climate risk

The Spark Board and Leadership Squad are engaged in Spark's climate risk management through the integration of our most material climate risks into our enterprise risk management system, and in the design and implementation of our longer-term climate scenario risk analysis.

The Audit and Risk Management Committee (ARMC), a subcommittee of the Spark Board, is responsible for Spark's overarching risk management. The ARMC meets at least six times each year and receives regular updates on all principal business risks, including regular updates on 'Maintaining a resilient network', which includes physical adaptation risk to our networks, and risk in our network supply chain (see page 73). Sustainability is one of the competencies assessed in our Board Skills Matrix (see page 81), ensuring the appropriate skills and competencies are represented at Board level to manage climate risk.

The Board is also responsible for remuneration policies. For our Leadership Squad and a select group of senior leaders, a long-term incentive forms part of their remuneration package. This scheme, from FY23 onwards, is tied to performance measures relating to Spark's ESG performance, including performance against our emissions reduction target. See page 87 for more information.

In setting Spark's new three-year strategy, the Board and Leadership Squad considered risk and opportunities from climate change. A key focus of the new strategy is enabling New Zealand businesses to grow and become more productive and sustainable through technology, which explains how we will support New Zealand's transformation to a high productivity, low-carbon economy. Our risk management system helps our people to manage uncertainty and adapt to challenges as they pursue Spark's strategy.

Spark's Chief Financial Officer is responsible for our overarching risk management system, with a parallel reporting line for Spark's Risk, Audit and Fraud Lead directly into the Chair of the ARMC. Spark's Corporate Relations and Sustainability Director is responsible for Spark's overall sustainability strategy. The Chief Operating Officer (or Network and Operations Director from 1 July 2023 onwards), is responsible for our most material climate change risks, which are integrated into 'Maintaining a resilient network' in our enterprise risk management system, alongside progress against our SBTi-verified science-based emissions reduction target.

Sustainability updates, which include updates on our climate risk processes, are provided to the Board a minimum of twice a year, including the detailed annual reporting process. The Leadership Squad serves as Spark's sustainability steering group, with quarterly updates on performance against sustainability KPIs. The Board approves Spark's sustainability framework and reviews and approves all policies and KPIs related to ESG and sustainability. A more detailed explanation of Spark's sustainability governance is available on page 69.

Our current climate scenario analysis was completed in 2021. Both the Spark Board and Leadership Squad were involved in the design and implementation of the scenario analysis and approved the findings. As we plan to update our scenario analysis in the year ahead, the Leadership Team and Board will be engaged in the development and scoping of the analysis and approve the final findings.

Climate impact on strategy

Our climate scenario risk analysis aligned its timelines and financial materiality thresholds to our standard enterprise risk management system. It considered the likelihood, impact, and urgency of risks using three, 10, and 30-year time horizons. The three-year horizon aligns to Spark's three-year strategy horizon. The 10-year horizon aligns to risk management best practice, and the 30-year horizon aligns to the 2050-time horizon for national climate scenario analysis, and New Zealand's net-zero commitment. We identified no risks that met our highest 'Extreme' risk category, and seven that fell into lower risk rating categories.

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 analysis was completed against two scenarios, mapping key sites against 2050 climate scenarios aligned to New Zealand's first National Climate Change Risk Assessment.

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.

The incoming XRB Climate Related Disclosure standards require analysis against a third scenario. We are engaging with our industry partners to discuss a sector-wide approach to map the potential impacts of climate change on

New Zealand's telecommunications networks as a whole. Our initial scenario analysis considered risk to Spark assets independently. However, our networks are also reliant on other potentially vulnerable infrastructure, such as power, fibre backhaul, and roading infrastructure. So a more detailed risk analysis must also consider these interdependencies, and the interconnected climate adaptation actions required. We will also engage with other stakeholders, including the Climate Change Commission, in the lead up to the preparation of New Zealand's next National Climate Change Risk assessment due in 2026.

We will use this more detailed scenario analysis to develop financial cost estimates for anticipated impacts in order to meet future disclosure requirements of the new reporting standards. We are also investigating adding formal climate and emissions considerations into our capital deployment and funding decision-making processes.

Our climate change scenario-based risk assessment

OUR CLIMATE SCENARIO RISK ANALYSIS	
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 three-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. The impact of recent weather events has emphasised the importance of network resilience and physical adaption to climate change. See page 36–37 for information on our work in building network resilience. We are engaging with national stakeholders on an aligned approach to building resilience in telecommunications network, including: • Engaging with industry, via the TCF, to investigate a combined analysis of long-term physical risk to New Zealand's telecommunications infrastructure; • Actively monitoring RMA reform to inform our long-term adaptation work, including the development of a new Climate Change Adaptation Act (CAA); and • Engaging in the development of New Zealand's first National Adaptation Plan which is intended to address the 43 priority risks identified in the National Climate Change Risk Assessment and the risk to the telecommunications network.
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 three-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 time 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 are implementing an enhanced supplier relationship management system which includes improved risk monitoring, reporting, and supplier engagement processes. We have also joined the JAC (Joint Audit Cooperation) initiative, a coalition of global telecommunications operators working together to ensure adherence to internationally recognised standards along the ICT supply chain and upholding human rights, social, labour, and environmental standards.
Provision of climate related services (moderate risk/ opportunity rating)	Includes provision of monitoring and control devices and services, data analytics, AI and other potential climate related services to enable emissions reductions
Rated as medium likelihood with low business impact in the three-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. A key focus of Spark's new three-year strategy is enabling New Zealand businesses to grow and become more productive and sustainable through technology. Through Spark IoT we already provide solutions with significant sustainability benefits – from energy and water metering, fleet tracking and optimisation and water quality monitoring. In the past year, in partnership with sustainability consultancy thinkstep-anz, we published a report on how digital technology can enable the transition towards a low-emissions, climate resilient future state. The report analysed the scale of potential emissions reductions enabled by digital technology, finding 7.2 million tonnes of annual emissions reductions could be enabled by 2030, which represents 42% of the emissions required for New Zealand to meet domestic emissions budget over the next decade. See page 48 for a summary. The findings of the report are enabling us to engage relevant sectors and partners to explore opportunities to accelerate adoption of technology, and support Government to put in place policies and actions to remove barriers to technology adoption.
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 their own SBTi-aligned targets. This risk rating reflects the ambition of our target, which will require significant effort over the next decade, particularly as increased investment in infrastructure, including data centres and 5G rollout, is anticipated to increase energy useage. Our planned actions reduce this risk rating to a 'low' rating. See page 44 for information on our SBTi target and plan.

HIGH RISK RATING

MEDIUM RISK RATING

OUR CLIMATE SCENARIO RISK ANALYSIS	
Social disruption	
Medium likelihood, low impact over the 30-year horizon	Low direct risk to Spark, however highlights the national risk of increased inequality as climate-intensive roles are disestablished and the importance of digital equity in New Zealand's transition. See page 63 for our work in digital equity.
Risk to New Zealand 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	Low likelihood, low impact, across all time horizons.
	Considered low-risk as Spark is not linked to infrastructure or investments with heavy emissions.

LOW RISK RATING

Metrics and targets

An explanation of Spark's emissions reporting, and our SBTi-verified emissions reduction target, is provided in the Our Environment section of this Report, see page 42.

We also produce a standalone Greenhouse Gas Inventory Report which provides a detailed account of our emissions. The report is assured by Deloitte and is available here: **www.sparknz.co.nz/ sustainability/environment**

We provide a summary of metrics against the incoming XRB Climate Related Disclosures in our Sustainability Appendix on page 154.

Our Board and Leadership Squad

Our Board

1. Justine Smyth, CNZM
Chair

Justine joined the Board of Spark New Zealand in December 2011 and became Chair in 2017. She has extensive experience in governance, mergers and acquisitions, taxation, and the financial performance of large corporate enterprises as well as small and medium enterprises (SMEs). Her background is in finance and business management, having been a Partner with Deloitte, and Group Finance Director at Lion Nathan. Justine is currently Chair of Breast Cancer Foundation New Zealand and Chair of Mondiale VGL Group and is a former director of Auckland International Airport Limited. Justine has a Bachelor of Commerce from the University of Auckland and is a Fellow of Chartered Accountants of Australia and New Zealand and a Chartered Fellow of the Institute of Directors. In 2020 Justine was appointed a Companion of the New Zealand Order of Merit for services to governance and women.

2. Alison Barrass
Non-executive Director

Alison joined the Board in September 2016. She brings a broad range of skills, including knowledge and expertise in the fast-moving consumer goods (FMCG) sector and in governance, leadership, and marketing-led innovation. Her background includes 30 years' experience at major international FMCG companies, including PepsiCo, Kimberley-Clark, Goodman Fielder, and Griffins Foods. She is currently a director with Rockit Global, Zespri and Suncorp NZ, is Chair of Tom & Luke and Babich Wines and is a former director of GWA Group. Alison has a Bachelor of Science from the University of Southampton and a Business Diploma in Marketing from the University of Auckland.

3. 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 is currently a director with Woolworths Group. He holds a Bachelor of Science (Hons) and a Masters in Business Administration from the University of Melbourne.

4. Sheridan Broadbent
Non-executive Director

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

5. David Havercroft
Non-executive Director

David joined the Board in October 2021, bringing skills and experience from a career in the technology industry that has spanned more than 35 years. He held a number of leadership roles at Spark New Zealand from 2009-2017, including Chief Operating Officer and Chief Technology Officer. Prior to this he held executive and management positions in IBM Asia Pacific, Cable & Wireless, and BT. David is currently a director of Westpac New Zealand, and was formerly a director of Kordia, Connect8, Southern Cross Cable Network and Kiwi Wealth.

6. Jolie Hodson
Chief Executive and Executive Director

Jolie joined the Board in September 2019. Her appointment to CEO in July 2019 followed a substantial career within Spark, leading different areas of the operating business over a six-year period. As CEO Jolie is responsible for ensuring the Company has a sound strategy and builds a team around her that is able to deliver the digital infrastructure, products and services, and innovation that supports Spark's customers and Aotearoa to win big in a digital world.

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

7. Gordon MacLeod
Non-executive Director

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

8. 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.

Strategic role of the Board

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

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

FY23 saw the Board provide oversight and strategic support in the development of Spark's new three-year strategy and during the sale of the 70% stake in Spark's mobile towers and the resulting decision to return $350 million to its shareholders via an on-market share buy-back.[1]

Future director

Spark supports the Future Directors programme and appointed its third Future Director, Sylvia Ding, effective 1 February 2022 for an initial period of 12 months. This appointment was further extended and her term came to an end on 31 May 2023. The Spark Board thanks Sylvia for her valuable contribution during her time as a Future Director.

Company Secretary

The Company Secretary is responsible for ensuring 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 a position distinct from the Leadership Squad and is accountable to the Board, via the Chair, on all governance matters, as further described in the Board Charter.

Board renewal and succession

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

The Board skills matrix on page 81 outlines the qualifications, capabilities, geographical location, tenure, and gender of each member of the Board. Ethnicity information is available on page 60 of this report.

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

During FY23, as part of the Board's ongoing succession planning, Sheridan Broadbent and Gordon MacLeod joined the Board as independent non-executive directors, both effective 1 August 2022, and Paul Berriman resigned as a non-executive director with effect from 4 November 2022.

1 Subject to market conditions at the time.
  Spark may investigate alternative return options.

Board skills matrix

	Justine Smyth	Alison Barrass	Warwick Bray	Sheridan Broadbent	David Havercroft	Jolie Hodson	Gordon MacLeod	Charles Sitch
Qualifications	BCOM, FCA, CFINSD	BSC, DIP BUS, MARKETING	BSC, MBA	BCOM	BA	BCOM, FCA	BCOM, FCA	MBA, LLB, BCOM
Capability								
Strategic knowledge for scale telco/technology businesses	○		●	○	●	●		●
Financial / commercial	●		●		○	●	●	●
Risk management / regulatory and/or sustainability				●	●			
Customer insight / retail / brand		●		○		○		
People leadership and culture		○			○	○	●	
Listed company governance	●	●					○	○
Capital markets / capital structure	○		○				○	
Digital / data / media / new markets		○	○	●				○
Geographical location	NZ	NZ	Australia	NZ	NZ	NZ	NZ	Australia
Tenure (years)	11.7	6.9	3.9	1	1.9	3.9	1	11.7
Gender	F	F	M	F	M	F	M	M

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

KEY: ● High capability ○ Medium capability

Definitions of categories of capability:

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

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

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

Customer insight/retail/brand: experience as a senior executive responsible for driving customer experience including by effectively using insights, optimising customer journeys and building brand experience for customers.

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

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

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

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

Our Leadership Squad

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Previous Leadership Squad member

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1. Melissa Anastasiou
General Counsel

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

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

2. Matt Bain
Marketing Director

As Marketing Director, Matt brings his outstanding digital marketing and customer experience skills to place the customer right at the centre of Spark's thinking and actions. Matt joined Spark in 2018 and was previously based in Amsterdam as European Managing Director for agency AKQA – one of the world's leading innovation and brand experience agencies, with responsibility for 500+ employees across five countries.

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

3. Leela Gantman
Corporate Relations and Sustainability Director

Leela joined Spark as Corporate Relations and Sustainability Director in January 2020, bringing with her 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 that External Relations Director at beverages group Lion in Australia.

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

4. Stefan Knight
Chief Financial Officer

Stefan was appointed Chief Financial Officer 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.

5. Heather Polglase
People and Culture Director

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

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

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

6. 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.

7. Mark Beder[1]
Chief Operating Officer

As Chief Operating Officer during FY23, Mark led the significant investments Spark made in digital infrastructure that underpins Aotearoa's digital economy and ensured Spark offered customers the best data connectivity experience possible. This included Spark's fixed and mobile networks, data centre investments, IT infrastructure, and the development of emerging technologies such as the Internet of Things, 5G, and multi-access edge compute.

Mark joined Spark in 2003 and held several senior technology roles across the business, before joining the Leadership Squad in 2016.

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

Prior to 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.

From 1 July, Mark commenced a new role as Customer Director – Enterprise and Government.

8. Greg Clark[*]
SME and Consumer Director

As SME and Consumer and Director, Greg is responsible for leading the retail, channels, and small-medium business teams that focus on delivering great outcomes for our customers.

Greg joined Spark in 2013 and led the transformation of the broader retail network and Spark's SME operating model, delivering strong revenue growth and higher levels of customer engagement, before joining the Leadership Squad in July 2023.

Prior to this he held a number of senior roles across the telecommunications industry in New Zealand and Australia, including Allphones, Nokia, and Ericsson.

Greg has a Bachelor of Commerce and Administration from Victoria University, Wellington.

9. Renee Mateparae[*]
Network and Operations Director

Renee joined the Leadership Squad in July 2023 as Network and Operations Director, responsible for the continued delivery of Spark's highly resilient, automated, and secure networks. This includes Spark's fixed and mobile networks, operations centres, physical infrastructure, and cyber defence.

Renee joined Spark in 2017 and led the development of emerging technology, including the roll-out of our 5G and Internet of Things networks during her time as Technology Evolution Tribe Lead. Prior to this, Renee held a number of leadership roles across the product and ventures areas of the business.

Renee has extensive experience in corporate strategy, business transformation, and customer experience in New Zealand and globally, holding several senior roles at Air New Zealand prior to Spark, and with Accenture and Macquarie Group before that. In 2019 Renee was appointed to the board of The Warehouse Group for a two-year term as part of the Future Directors programme.

Renee has an honours degree in Engineering, specialising in Automation & Control Engineering, as well as a post-graduate diploma in Business from Massey University.

10. John Wesley-Smith[*]
Strategy and Regulatory Director

John Wesley-Smith joined the Leadership Squad in August 2023 as Strategy and Regulatory Director, responsible for leading the development of Spark's business strategy and Spark's contributions to industry, regulatory, and public policy processes.

John joined Spark in 2005 and has led Spark's industry and regulatory affairs teams for the last 14 years. He has played a pivotal role in many of Spark's major capital investments and transactions and represents Spark on the Board of the Southern Cross Cable Network.

John started his career as a solicitor at Russell McVeagh and has a Bachelor of Laws and a Bachelor of Commerce from Victoria University of Wellington

11. Grant McBeath
Customer Director

As Customer Director during FY23, Grant led Spark's customer facing teams.

Grant joined Spark in 2013 as General Manager of Sales for the Spark Consumer and SMB business. The role grew to include the Consumer and SME Sales, Service and Operations teams, and over a period of six months during 2018 Grant was acting CEO for Spark Home, Mobile and Business. .

Prior to joining Spark, Grant held a number of global roles at Nokia throughout Asia, as well as 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.

In FY23, as a result of changes to the Leadership Squad structure, Grant McBeath made the decision to explore new opportunities outside of Spark. Grant's final date as Customer Director was 30 June 2023.

Note: Spark appointed Aliza Beckett to the role of Strategy Director during FY22. Aliza resigned from her role at Spark in FY23, and her final date as Strategy Director was 3 March 2023.

1 From 1 July, Mark commenced a new role as Customer Director – Enterprise and Government.
*Joined the Leadership Squad after FY23.

Leadership and Board remuneration

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

In February 2023, the Board approved a salary review allocation for FY24 (salaries from 1 July 2023) which was based on our Contribution Models with additional allocations including lifting our minimum full-time remuneration to $54,100 – above the (voluntary) Living Wage rate at September 2023. As part of this process we also reviewed several salary staircases to ensure that they were competitive against the market.

Leadership Squad remuneration

Remuneration mix

The table below shows the standard FY23 remuneration mix for the Leadership Squad expressed as a percentage of fixed remuneration. The Short-term Incentive (STI) scheme is expressed as a target, with payment ranging from no payment, where no target thresholds are met to a maximum payment of double the target value, where all stretch targets are met. The Long-term Incentive (LTI) scheme is expressed as the maximum LTI value that can be achieved.

Leadership Squad remuneration

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

Fixed remuneration

All Spark employee packages – including the Leadership Squad – include a fixed remuneration component that is set based on contribution, experience, and market relativities. Fixed remuneration supports the attraction, motivation, and retention of highly skilled executives. For FY24 reviews, the Board received detailed benchmarking information on our Leadership Squad roles against a relevant comparator group of New Zealand companies.

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

Short-term Incentive schemes

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

For senior leaders, including the Leadership Squad and CEO, a component of their remuneration package is at risk in the form of a discretionary annual cash-based Short-Term Incentive (STI). Spark's STI scheme rewards senior leaders for the achievement of annual performance objectives, with payments awarded from a fixed cash pool that is set based on overall Spark performance against financial and/or non-financial annual performance objectives. The actual payment to individuals is at the sole discretion of Spark and takes into account contributing factors such as performance, and the performance of individual parts of the business.

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

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

FY23 Short-term incentive scheme outcomes

For FY23 substantively all STI participants shared the same Spark Group targets comprising of EBITDAI, customer experience measures, as well as additional measures based on our three-year strategy. The on-target percentages are provided in the table below. Where the result of a performance metric falls below a specified threshold, there is no payment for that proportion of the STI. Where results exceed the target the payment can scale to up to twice the target percentage with a maximum overall payment of 200%.

The FY23 Group performance outcome, as approved by the Board, is summarised as follows:

Performance metric	%	Outcome	Result
Group EBITDAI	50%	31%	Met threshold
Customer Experience – iNPS and Digital Journey Completion Rate	25%	22%	Met threshold (iNPS) Achieved target (JCR)
3-year strategy – Future markets revenue	25%	0%	Not met
Total	**100%**	**53%**	

Based on the above result, the total available funding pool for all eligible STI participants across Spark for FY23 was $3.5 million. Total payments cannot exceed $3.5 million.

FY24 Short-term incentive scheme target

The mechanics of the FY24 STI will be the same as those for FY23. Group results will be the main determinate of the STI pool, with substantively all participants sharing the same Group measures. The FY24 Group measures will be a combination of EBITDAI, customer experience and our three-year strategy.

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

Long-term incentive schemes

Spark believes that some senior leaders should have part of their remuneration linked to the long-term performance of the company, so for the Leadership Squad and a select group of senior leaders, a long-term incentive forms part of their remuneration package. In FY23, Spark operated one main scheme: the Spark New Zealand Long-term Incentive Scheme.

FY23 / FY24 Long-term Incentive Scheme

For FY23, members of the Leadership Squad (including the CEO) and selected senior leaders were granted options under the Spark Long-term Incentive Scheme. 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 each performance hurdle and continued employment, at vesting the portion of options associated with each achieved target convert to Spark shares based on a zero exercise price. Where a target is not met the associated portion of options simply lapse.

For FY24, members of the Leadership Squad, including the CEO, and selected senior leaders will be granted options under a similar scheme as FY23 with performance measures relating to Spark's ESG performance alongside an absolute Total Shareholder Return (aTSR) performance hurdle.

FY23 and FY24 Long-term Incentive Scheme performance measures

Vesting of the FY23 LTI grant (September 2022) is contingent on participants' continued employment with Spark through to September 2025 with vesting depending on meeting or exceeding set performance measures. 75% of the allocated shares will vest based on aTSR exceeding cost of equity +1.5% (compounding annually) over the vesting period and 25% will vest based on performance against environmental and diversity targets. aTSR is a measure of share price appreciation and dividends paid over the three-year period of the grant.

For FY24, the Long-term Incentive Scheme, will be based on similar performance measures updated for the performance period.

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 2023. 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, risk and complexity of her role and is set by the Board with reference to the remuneration of CEOs of similarly sized organisations. For FY24 the board has assessed that CEO remuneration should remain unchanged.

CEO Remuneration FY23

For FY23 the CEO's remuneration package comprised a fixed cash component, an at-risk short-term incentive, and an at-risk long-term incentive, to be awarded under the Spark Long-term Incentive Scheme. The targets and operation of the CEO's STI and LTI is the same as described above under *Short-term incentive schemes* and *Long-term incentive scheme*. The construct of the CEO's remuneration package is such that 60% of her remuneration package is at risk. The table below shows the target remuneration mix:

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

Remuneration components

Short-term Incentive Scheme

The CEO is eligible for an annual cash-based short-term incentive, subject to the achievement of specific performance objectives set by the Board based on Spark's strategy and business plan for the respective financial year. These objectives will be a combination of financial and non-financial measures. This is covered in more detail in the earlier STI scheme section. The Board assesses the CEO's performance at the end of the financial year to determine the actual payment value of her short-term incentive, which is in the range of 0% to 200% of her target value.

The FY23 Group performance outcome, as approved by the Board and applicable to the CEO, is summarised as follows:

Performance metric	%	Outcome	Result
Group EBITDAI	50%	31%	Met threshold
Customer Experience – iNPS and Digital Journey Completion Rate	25%	22%	Met threshold (iNPS) Achieved target (JCR)
3-year strategy – Future markets revenue	25%	0%	Not met
Total	100%	53%	

Long-term Incentive Scheme

For FY23 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 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 hurdles

Performance hurdles apply to long-term incentives made to the CEO. The hurdles are agreed by the Board and set 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 FY23, the targets were Spark's aTSR over the period to meet or exceed Spark's cost of equity plus 1.5% compounding annually (75% of grant) and three ESG targets (25% of grant).

Spark must meet or exceed these targets over the period of the grant (from the date the options are granted to the date three years after that date) for the relevant proportion of the options to vest. If Spark does not meet the target, the associated proportion of those options will lapse. Testing to determine whether the TSR and ESG performance hurdles have 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 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 148 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 FY23. 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	2023 $M	2022 $M
Operating revenues and other gains[1]	2.2	4,491	3,720
Operating expenses[1]	2.3	(2,769)	(2,570)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	2.5	1,722	1,150
Finance income	2.4	32	26
Finance expense	2.4	(99)	(74)
Depreciation and amortisation	2.4	(504)	(520)
Net investment income[1]	2.4	1	(1)
Net earnings before income tax		1,152	581
Income tax expense[1]	6.1	(17)	(171)
Net earnings		**1,135**	**410**
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	(44)	(55)
Items that may be reclassified to profit or loss:			
Translation of foreign operations		–	1
Change in hedge reserves net of tax	5.1	2	71
Other comprehensive income		(42)	17
Total comprehensive income		**1,093**	**427**
Earnings per share			
Basic earnings per share (cents)[1]		60.7	21.9
Diluted earnings per share (cents)[1]		60.6	21.9
Weighted average ordinary shares (millions)		1,870	1,869
Weighted average ordinary shares and options (millions)		1,873	1,872

See accompanying notes to the financial statements.

1   These items have been materially impacted by the Connexa transactions and the Spark Sport provision, see notes 1.3 and 1.4 for further details.

Statement of financial position

	NOTES	AS AT 30 JUNE 2023 $M	AS AT 30 JUNE 2022 $M
Current assets			
Cash		100	71
Short–term receivables and prepayments	3.1	899	839
Short–term derivative assets	5.1	1	5
Inventories	3.2	79	107
Taxation recoverable		–	1
Assets classified as held for sale	1.4	–	198
Total current assets		**1,079**	**1,221**
Non–current assets			
Long–term receivables and prepayments[1]	3.1	432	197
Long–term derivative assets	5.1	27	13
Long–term investments[1]	3.3	254	212
Deferred tax assets[1]	6.1	55	–
Right–of–use assets[1]	3.4	488	508
Leased customer equipment assets	3.5	77	90
Property, plant and equipment	3.6	1,264	1,109
Intangible assets	3.7	806	839
Total non–current assets		**3,403**	**2,968**
Total assets		**4,482**	**4,189**
Current liabilities			
Short–term payables, accruals and provisions[1]	4.1	507	460
Taxation payable		25	40
Short–term derivative liabilities	5.1	4	1
Short–term lease liabilities[1]	4.2	78	52
Debt due within one year	4.3	236	293
Liabilities classified as held for sale	1.4	–	94
Total current liabilities		**850**	**940**
Non–current liabilities			
Long–term payables, accruals and provisions[1]	4.1	82	64
Long–term derivative liabilities	5.1	94	77
Long–term lease liabilities[1]	4.2	700	292
Long–term debt	4.3	816	1,233
Deferred tax liabilities	6.1	–	108
Total non–current liabilities		**1,692**	**1,774**
Total liabilities		**2,542**	**2,714**
Equity			
Share capital		965	1,105
Reserves		(396)	(352)
Retained earnings[1]		1,371	722
Total equity		**1,940**	**1,475**
Total liabilities and equity		**4,482**	**4,189**

See accompanying notes to the financial statements.

1 These balances have been materially impacted by the Connexa transactions and the Spark Sport provision, see notes 1.3 and 1.4 for further details.

On behalf of the Board

Justine Smyth, CNZM
Chair

Jolie Hodson
Chief Executive

Authorised for issue on 18 August 2023

Statement of changes in equity

YEAR ENDED 30 JUNE 2023	NOTES	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 2022		**1,105**	**722**	**8**	**5**	**(343)**	**(22)**	**1,475**
Net earnings		–	1,135	–	–	–	–	1,135
Other comprehensive income/(loss)		–	–	2	–	(44)	–	(42)
Total comprehensive income/(loss)		**–**	**1,135**	**2**	**–**	**(44)**	**–**	**1,093**
Contributions by, and distributions to, owners:								
Dividends	4.5	–	(486)	–	–	–	–	(486)
Supplementary dividends		–	(50)	–	–	–	–	(50)
Tax credit on supplementary dividends		–	50	–	–	–	–	50
Share buy-back	1.3	(146)	–	–	–	–	–	(146)
Issuance of shares under share schemes		4	–	–	(3)	–	–	1
Other transfers		2	–	1	–	–	–	3
Total transactions with owners		**(140)**	**(486)**	**1**	**(3)**	**–**	**–**	**(628)**
Balance at 30 June 2023		**965**	**1,371**	**11**	**2**	**(387)**	**(22)**	**1,940**

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

See accompanying notes to the financial statements.

Statement of cash flows

YEAR ENDED 30 JUNE

	NOTES	2023 $M	2022 $M
Cash flows from operating activities			
Receipts from customers		3,790	3,656
Receipts from interest		29	24
Payments to suppliers and employees		(2,730)	(2,606)
Payments for income tax		(190)	(160)
Payments for interest on debt		(55)	(48)
Payments for interest on leases		(37)	(19)
Payments for interest on leased customer equipment assets		(7)	(6)
Net cash flows from operating activities	6.5	**800**	**841**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		11	–
Proceeds from sale of business	1.4	893	–
Proceeds from long-term investments		–	4
Receipts from finance leases		3	3
Receipts from loans receivable		11	–
Payments for purchase of business, net of cash acquired		–	(7)
Payments for, and advances to, long-term investments		(3)	(59)
Payments for purchase of property, plant and equipment, intangibles (excluding spectrum), and capacity		(475)	(425)
Payments for purchase of spectrum intangible assets		(6)	–
Payments for capitalised interest		(9)	(8)
Net cash flows from investing activities		**425**	**(492)**
Cash flows from financing activities			
Net (repayments of)/proceeds from debt	4.4	(463)	214
Payments for dividends		(486)	(449)
Payments for share buy-back		(146)	–
Payments for leases		(64)	(69)
Payments for leased customer equipment assets		(37)	(46)
Net cash flows from financing activities		**(1,196)**	**(350)**
Net cash flows		**29**	**(1)**
Opening cash position		71	72
Closing cash position		**100**	**71**

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Section 1 General information

1.1 About this report

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; cloud, security and service management services; procurement and partners services; managed data, networks and services; and data centres.

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 Stock Exchange (NZX) and the Australian Securities Exchange (ASX) 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

In FY23, Spark has adopted amendments issued for NZ IFRS 16 *Leases* which add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in NZ IFRS 15 *Revenue from contracts with customers* to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right-of-use it retains. This amendment resulted in the inclusion of an estimate of variable lease payments in the measurement of the lease liability recognised with Connexa Limited (Connexa), see note 1.4 for the opening leaseback liability balances recognised.

Spark has also adopted amendments to NZ IAS 7 *Statement of Cash Flows* and NZ IFRS 7 *Financial Instruments: Disclosures for Supplier Finance Arrangements* which outline disclosure requirements for these arrangements. These disclosures are included in notes 4.3 and 5.2.

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

NOTES TO THE FINANCIAL STATEMENTS: GENERAL INFORMATION

1.3 Significant transactions and events

The following significant transactions and events affected the financial performance and financial position of Spark for the year ended 30 June 2023 or subsequent to balance date:

Connexa (see notes 1.4, 2.5 and 4.3)

- On 14 October 2022, Spark completed the sale of Connexa (formerly TowerCo) to Ontario Teachers' Pension Plan Board (OTPP) and reinvested in a 30% share of the Connexa group, through the holding company FrodoCo Holdings Limited (FrodoCo). In return Spark received net proceeds of $893 million, being $911 million cash inflow less $18 million transaction costs. A breakdown of the impact on the Group is contained within note 1.4.

- The intention is to use the proceeds from the sale to: return up to $350 million to shareholders through an on–market share buy–back (see further details below), invest a further $350 million in future growth opportunities (as at 30 June 2023, $101 million was invested), and to offset debt headroom requirements resulting from the increased lease liability from Spark's long–term agreement with Connexa (see note 4.3 for further details).

- On 15 December 2022, Spark announced that Connexa reached an agreement with 2degrees Mobile (2degrees), to acquire 2degrees' passive mobile telecommunications tower assets. The transaction completed on 23 June 2023. Spark did not contribute equity to the acquisition, which resulted in its shareholding in FrodoCo being diluted from 30% to 17%. A net gain on dilution of $5 million was recognised, see note 2.5 for further details.

Share buy-back (see note 4.5)

- On 5 April 2023, Spark commenced the on–market share buy–back. The shares are being acquired on the NZX and ASX, at prices that are in line with the prevailing market price from time to time during the period of the buy–back. Spark reserves the right to vary, suspend without notice, or terminate the buy–back programme at any time. As at 30 June 2023, 28 million shares with a value of $146 million had been repurchased and cancelled under the scheme.

Dividends (see note 4.5)

- Dividends paid during the year ended 30 June 2023 in relation to the H2 FY22 second–half dividend (ordinary dividend of 12.5 cents per share) and H1 FY23 first–half dividend (ordinary dividend of 13.5 cents per share) totalled $486 million or 26.0 cents per share.

Debt programme (see note 4.3)

- Connexa proceeds were used to repay the maturing bond of $100 million (see further details below), reduce bank funding arrangements to $115 million, reduce commercial paper to $90 million and $11 million of cash was held on deposit.

- On 10 March 2023, $100 million of unsecured fixed–rate bonds with a coupon rate of 4.51% matured.

- On 20 April 2023, Spark extended the term of its NZ$200 million committed standby revolving credit facility with ANZ Bank New Zealand Limited as the new facility agent (previously Citisecurities) by one year, to mature on 30 April 2026.

Long-term investments (see note 3.3)

- The fair value of Spark's investment in Hutchinson Telecommunications Australia Limited decreased by $44 million during the year due to a decrease in its quoted share price from AU$0.070 to AU$0.042. The change in fair value is recognised within other comprehensive income.

- Spark contributed no further equity to its Southern Cross investment to fund the SX NEXT undersea cable build during FY23. No dividends were received from Southern Cross during FY23, however Southern Cross partially repaid $11 million of a shareholder loan. Dividends have been suspended for the duration of the SX NEXT build phase and are not expected to resume until at least FY24.

Capital expenditure (see notes 2.5, 3.4, 3.6 and 3.7)

- Spark's additions to property, plant and equipment, intangible assets (excluding spectrum) and capacity right–of–use assets were $515 million, details of which are provided in notes 2.5, 3.4, 3.6 and 3.7 and on page 21 of this annual report.

Spark Sport (see notes 2.3, 3.2 and 4.1)

- On 16 December 2022, Spark announced that Television New Zealand would become the home for the majority of Spark Sport content from 1 July 2023. As a result, a one–off provision of $54 million was recognised, which includes ongoing obligations under content rights agreements that extend to FY28. The balance of the provision at 30 June 2023 was $46 million. The Spark Sport platform was withdrawn from service on 30 June 2023.

1.4 Sale of Connexa

During FY22 Spark commenced a process to transfer its passive mobile tower assets into a separate subsidiary, Connexa, and to introduce third-party capital into Connexa. As at 30 June 2022, the assets and liabilities associated with Connexa were classified as held for sale.

The major classes of assets and liabilities comprising the operations classified as held for sale were as follows:

	AS AT 30 JUNE 2022 $M
Right-of-use assets	95
Property, plant and equipment and intangible assets	97
Deferred tax assets	6
Total assets classified as held for sale	**198**
Payables, accruals and provisions	5
Lease liabilities	89
Total liabilities classified as held for sale	**94**

During FY23 Spark sold its subsidiary Connexa. Under the terms of the transaction, Spark has entered into a 15 year lease agreement (plus rights of renewal) with Connexa to secure access to existing and new towers. Spark also retained a 30% interest in the Connexa group, through the holding company FrodoCo, which is equity accounted for as an investment in associate. Following Connexa's subsequent acquisition of 2degrees' passive mobile telecommunications tower assets, this retained investment has reduced to 17% and is still equity accounted for.

The Connexa disposal resulted in a net gain of $583 million as set out below:

	14 OCTOBER 2022 $M
Net cash inflow arising on disposal of subsidiary	911
Less: incremental transaction costs[1]	(18)
Net cash flow on sale of business	**893**
Property, plant and equipment and intangible assets disposed of	(94)
Sale and leaseback right-of-use asset recognised	40
Sale and leaseback liability recognised	(488)
Investment in the Connexa group	
Investment in associate	89
Loans receivable from FrodoCo	148
Less: unearned revenue[2]	(5)
Net gain on disposal	**583**

1 These incremental transaction costs include: success fees, legal fees, consultant fees and additional labour costs.
2 Unearned revenue relates to the sale of additional mobile tower assets which were still under construction at transaction date. This revenue is recognised as these assets are delivered to Connexa.

NOTES TO THE FINANCIAL STATEMENTS: GENERAL INFORMATION

1.4 Sale of Connexa (continued)

Impact of sale of Connexa on the statement of financial position as at 30 June 2023

The significant balances included within the statement of financial position as at 30 June 2023 as a result of the sale of Connexa were as follows:

	AS AT 30 JUNE 2023 $M	DESCRIPTION OF THE BALANCE RELATING TO THE CONNEXA SALE
Long-term receivables and prepayments	156	Loans receivable from FrodoCo
Long-term investments	85	Investment in associate
Right-of-use assets	39	Sale and leaseback right-of-use asset
Deferred tax assets	124	Deferred tax asset on the lease with Connexa
Short-term lease liabilities	(17)	Short-term portion of sale and leaseback liability
Long-term lease liabilities	(465)	Long-term portion of sale and leaseback liability

Deferred tax assets

Due to the difference between the right-of-use assets and lease liabilities recognised at the date of the transaction, a deferred tax asset of $126 million was recognised, with a corresponding adjustment (reduction) to tax expense. The balance of the deferred tax asset at 30 June 2023 was $124 million. As noted in the statement of cash flows on page 92, payments for income tax in the year ended 30 June 2023 were $190 million (30 June 2022: $160 million).

Assignment of ground leases

As part of the transaction, Spark assigned its ground leases for the mobile sites to be sold to Connexa. As a result, Spark remeasured these lease liabilities to the next right of renewal as at this point these leases will be novated to Connexa. This resulted in a $51 million reduction of the lease liabilities and right-of-use assets which were held for sale. On the sale of Connexa the right-of-use assets were replaced with finance lease receivables equal to the lease liabilities which were transferred back from held for sale.

Key estimates and assumptions

Determining control has passed

Judgement was required in determining whether control passed to Connexa for the assets sold and leased back under a sale and leaseback transaction. Key elements considered were the appropriate accounting standard to apply when assessing whether control had passed, and determining the unit of account to use to assess the sale and leaseback element.

Lease liabilities

See note 4.2 for details of key estimates and assumptions for lease liabilities.

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 results exclude other gains, labour, operating expenses, finance income and expense, depreciation and amortisation, net investment income and income tax expense, as these are assessed at an overall Group level by the Chief Executive.

	2023			2022		
YEAR ENDED 30 JUNE	OPERATING REVENUES $M	PRODUCT COSTS $M	PRODUCT MARGIN $M	OPERATING REVENUES $M	PRODUCT COSTS $M	PRODUCT MARGIN $M
Mobile	1,470	(486)	984	1,351	(447)	904
Broadband	626	(328)	298	639	(321)	318
Procurement and partners	584	(517)	67	538	(485)	53
Cloud, security and service management	436	(108)	328	446	(103)	343
Managed data, networks and services	287	(155)	132	283	(146)	137
Voice	231	(98)	133	285	(120)	165
Other products[1]	241	(110)	131	152	(72)	80
Segment results	3,875	(1,802)	2,073	3,694	(1,694)	2,000

1 See note 2.2 for a description of other operating revenues.

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

YEAR ENDED 30 JUNE	2023 $M	2022 $M
Segment product margin	2,073	2,000
Other gains	616	26
Labour	(511)	(495)
Other operating expenses[2]	(456)	(381)
Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)	1,722	1,150
Finance income	32	26
Finance expense	(99)	(74)
Depreciation and amortisation	(504)	(520)
Net investment income	1	(1)
Net earnings before income tax	1,152	581

2 See note 2.3 for a breakdown of other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS: FINANCIAL PERFORMANCE INFORMATION

2.2 Operating revenues and other gains

The accounting policies specific to Spark's operating revenues are outlined below:

Contracts with customers

Spark records revenue from contracts with customers in accordance with the five steps in NZ IFRS 15:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price, which is the total consideration provided by the customer
4. Allocate the transaction price amount to the performance obligations in the contract based on their relative stand-alone selling prices
5. Recognise revenue when or as the performance obligation is satisfied.

Spark often provides products and services in bundled arrangements (for example, a broadband modem together with a broadband service). Where multiple products or services are sold in a single arrangement, revenue is recognised in relation to each distinct good or service. A product or service is distinct where, amongst other criteria, a customer can benefit from it on its own or together with other resources that are readily available. Revenue is allocated to each distinct product or service in proportion to its stand-alone selling price and recognised when, or as, control is transferred to the customer.

Generally, control for products is transferred and revenue recognised at the point in time it is delivered to the customer and for services, control is transferred, and revenue recognised, over time as the service is provided. Revenue for performance obligations satisfied over time is recognised using the 'resources consumed by customers' method or the 'time-elapsed' method, as these best depict the transfer of goods or services to customers.

Performance obligations, where Spark acts as an agent, includes some third-party media services and certain cloud, security and service management contracts. Contracts with a significant financing component include those that have goods that were purchased on interest-free payment terms of greater than 12 months.

The nature of the various performance obligations in our contracts with customers and when revenue is recognised is outlined below:

PERFORMANCE OBLIGATIONS FROM CONTRACTS WITH CUSTOMERS	TIMING OF SATISFACTION OF THE PERFORMANCE OBLIGATION AND PAYMENT
Mobile services, broadband services, media services, cloud, security and service management services, managed data services and rental of equipment	As the service is provided (usually monthly). Generally billed and paid on a monthly basis.
Usage, other optional or non-subscription services, and pay-per-use services	As the service is provided. Generally billed and paid on a monthly basis.
Fixed modems, mobile handsets and other distinct goods	When control is passed to the customer, generally when the customer takes possession of the goods. For goods sold in packages or on interest-free terms, customers usually pay in equal instalments over 6 to 36 months.
Installation or set-up services (where distinct)	As the service is provided. Generally billed and paid following the provision of the service.
Network infrastructure	As the goods or services are provided. Generally billed when milestones are completed and revenue recognised when the milestones are completed or once control of goods passes to the customer.

2.2 Operating revenues and other gains (continued)

YEAR ENDED 30 JUNE	NOTE	2023 $M	2022 $M
Operating revenues			
Mobile		1,470	1,351
Broadband		626	639
Procurement and partners		584	538
Cloud, security and service management		436	446
Managed data, networks and services		287	283
Voice		231	285
Other operating revenues		241	152
		3,875	**3,694**
Other gains			
Net gain on sale of Connexa	1.4	583	–
Gain on sale and acquisition of property, plant and equipment and intangibles		20	10
Gain on lease modifications and terminations		13	16
		616	**26**
Total operating revenues and other gains		**4,491**	**3,720**

Other operating revenues

Included in other operating revenues is revenue from mobile infrastructure, Qrious, Internet of Things, Spark Sport, MATTR and exchange building sharing arrangements.

Other gains

In the year ended 30 June 2023 other gains comprise the net gain on sale of Connexa of $583 million, gain on the sale and acquisition of property, plant and equipment (primarily in relation to mobile and data centre network equipment and other assets of $20 million), and gains from lease modifications and terminations of $13 million.

In the year ended 30 June 2022 other gains included a gain on the sale of property, plant and equipment (primarily in relation to mobile network equipment of $10 million), and gains from lease modifications and terminations of $16 million (this included a $12 million gain from Chorus lease changes).

NOTES TO THE FINANCIAL STATEMENTS: FINANCIAL PERFORMANCE INFORMATION

2.2 Operating revenues and other gains (continued)

Key estimates and assumptions

Determining the transaction price

Determining the transaction price of Spark's contracts requires judgement in estimating the amount of revenue we expect to be entitled to for delivering the performance obligations within a contract. The transaction price is the amount of consideration that is enforceable and to which we expect to be entitled in exchange for the goods and services we have promised to our customer. We determine the transaction price by considering the terms of the contract and business practices that are customary within that product, as well as adjusting the transaction price for estimated variable consideration and for any effects of the time value of money. The 'expected value' or 'most likely' amount methods are used to determine variable consideration and any amount where it is determined that it is highly probable a revenue reversal will not subsequently occur is included in the transaction price. In making this determination consideration is given to the likelihood and potential magnitude of the revenue reversal, as well as factors outside of Spark's influence, the time when the uncertainty is expected to be resolved and Spark's experience with similar types of contracts. Judgement is required to determine the discount rate underlying any time value of money calculations, as well as whether the financing component in a contract is significant. Discounts, rebates, refunds, credits, price concessions, incentives, penalties and other similar items are reflected in the transaction price at contract inception.

Determining the stand-alone selling price and the allocation of the transaction price

Determining the stand-alone selling price of performance obligations and the allocation of the transaction price between performance obligations involves judgement. The transaction price is allocated to performance obligations based on the relative stand-alone selling prices of the distinct goods or services in the contract. The best evidence of a stand-alone selling price is the observable price of a good or service when the entity sells that good or service separately in similar circumstances and to similar customers. If a stand-alone selling price is not directly observable, we estimate the stand-alone selling price taking into account reasonably available information relating to the market conditions, entity-specific factors and the class of customer. In determining the stand-alone selling price, we allocate revenue between performance obligations based on expected minimum enforceable amounts to which Spark is entitled. Any amounts above the minimum enforceable amounts are recognised as revenue as they are earned.

Distinct goods and services

We make judgements in determining whether a promise to deliver goods or services is considered distinct. We account for individual products and services separately if they are distinct (i.e. if a product or service is separately identifiable from other items in the bundled package and if the customer can benefit from it). The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices.

Timing of satisfaction of performance obligations

We make judgements in determining whether performance obligations are satisfied over time or at a point in time, as well as the methods used for measuring progress towards completed satisfaction of performance obligations. Refer to page 98 for Spark's accounting policy on timing of satisfaction of performance obligations.

2.3 Operating expenses

YEAR ENDED 30 JUNE	2023 $M	2022 $M
Product costs	1,802	1,694
Labour	511	495
Other operating expenses		
Network support costs	65	65
Computer costs	109	111
Accommodation costs	83	65
Advertising, promotions and communication	56	60
Bad debts	9	4
Impairment expense	–	2
Spark Sport provision	54	–
Other	80	74
Total other operating expenses	456	381
Total operating expenses	**2,769**	**2,570**

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 $376 million (30 June 2022: $343 million).

Lease expenses

Expenses relating to short–term leases and leases of low–value assets were $6 million (30 June 2022: $7 million). No rent concessions were received as a result of COVID–19 and treated as a reduction of expenses (30 June 2022: less than $1 million).

Donations

Donations for the year ended 30 June 2023 were $1,767,000 and comprised Spark's donation to Spark Foundation of $1,635,000 and payroll giving donations of $132,000 (30 June 2022: $1,774,000, comprised Spark's donation to the Spark Foundation of $1,734,000 and other donations of $40,000). Spark made no donations to political parties in the years ended 30 June 2023 or 30 June 2022.

Auditor's remuneration

YEAR ENDED 30 JUNE	2023 $'000	2022 $'000
Audit of financial statements		
Audit and review of financial statements[1]	1,142	1,171
Other services		
Regulatory audit work[2]	58	54
Other assurance services[3]	35	–
Other non–assurance services[4]	17	105
Total fees paid to auditor	**1,252**	**1,330**

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 assurance services relates to assurance over the Group's greenhouse gas emissions.
4 Other non-assurance services relate to administrative and other advisory services for the Corporate Taxpayer Group of which Spark, alongside a number of organisations, is a member. The 2022 comparative also includes fees for taxation compliance services.

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

YEAR ENDED 30 JUNE	NOTES	2023 $M	2022 $M
Finance income			
Finance lease interest income		8	9
Other interest income		24	17
		32	**26**
Finance expense			
Finance expense on long-term debt		(50)	(45)
Lease interest expense	4.2	(39)	(19)
Leased customer equipment interest expense		(7)	(7)
Other interest and finance expenses		(12)	(11)
		(108)	(82)
Plus: interest capitalised[1]		9	8
		(99)	**(74)**
Depreciation and amortisation expense			
Depreciation – property, plant and equipment	3.6	(227)	(234)
Depreciation – right-of-use assets	3.4	(75)	(80)
Depreciation – leased customer equipment assets	3.5	(36)	(37)
Amortisation – intangible assets	3.7	(166)	(169)
		(504)	**(520)**
Net investment income			
Share of associates' and joint ventures' net losses[2]	3.3	(16)	(1)
Interest income on loans receivable from associates and joint ventures		8	–
Net gain on remeasurement of equity accounted investments[2]	3.3	9	–
		1	**(1)**

1 Interest was capitalised on property, plant and equipment and intangible assets under development for the year ended 30 June 2023 at an annualised rate of 4.3% (30 June 2022: 4.4%).
2 Included within share of associates' and joint ventures' net losses is $4 million of transaction costs incurred by Connexa in relation to the 2degrees transaction. Therefore this and the net gain on remeasurement of equity accounted investments represent the net gain on dilution of the investment in the Connexa group excluded from the adjusted result in note 2.5.

2.5 Non–GAAP measures

Spark uses non–GAAP financial measures that are not prepared in accordance with 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.

Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI)

Spark calculates EBITDAI by adding back finance expense, depreciation and amortisation and income tax expense and subtracting finance income and net investment income (which includes Spark's share of net profits or losses from associates and joint ventures, interest income on loans receivable from associates and joint ventures, gains on remeasurement of equity accounted investments and dividend income) 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	2023 $M	2022 $M
Net earnings reported under NZ IFRS	1,135	410
Less: finance income	(32)	(26)
Add back: finance expense	99	74
Add back: depreciation and amortisation	504	520
Less: net investment income	(1)	1
Add back: tax expense	17	171
EBITDAI	**1,722**	**1,150**

Adjusted EBITDAI and adjusted net earnings

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. In the year ended 30 June 2023, the net gain on sale of Connexa of $583 million together with the subsequent $5 million net gain arising from the dilution of the investment in the Connexa group and the one off provision of $54 million for Spark Sport were deemed significant items to adjust. There were no significant items to adjust for the year ended 30 June 2022.

YEAR ENDED 30 JUNE	2023 $M	2022 $M
EBITDAI	1,722	1,150
Less: net gain on sale of Connexa	(583)	–
Add: Spark Sport provision	54	–
Adjusted EBITDAI	**1,193**	**1,150**

YEAR ENDED 30 JUNE	2023 $M	2022 $M
Net earnings reported under NZ IFRS	1,135	410
Less: net gain on sale of Connexa	(583)	–
Add: Spark Sport provision	54	–
Less: net gain on dilution of the investment in the Connexa group[1]	(5)	–
Less: tax effect of net gain on sale of Connexa, Spark Sport provision and dilution of the investment in the Connexa group	(168)	–
Adjusted net earnings	**433**	**410**

1 This includes the net gain on remeasurement of equity accounted investments, less costs associated with the transaction recognised in share of associates' and joint ventures' net losses. See note 2.4 for more details.

2.5 Non-GAAP measures (continued)

Capital expenditure

Capital expenditure is the additions to property, plant and equipment and intangible assets (excluding spectrum, goodwill, acquisitions, assets fully funded by customers or vendors 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	2023 $M	2022 $M
Additions to property, plant and equipment	3.6	379	328
Additions to intangible assets	3.7	133	156
Additions to capacity right-of-use assets	3.4	25	8
Total additions		**537**	**492**
Less: assets fully funded by customers or vendors	3.6	(22)	–
Less: property, plant and equipment transferred from finance lease receivables	3.6	–	(81)
Less: capacity right-of-use assets paid over time	3.4	–	(1)
Capital expenditure		**515**	**410**

Section 3 Assets

3.1 Receivables and prepayments

AS AT 30 JUNE	2023 $M	2022 $M
Short–term receivables and prepayments		
Trade receivables	410	371
Short–term prepayments	154	148
Short–term unbilled revenue	261	248
Short–term contract assets	2	2
Short–term contract costs	42	40
Short–term finance lease receivables	9	2
Other short–term receivables	21	28
	899	**839**
Long–term receivables and prepayments		
Long–term unbilled revenue	95	72
Long–term prepayments	6	1
Long–term contract costs	98	68
Long–term finance lease receivables	74	52
Long–term loans receivable	159	4
	432	**197**

Amounts are stated at their net carrying value, including expected credit loss allowance provisions. The fair value of finance lease receivables is estimated to be $75 million (30 June 2022: $75 million) and the carrying amount of all other receivables, measured at amortised cost, are approximately equivalent to their fair value.

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	2023 $M	2022 $M
Opening balance as at 1 July	2	5
Additions from new contracts with customers, net of terminations and renewals	1	1
Transfer of contract assets to trade receivables	(1)	(4)
Closing balance as at 30 June	**2**	**2**

NOTES TO THE FINANCIAL STATEMENTS: ASSETS

3.1 Receivables and prepayments (continued)

Contract costs

Contract costs include costs to obtain a contract 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:

	2023			2022		
	COSTS TO OBTAIN A CONTRACT	COSTS TO FULFIL A CONTRACT	TOTAL	COSTS TO OBTAIN A CONTRACT	COSTS TO FULFIL A CONTRACT	TOTAL
YEAR ENDED 30 JUNE	$M	$M	$M	$M	$M	$M
Opening balance as at 1 July	17	91	108	19	88	107
Additions	10	61	71	9	34	43
Amortisation recognised in operating expenses	(6)	(33)	(39)	(11)	(31)	(42)
Closing balance as at 30 June	**21**	**119**	**140**	**17**	**91**	**108**
Short-term contract costs	4	38	42	7	33	40
Long-term contract costs	17	81	98	10	58	68

Key estimates and assumptions

Determining the costs incurred to obtain or fulfil a contract that meets the deferral criteria within NZ IFRS 15 requires significant judgement. 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:

	2023	2022
YEAR ENDED 30 JUNE	$M	$M
Opening balance as at 1 July	15	17
Charged to costs and expenses	10	7
Bad debts recovered	(2)	(3)
Utilised	(7)	(6)
Closing balance as at 30 June	**16**	**15**

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 short–term; trade receivables, unbilled revenue, contract assets, contract costs, finance lease receivables and other receivables. The calculation of the allowance provision incorporates Spark's previous collection history and forward–looking information, such as forecasted economic conditions.

The expected credit loss allowance provision has been determined as follows:

AS AT 30 JUNE 2023	CURRENT $M	≤ 1 MONTH $M	> 1 MONTH $M	TOTAL $M
Expected loss rate	1.0%	2.9%	10.8%	1.3%
Gross carrying amount	1,116	34	37	1,187
Expected credit loss allowance provision	**11**	**1**	**4**	**16**
Short–term loss allowance provision	8	1	4	13
Long–term loss allowance provision	3	–	–	3

AS AT 30 JUNE 2022	$M	$M	$M	$M
Expected loss rate	1.2%	2.5%	10.3%	1.7%
Gross carrying amount	823	40	39	902
Expected credit loss allowance provision	**10**	**1**	**4**	**15**
Short–term loss allowance provision	8	1	4	13
Long–term loss allowance provision	2	–	–	2

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

AS AT 30 JUNE	2023 $M	2022 $M
Trade receivables	7	7
Unbilled revenue	6	5
Contract assets and contract costs	2	2
Finance lease receivables	1	1
Expected credit loss allowance provision	**16**	**15**

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 or net lease liability on the statement of financial position.

Spark assigned its ground leases for the mobile site assets sold to Connexa which has resulted in Spark recording finance lease receivables equal to the lease liabilities for these leases. Spark is unwinding these balances over the remaining term to the next right of renewal, at which point these will be novated.

In addition, Spark subleases a number of office building floors. Where subleases 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:

| | 2023 | | 2022 | |
| | UNDISCOUNTED | DISCOUNTED | UNDISCOUNTED | DISCOUNTED |
AS AT 30 JUNE	$M	$M	$M	$M
Less than one year[1]	14	7	6	–
Between one and five years	31	5	16	(7)
More than five years	141	69	135	59
Net finance lease receivables	**186**	**81**	**157**	**52**
Plus short-term portion of finance lease receivables in liability position	–	2	–	2
Total finance lease receivables	**186**	**83**	**157**	**54**
Less unearned finance income	(103)	–	(103)	–
Present value of finance lease receivables	**83**	**83**	**54**	**54**
Short-term finance lease receivables		9		2
Long-term finance lease receivables		74		52

1   Included within the discounted balance as at 30 June 2023 are $9 million sublease receivable assets, offset by a $2 million liability relating to the Chorus finance lease receivable (30 June 2022: $2 million sublease receivable asset, offset by a $2 million liability relating to the Chorus finance lease receivable).

The lease with Chorus, where Spark is the lessor, has multiple rights of renewals and the full lease term has been used in the majority of the calculation of the financial lease receivable at lease inception, as it was likely that because of the specialised nature of the buildings, the lease would be renewed to the maximum term.

3.2 Inventories

AS AT 30 JUNE	2023 $M	2022 $M
Goods held for resale	79	95
Content rights inventory	–	10
Maintenance materials and consumables	–	2
Total inventories	**79**	**107**

Content rights inventory

Spark previously entered into contracts for the right to stream digital content for sport. These content rights were stated at the lower of cost and net realisable value, less accumulated amortisation and included prepaid content that was not yet available for broadcast.

The amortisation of content rights was recognised within operating expenses on a straight-line basis over the live events across the broadcast period. The content rights amortisation charge for the year ended 30 June 2023 was $26 million (30 June 2022: $20 million).

The Spark Sport platform was withdrawn from service on 30 June 2023.

3.3 Long-term investments

AS AT 30 JUNE	MEASUREMENT BASIS	2023 $M	2022 $M
Shares in Hutchison	Fair value through other comprehensive income	61	105
Investment in associates and joint ventures	Equity method	187	101
Other long-term investments	Cost	6	6
		254	212

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 2023 the quoted price of Hutchison's shares on the ASX was AU$0.042 (30 June 2022: AU$0.070). The decrease in fair value of $44 million is recognised in other comprehensive income (30 June 2022: $55 million decrease).

Included within investment in associates and joint ventures is $85 million for Spark's investment in the Connexa group, see note 1.4 for further details.

Investment in associates and joint ventures
Spark's investment in associates and joint ventures at 30 June 2023 consists of the following:

NAME	TYPE	COUNTRY	OWNERSHIP	PRINCIPAL ACTIVITY
Adroit Holdings Limited	Associate	New Zealand	47%	Environmental IoT solutions
FrodoCo Holdings Limited[1]	Associate	New Zealand	17%	A holding company for Connexa
Flok Limited	Associate	New Zealand	38%	Hardware and software development
Hourua Limited[2]	Joint Venture	New Zealand	50%	Delivering the Public Safety Network
Pacific Carriage Holdings Limited, Inc.	Associate	United States	41%	A holding company
Rural Connectivity Group Limited	Joint Venture	New Zealand	33%	Rural broadband
Southern Cross Cables Holdings Limited	Associate	Bermuda	41%	A holding company
TNAS Limited	Joint Venture	New Zealand	50%	Telecommunications development

1   Parent company for Connexa.
2   Spark and One NZ established Hourua Limited to provide priority cellular services to the Public Safety Network which is the new communications service that will be used by New Zealand's frontline emergency responders.

All investments in associates and joint ventures are measured using the equity method. Changes in the aggregate carrying amount of Spark's investment in associates and joint ventures were as follows:

	2023			2022		
	ASSOCIATES	JOINT VENTURES	TOTAL	ASSOCIATES	JOINT VENTURES	TOTAL
YEAR ENDED 30 JUNE	$M	$M	$M	$M	$M	$M
Opening balance as at 1 July	82	19	101	30	29	59
Additional investments during the year	92	1	93	56	3	59
Disposals	–	–	–	(4)	(11)	(15)
Share of net losses	(15)	(1)	(16)	–	(1)	(1)
Remeasurement on dilution	9	–	9	–	–	–
Dividends received	–	–	–	–	(1)	(1)
Closing balance as at 30 June	168	19	187	82	19	101

Spark has suspended equity accounting for Pacific Carriage Holdings Limited. Inc, and Southern Cross Cables Holdings Limited (together 'Southern Cross') as their carrying values were reduced to nil. Spark has no obligation to fund Southern Cross' deficits or repay dividends. For the year ended 30 June 2023 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 $34 million (30 June 2022: $39 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. Some of these leases have rights of renewal that are reasonably certain to be exercised and therefore may have long expected lease terms
- Capacity arrangements – Spark enters into a number of indefeasible right-of-use capacity arrangements for cable capacity
- Mobile sites – Spark has entered into a number of agreements to allow the operation of mobile network infrastructure throughout New Zealand
- Motor vehicles – Spark leases motor vehicles for use in sales, field operations and maintenance of infrastructure equipment
- Other – Spark leases equipment that is held at Spark premises and used to provide services to customers.

Movements in right–of–use assets are summarised below:

YEAR ENDED 30 JUNE 2023	PROPERTY $M	CAPACITY $M	MOBILE SITES $M	MOTOR VEHICLES $M	OTHER $M	TOTAL $M
Opening net book value	250	211	19	3	25	508
Additions	9	25	42	2	8	86
Assets transferred back from held for sale[1]	–	–	7	–	–	7
Assets classified as held for sale and other disposals	(3)	–	(3)	–	–	(6)
Remeasurements[2]	(39)	–	5	–	2	(32)
Depreciation charge	(31)	(24)	(5)	(2)	(13)	(75)
Closing net book value	**186**	**212**	**65**	**3**	**22**	**488**

YEAR ENDED 30 JUNE 2022	PROPERTY $M	CAPACITY $M	MOBILE SITES $M	MOTOR VEHICLES $M	OTHER $M	TOTAL $M
Opening net book value	281	224	117	4	21	647
Additions and acquisitions	20	8	8	1	16	53
Assets classified as held for sale and other disposals	–	–	(95)	–	–	(95)
Remeasurements[2]	(19)	–	2	–	–	(17)
Depreciation charge	(32)	(21)	(13)	(2)	(12)	(80)
Closing net book value	**250**	**211**	**19**	**3**	**25**	**508**

1 Relates to right-of-use assets which were held for sale as at 30 June 2022, but not sold as part of the Connexa transaction and therefore transferred back to right-of-use assets.
2 Remeasurements to property in FY23 and FY22 primarily relate to modifications for corporate property leases and exiting of space in exchange buildings. The reduction in property right-of-use assets for corporate property leases is substantially offset by a reduction in property lease liabilities (see note 4.2).

All capacity additions for the year ended 30 June 2023 were fully paid on control being obtained and therefore deemed capital expenditure as defined and reconciled in note 2.5 (30 June 2022: $8 million of capacity additions with $7 million fully paid and deemed capital expenditure).

Income from sub-leasing right-of-use assets for the year ended 30 June 2023 was $2 million (30 June 2022: $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
- Spark has the right to direct the use of the asset.

At inception or on reassessment of a contract that contains a lease component, Spark allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. Spark recognises a right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically assessed for impairment losses and adjusted for certain remeasurements of the lease liability.

3.5 Leased customer equipment assets

Spark acts as the intermediate party (as a lessee and a lessor) in a number of lease arrangements for customer premises equipment. Such arrangements may also include an initial sale and leaseback transaction. A sale and leaseback transaction contains a genuine sale if control of an asset is transferred under NZ IFRS 15. For Spark's back-to-back lease arrangements we have assessed that a sale does not occur, as control over the equipment remains with Spark instead of passing to the buyer-lessor.

Spark as the seller-lessee continues to recognise the leased customer equipment asset, which is initially measured at cost. The asset is subsequently depreciated using the straight-line method based on the expected lease term. Movements in leased customer equipment assets are summarised below:

YEAR ENDED 30 JUNE	2023 $M	2022 $M
Opening net book value	90	77
Additions	32	51
Disposals	(9)	(1)
Depreciation charge	(36)	(37)
Closing net book value	**77**	**90**
AS AT 30 JUNE		
Cost	216	228
Accumulated depreciation and impairment losses	(139)	(138)
Closing net book value	**77**	**90**

Leased customer equipment assets are leased to customers under operating leases. Revenue received from these arrangements and other operating leases for the year ended 30 June 2023 were $50 million (30 June 2022: $48 million).

NOTES TO THE FINANCIAL STATEMENTS: ASSETS

3.6 Property, plant and equipment

YEAR ENDED 30 JUNE 2023	TELECOMMUNI-CATIONS EQUIPMENT AND PLANT	FREEHOLD LAND	BUILDINGS	OTHER ASSETS	WORK IN PROGRESS	TOTAL
	$M	$M	$M	$M	$M	$M
Opening net book value	631	61	213	73	131	1,109
Additions[1]	2	–	–	5	372	379
Transfers	265	–	63	21	(349)	–
Assets transferred back from held for sale[2]	–	–	2	–	–	2
Depreciation charge	(169)	–	(24)	(34)	–	(227)
Foreign exchange movement	1	–	–	–	–	1
Closing net book value	**730**	**61**	**254**	**65**	**154**	**1,264**

AS AT 30 JUNE 2023						
Cost	3,614	61	598	523	154	4,950
Accumulated depreciation and impairment losses	(2,884)	–	(344)	(458)	–	(3,686)
Closing net book value	**730**	**61**	**254**	**65**	**154**	**1,264**

1   Included in additions is $22 million of assets fully funded by customers or vendors.
2   Relates to assets which were held for sale as at 30 June 2022, but not sold as part of the Connexa transaction and therefore transferred back to property, plant and equipment.

YEAR ENDED 30 JUNE 2022	TELECOMMUNI-CATIONS EQUIPMENT AND PLANT	FREEHOLD LAND	BUILDINGS	OTHER ASSETS	WORK IN PROGRESS	TOTAL
	$M	$M	$M	$M	$M	$M
Opening net book value	648	61	207	79	85	1,080
Additions	–	–	82	10	236	328
Transfers	162	–	11	21	(194)	–
Acquisitions	4	–	–	4	6	14
Assets classified as held for sale and other disposals	(15)	–	(59)	(3)	(2)	(79)
Depreciation charge	(168)	–	(28)	(38)	–	(234)
Closing net book value	**631**	**61**	**213**	**73**	**131**	**1,109**

AS AT 30 JUNE 2022						
Cost	3,394	61	534	507	131	4,627
Accumulated depreciation and impairment losses	(2,763)	–	(321)	(434)	–	(3,518)
Closing net book value	**631**	**61**	**213**	**73**	**131**	**1,109**

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 2023 the carrying value of Spark's share of property, plant and equipment, intangible assets and capacity right-of-use assets in the joint operation was $30 million (30 June 2022: $30 million).

Key estimates and assumptions

Spark's property, plant and equipment is measured at cost and depreciation is charged on a straight-line basis over the assets' estimated useful lives. Determining the appropriate useful life of property, plant and equipment requires management judgement, including the expected period of service potential, the likelihood technological advances will make the asset obsolete, the likelihood of Spark ceasing to use it and the effect of government regulation.

The estimated useful lives of Spark's property, plant and equipment are as follows:

Telecommunications equipment

Links and cables	10 – 50 years
Network transport	3 – 15 years
Mobile radio access network	5 – 25 years
Customer premises equipment	3 – 5 years
International cable and satellite	10 – 15 years

Buildings

Buildings	15 – 53 years
Furniture and fittings	3 – 15 years
Air conditioning	8 – 20 years
Power systems	3 – 25 years
Batteries	5 – 15 years

Other

Motor vehicles	3 – 10 years
Computer equipment	2 – 8 years
Internal IT system assets	3 – 15 years

The assessment of assets for impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the telecommunications industry, the discontinuance of services, the expected future cash flows an asset is expected to generate and other changes in circumstances that indicate an impairment exists. Key judgements include rates of expected revenue growth or decline, expected future margins and the selection of an appropriate discount rate for valuing future cash flows.

NOTES TO THE FINANCIAL STATEMENTS: ASSETS

3.7 Intangible assets

YEAR ENDED 30 JUNE 2023	SOFTWARE $M	SPECTRUM LICENCES $M	OTHER INTANGIBLES $M	GOODWILL $M	WORK IN PROGRESS $M	TOTAL $M
Opening net book value	326	175	21	234	83	839
Additions[1]	–	–	–	–	133	133
Transfers	128	–	–	–	(128)	–
Amortisation charge	(144)	(17)	(5)	–	–	(166)
Closing net book value	**310**	**158**	**16**	**234**	**88**	**806**

AS AT 30 JUNE 2023						
Cost	2,022	334	103	282	88	2,829
Accumulated amortisation and impairment losses	(1,712)	(176)	(87)	(48)	–	(2,023)
Closing net book value	**310**	**158**	**16**	**234**	**88**	**806**

YEAR ENDED 30 JUNE 2022	SOFTWARE $M	SPECTRUM LICENCES $M	OTHER INTANGIBLES $M	GOODWILL $M	WORK IN PROGRESS $M	TOTAL $M
Opening net book value	307	193	49	222	87	858
Additions[1]	–	–	–	–	156	156
Transfers	160	–	–	–	(160)	–
Acquisitions	–	–	–	12	–	12
Assets classified as held for sale and other disposals	–	–	(18)	–	–	(18)
Amortisation charge	(141)	(18)	(10)	–	–	(169)
Closing net book value	**326**	**175**	**21**	**234**	**83**	**839**

AS AT 30 JUNE 2022						
Cost	1,911	336	103	282	83	2,715
Accumulated amortisation and impairment losses	(1,585)	(161)	(82)	(48)	–	(1,876)
Closing net book value	**326**	**175**	**21**	**234**	**83**	**839**

1   Total software capitalised in the year ended 30 June 2023 includes $69 million (30 June 2022: $59 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 are 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	2023 $M	2022 $M
Mobile	34	34
Broadband	3	3
Cloud, security and service management	170	170
Qrious	14	14
Digital Island	13	13
	234	234

During the years ended 30 June 2023 and 30 June 2022 no impairment arose as a result of the assessment of the carrying value of goodwill. Headroom currently exists in each CGU and, based on the 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 FY24 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 11.7% was utilised for the year ended 30 June 2023 (30 June 2022: 10.6%).

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	2023 $M	2022 $M
Total assets	4,482	4,189
Less: intangible assets	(806)	(839)
Less: total liabilities	(2,542)	(2,714)
Net tangible assets	**1,134**	**636**
Number of shares outstanding (in millions)	1,845	1,872
Net tangible assets per share	**$0.61**	**$0.34**

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

NOTES TO THE FINANCIAL STATEMENTS: LIABILITIES AND EQUITY

Section 4 Liabilities and equity

4.1 Payables, accruals and provisions

AS AT 30 JUNE	2023 $M	2022 $M
Short-term payables, accruals and provisions		
Trade accounts payable and accruals	290	260
Revenue billed in advance	96	80
Accrued personnel costs	39	38
Accrued interest	3	3
GST payable	21	37
Short-term sale and leaseback liabilities	30	35
Short-term provisions	19	2
Other short-term payables and accruals	9	5
	507	**460**
Long-term payables, accruals and provisions		
Long-term sale and leaseback liabilities	45	52
Long-term provisions	32	5
Other long-term payables and accruals	5	7
	82	**64**

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

Provisions

The following table summarises movements in provisions in the year:

YEAR ENDED 30 JUNE 2023	SPARK SPORT PROVISION $M	MAKE GOOD PROVISIONS $M	TOTAL $M
Opening balance as at 1 July	–	7	7
Additional provisions made in the year	54	–	54
Amounts utilised during the year	(10)	(1)	(11)
Unwinding of discount	2	–	2
Unused amounts reversed	–	(1)	(1)
Closing balance at 30 June	**46**	**5**	**51**
Short-term provisions	18	1	19
Long-term provisions	28	4	32

4.2 Lease liabilities

YEAR ENDED 30 JUNE 2023	PROPERTY $M	CAPACITY $M	MOBILE SITES $M	MOTOR VEHICLES $M	OTHER $M	TOTAL $M
Opening lease liability balance	290	3	20	3	26	342
Leases entered into during the year	9	–	492	2	8	511
Liabilities transferred back from held for sale[1]	–	–	34	–	–	34
Liabilities classified as held for sale and other disposals	(4)	–	(2)	–	–	(6)
Interest expense	11	–	27	–	1	39
Principal repayments	(45)	(1)	(41)	(2)	(13)	(102)
Remeasurements[2]	(41)	–	(1)	–	–	(42)
Balance at the end of the year	**220**	**2**	**529**	**3**	**22**	**776**
Short-term portion of finance lease receivable	2	–	–	–	–	2
Total lease liability balance	**222**	**2**	**529**	**3**	**22**	**778**
Short-term lease liabilities	40	–	28	2	8	78
Long-term lease liabilities	182	2	501	1	14	700
Lease liabilities - non-cancellable commitments[3]	**296**	**2**	**524**	**3**	**22**	**847**

YEAR ENDED 30 JUNE 2022	PROPERTY $M	CAPACITY $M	MOBILE SITES $M	MOTOR VEHICLES $M	OTHER $M	TOTAL $M
Opening lease liability balance	325	2	113	4	21	465
Leases entered into during the year and acquisitions	20	2	7	1	17	47
Liabilities classified as held for sale and other disposals	–	–	(89)	–	–	(89)
Interest expense	12	–	6	–	1	19
Principal repayments	(53)	(1)	(19)	(2)	(13)	(88)
Remeasurements[2]	(14)	–	2	–	–	(12)
Balance at the end of the year	**290**	**3**	**20**	**3**	**26**	**342**
Short-term portion of finance lease receivable	2	–	–	–	–	2
Total lease liability balance	**292**	**3**	**20**	**3**	**26**	**344**
Short-term lease liabilities	37	1	2	2	10	52
Long-term lease liabilities	255	2	18	1	16	292
Lease liabilities - non-cancellable commitments[3]	**148**	**3**	**10**	**3**	**26**	**190**

1 Relates to lease liabilities which were held for sale as at 30 June 2022, but either assigned or, not sold as part of the Connexa transaction and therefore transferred back to lease liabilities.
2 Remeasurements to property in FY23 and FY22 primarily relate to modifications for corporate property leases. The reduction in lease liabilities is substantially offset by a reduction in property right-of-use assets (see note 3.4).
3 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, including leases committed to that have not yet commenced.

NOTES TO THE FINANCIAL STATEMENTS: LIABILITIES AND EQUITY

4.2 Lease liabilities (continued)

Key estimates and assumptions

Spark recognises a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Spark's incremental borrowing rate. Generally, Spark uses its incremental borrowing rate as the discount rate, with adjustments for the type and term of the lease.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that Spark is reasonably certain to exercise
- Lease payments in an optional renewal period if Spark is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Spark's estimate of the amount expected to be payable under a residual value guarantee or if Spark changes its assessment of whether it will exercise a purchase or extension option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Spark has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low-value assets. Spark recognises the lease payments associated with these leases within operating expenses on a straight-line basis over their lease terms.

NOTES TO THE FINANCIAL STATEMENTS: LIABILITIES AND EQUITY

4.3 Debt (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 2023 and 30 June 2022.

The fair value of long-term debt, including long-term debt due within one year, based on market observable prices, was $973 million compared to a carrying value of $962 million as at 30 June 2023 (30 June 2022: fair value of $1,359 million compared to a carrying value of $1,347 million).

AS AT 30 JUNE	2023 $M	2022 $M
Total debt	1,052	1,526
Less short–term debt	(90)	(179)
Total long–term debt (including long–term debt due within one year)	**962**	**1,347**

4.4 Capital risk management

Spark manages its capital considering shareholders' interests, the value of Spark's assets and the Company's credit rating. The Board is committed to the Company maintaining an investment grade rating and its capital management policies are designed to ensure this objective is met. As part of this commitment, and in line with credit rating metrics, Spark currently manages its debt levels to ensure that the ratio of adjusted net debt at hedged rates (being inclusive of associated derivatives and leases) to EBITDAI does not exceed 1.7 times on a long-run basis.

As at 30 June 2023 the Company's Standard and Poor's credit ratings for long-term and short-term debt was, respectively, A- and A-2 with outlook stable (30 June 2022: 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	2023 $M	2022 $M
Cash	(100)	(71)
Short-term debt at face value	90	179
Long-term debt at face value	1,035	1,417
Net debt at face value	1,025	1,525
To retranslate debt balances at swap rates where hedged by currency swaps	14	(3)
Net debt at hedged rates[1]	**1,039**	**1,522**
Non-cash adjustments		
Impact of fair value hedge adjustments[2]	11	10
Unamortised discount	(1)	(1)
Net debt at carrying value	**1,049**	**1,531**

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:

YEAR ENDED 30 JUNE 2023	CASH FLOWS			NON-CASH MOVEMENTS				
	AS AT 1 JULY 2022 $M	PROCEEDS $M	PAYMENTS $M	INTEREST AMORTISATION $M	FAIR VALUE CHANGES $M	FOREIGN EXCHANGE MOVEMENT $M	OTHER $M	AS AT 30 JUNE 2023 $M
Cash	(71)	(13,908)	13,879	–	–	–	–	(100)
Short–term debt	179	247	(337)	1	–	–	–	90
Long–term debt	1,347	8,924	(9,297)	1	(3)	(17)	7	962
Derivatives	76	–	–	–	4	17	–	97
Net debt	**1,531**	**(4,737)**	**4,245**	**2**	**1**	**–**	**7**	**1,049**

YEAR ENDED 30 JUNE 2022	CASH FLOWS			NON-CASH MOVEMENTS				
	AS AT 1 JULY 2021 $M	PROCEEDS[1] $M	PAYMENTS $M	INTEREST AMORTISATION $M	FAIR VALUE CHANGES $M	FOREIGN EXCHANGE MOVEMENT $M	OTHER $M	AS AT 30 JUNE 2022 $M
Cash	(72)	(24,730)	24,731	–	–	–	–	(71)
Short–term debt	158	1,524	(1,503)	–	–	–	–	179
Long–term debt	1,245	19,512	(19,326)	1	(103)	8	10	1,347
Derivatives	(18)	–	–	–	102	(8)	–	76
Net debt	**1,313**	**(3,694)**	**3,902**	**1**	**(1)**	**–**	**10**	**1,531**

1 $7 million of proceeds were received in the prior year from closing out derivatives and are included in the net proceeds from debt as shown in statement of cash flows. These derivatives were in a cash flow hedge relationship, so do not form part of net debt and are not included in the above table.

4.5 Equity and dividends

Share capital

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

YEAR ENDED 30 JUNE	2023 NUMBER	2022 NUMBER
Shares at the beginning of the year	1,871,587,475	1,867,125,093
Cancelled shares acquired under the on-market share buy-back programme	(28,197,250)	–
Dividend reinvestment plan	–	3,735,931
Issuance of shares under share schemes and other transfers	1,610,681	726,451
Shares at the end of the year	**1,845,000,906**	**1,871,587,475**

All issued shares are fully paid and have no par value. Shareholders of ordinary shares have the right to vote at any general meeting of the Company.

Dividends

YEAR ENDED 30 JUNE	2023 CENTS PER SHARE	2023 $M	2022 CENTS PER SHARE	2022 $M
Previous year second half-year dividend	12.5	234	12.5	233
First half-year dividend	13.5	252	12.5	234
Total dividends in the year	**26.0**	**486**	**25.0**	**467**
Second half-year dividend declared subsequent to balance date not provided for	13.5	249	12.5	234

Events after balance date

On 17 August 2023 the Board approved the payment of a second-half ordinary dividend of 13.5 cents per share or approximately $249 million. This ordinary dividend will be 100% imputed. In addition, supplementary dividends totalling approximately $26 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 FY23 ORDINARY DIVIDENDS	H2 FY23 ORDINARY DIVIDENDS
Dividends declared		
Ordinary shares	13.5 cents	13.5 cents
American Depositary Shares[1]	42.11 US cents	40.65 US cents
Imputation		
Percentage imputed	100%	100%
Imputation credits per share	5.2500 cents	5.2500 cents
Supplementary dividend per share[2]	2.3824 cents	2.3824 cents
'Ex' dividend dates		
New Zealand Stock Exchange	16/03/23	14/09/23
Australian Securities Exchange	16/03/23	14/09/23
American Depositary Shares	15/03/23	14/09/23
Record dates		
New Zealand Stock Exchange	17/03/23	15/09/23
Australian Securities Exchange	17/03/23	15/09/23
American Depositary Shares	16/03/23	15/09/23
Payment dates		
New Zealand and Australia	6/04/23	6/10/23
American Depositary Shares	17/04/23	16/10/23

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 FY23 these are based on the exchange rate at 10 August 2023 of NZ$1 to US$0.6022 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 2023 no shares were issued (30 June 2022: $18 million were issued) in lieu of dividends. Shares issued in lieu of dividends are excluded from dividends paid in the statement of cash flows.

The dividend reinvestment plan has been suspended for the FY23 dividends and for the foreseeable future.

Section 5 Financial instruments

5.1 Derivatives and hedge accounting

| | 2023 | | 2022 | |
| | DERIVATIVE ASSETS | DERIVATIVE LIABILITIES | DERIVATIVE ASSETS | DERIVATIVE LIABILITIES |
AS AT 30 JUNE	$M	$M	$M	$M
Designated in a cash flow hedge	27	(1)	18	(2)
Designated in a fair value hedge	–	(13)	–	(12)
Designated in a dual fair value and cash flow hedge	–	(84)	–	(64)
Other	1	–	–	–
	28	**(98)**	**18**	**(78)**
Short-term derivatives	1	(4)	5	(1)
Long-term derivatives	27	(94)	13	(77)

Spark's derivatives are held at fair value, calculated using discounted cash flow models and observable market rates of interest and foreign exchange 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 2023 and 30 June 2022 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 $13 million (30 June 2022: $8 million), which if applied would result in a reduction of derivative assets and derivative liabilities.

Hedge accounting

Derivatives are hedge accounted when they are designated into an effective hedge relationship as a hedging instrument. The nature and the effectiveness of the hedge accounting relationship will determine where the gains and losses on remeasurement are recognised. Derivatives are designated:

- Fair value hedges, where the derivative is used to manage interest rate risk in relation to debt
- Cash flow hedges, where the derivative is used to manage the variability in cash flows of highly probable forecast transactions
- Dual fair value and cash flow hedges, where the derivative is used to hedge the interest rate risk on foreign debt and the variability in cash flows due to movements in foreign exchange rates.

At inception, each hedge relationship is formalised in hedge documentation. Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. Spark determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of respective cash flows, reference interest rates, tenors (time to maturity), repricing dates, maturities and notional amounts. Spark assesses whether the derivative designated in each hedging relationship is expected to be, and has been, effective in offsetting the changes in cash flows of the hedged item using the hypothetical derivative method.

Derivatives in hedge relationships are designated based on a hedge ratio of 1:1. In these hedge relationships the main source of ineffectiveness is the effect of the counterparty and Spark's own credit risk on the fair value of the derivatives, which is not reflected in the change in the fair value of the hedged item attributable to changes in foreign exchange and interest rates.

Cash flow hedges

Cross-currency interest rate swaps and interest rate swaps are jointly designated in cash flow hedges to manage interest and foreign exchange rate risk on debt. The hedged cash flows will affect Spark's statement of profit or loss and other comprehensive income as interest and principal amounts are repaid over the remaining term of the debt.

Interest rate swaps are designated in cash flow hedges to manage the interest rate exposure of highly probable forecast variable rate debt and aggregate variable interest rate exposures created by swapping local or foreign currency fixed-rate debt into variable rate debt.

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.

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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	2023 $M	2022 $M
Opening balance as at 1 July	8	(63)
(Loss) /gain recognised in other comprehensive income	(4)	52
Amount reclassified to finance expense	5	12
Amount reclassified to property, plant and equipment/intangible assets and inventory	1	6
Amount reclassified to other operating expenses	–	1
Total movements to other comprehensive income	**2**	**71**
Other transfers	1	–
Closing balance as at 30 June	**11**	**8**

Included within the closing balance at 30 June 2023 is $4 million relating to the cost of hedging reserve (30 June 2022: $3 million). The movement in the hedge reserves includes $8 million in the change in fair value of interest rate swaps less $2 million associated deferred tax and $3 million for forward foreign exchange contracts (30 June 2022: $98 million in the change in fair value of interest rate swaps less $27 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 2023 there has been no material ineffectiveness on fair value hedging relationships (30 June 2022: no material ineffectiveness) and as a result no material changes have been recognised in profit and loss.

Dual fair value and cash flow hedges
Spark has Australian dollar (AUD) and Norwegian krone (NOK) denominated debt. As part of Spark's risk management policy, cross-currency interest rate swaps (CCIRSs) are entered into to convert all of the proceeds of the debt issuances to New Zealand dollars and convert the foreign currency fixed rate of the debt issuance to a New Zealand dollar floating rate. To mitigate profit or loss volatility, the CCIRSs were designated into a dual fair value and cash flow hedge relationship. The foreign currency basis element of the CCIRSs are excluded from the designation and are separately recognised in other comprehensive income in a cost of hedging reserve.

For fair value hedges the gain or loss from remeasuring the CCIRSs and debt at fair value is recognised in the statement of profit or loss and other comprehensive income. For cash flow hedges gains or losses deferred in the cash flow hedge reserve will be reclassified to Spark's statement of profit or loss and other comprehensive income as interest and principal amounts are repaid over the remaining term of the debt.

The change in fair value of the hedging instruments relating to the foreign currency basis component of the CCIRSs are recognised in other comprehensive income and accumulated in a cost of hedging equity reserve. Subsequently, the cumulative amount is transferred to profit or loss at the same time as the hedged item impacts profit or loss.

5.1 Derivatives and hedge accounting (continued)

The details of the hedging instruments are as follows:

AS AT 30 JUNE 2023	NOTIONAL AMOUNT OF HEDGING INSTRUMENT	STATEMENT OF FINANCIAL POSITION LINE ITEM	CARRYING AMOUNT OF THE HEDGING INSTRUMENT		LIFE-TO-DATE CHANGE-IN-VALUE USED FOR CALCULATING HEDGE INEFFECTIVE-NESS
			ASSETS $M	LIABILITIES $M	$M
Cash flow hedges					
Interest rate swaps	NZD 620m	Derivatives	26	–	26
Forward foreign exchange contracts	NZD 77m	Derivatives	1	(1)	–
Fair value hedges					
Interest rate swaps	NZD 250m	Derivatives	–	(13)	(13)
Fair value and cash flow hedges					
Cross-currency swaps	AUD 150m	Derivatives	–	(14)	(14)
Cross-currency swap	NOK 1b	Derivatives	–	(37)	(37)
Cross-currency swaps	AUD 125m	Derivatives	–	(23)	(23)
Cross-currency swaps	AUD 100m	Derivatives	–	(10)	(10)
			27	**(98)**	**(71)**

AS AT 30 JUNE 2022	NOTIONAL AMOUNT OF HEDGING INSTRUMENT	STATEMENT OF FINANCIAL POSITION LINE ITEM	CARRYING AMOUNT OF THE HEDGING INSTRUMENT		LIFE-TO-DATE CHANGE-IN-VALUE USED FOR CALCULATING HEDGE INEFFECTIVE-NESS
			ASSETS $M	LIABILITIES $M	$M
Cash flow hedges					
Interest rate swaps	NZD 640m	Derivatives	13	(2)	11
Forward foreign exchange contracts	NZD 78m	Derivatives	5	–	5
Fair value hedges					
Interest rate swaps	NZD 350m	Derivatives	–	(12)	(12)
Forward foreign exchange contracts	NZD 18m	Derivatives	–	–	–
Fair value and cash flow hedges					
Cross-currency swaps	AUD 150m	Derivatives	–	(10)	(10)
Cross-currency swap	NOK 1b	Derivatives	–	(21)	(21)
Cross-currency swaps	AUD 125m	Derivatives	–	(23)	(23)
Cross-currency swaps	AUD 100m	Derivatives	–	(10)	(10)
			18	**(78)**	**(60)**

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NOTES TO THE FINANCIAL STATEMENTS: FINANCIAL INSTRUMENTS

5.1 Derivatives and hedge accounting (continued)

The details of hedged items are as follows:

AS AT 30 JUNE 2023	STATEMENT OF FINANCIAL POSITION LINE ITEM	CARRYING AMOUNT OF THE HEDGED ITEM		ACCUMULATED AMOUNT OF FAIR VALUE HEDGE ADJUSTMENTS ON THE HEDGED ITEM INCLUDED IN THE CARRYING AMOUNT OF THE HEDGED ITEM		LIFE-TO-DATE CHANGE-IN-VALUE USED FOR CALCULATING HEDGE INEFFECTIVE-NESS
		ASSETS $M	LIABILITIES $M	ASSETS $M	LIABILITIES $M	$M
Cash flow hedges						
Aggregated variable interest rate exposure	–	–	–	–	–	(26)
Fair value hedges						
Domestic Notes	Long-term debt	–	(238)	13	–	13
Fair value and cash flow hedges						
Australian Medium Term Note (AUD 150m)	Long-term debt	–	(154)	9	–	14
Norwegian Medium Term Note (NOK 1b)	Long-term debt	–	(137)	15	–	37
Australian Medium Term Note (AUD 125m)	Long-term debt	–	(112)	23	–	23
Australian Medium Term Note (AUD 100m)	Long-term debt	–	(97)	11	–	10
		–	**(738)**	**71**	**–**	**71**

AS AT 30 JUNE 2022	STATEMENT OF FINANCIAL POSITION LINE ITEM	CARRYING AMOUNT OF THE HEDGED ITEM		ACCUMULATED AMOUNT OF FAIR VALUE HEDGE ADJUSTMENTS ON THE HEDGED ITEM INCLUDED IN THE CARRYING AMOUNT OF THE HEDGED ITEM		LIFE-TO-DATE CHANGE-IN-VALUE USED FOR CALCULATING HEDGE INEFFECTIVE-NESS
		ASSETS $M	LIABILITIES $M	ASSETS $M	LIABILITIES $M	$M
Cash flow hedges						
Aggregated variable interest rate exposure	–	–	–	–	–	(11)
Committed foreign exchange transactions	–	–	–	–	–	(5)
Fair value hedges						
Domestic Notes	Long-term debt	–	(339)	12	–	12
Fair value and cash flow hedges						
Australian Medium Term Note (AUD 150m)	Long-term debt	–	(158)	7	–	10
Norwegian Medium Term Note (NOK 1b)	Long-term debt	–	(152)	11	–	21
Australian Medium Term Note (AUD 125m)	Long-term debt	–	(113)	25	–	23
Australian Medium Term Note (AUD 100m)	Long-term debt	–	(97)	13	–	10
		–	**(859)**	**68**	**–**	**60**

5.2 Financial risk management

a) Market risk

Spark is exposed to market risk primarily from changes in foreign currency exchange rates and interest rates. Spark employs risk management strategies, including the use of derivative financial instruments, to manage these exposures through a Board-approved treasury policy, which provides the framework within which treasury-related activities are conducted.

Spark manages the concentration of exposures using well-defined market and credit risk limits and through timely reporting to senior management. All contracts have been entered into with high-credit quality financial institutions. The risk associated with these transactions is that the fair value or cash flows of financial instruments will change due to movements in market rates or, in the case of default by a counterparty, through the cost of replacement at the current market rates.

Currency risk

Nature of the risk

Currency risk is the risk that eventual New Zealand dollar net cash flows from transactions undertaken by Spark will be adversely affected by changes in foreign currency exchange rates.

Exposure and risk management

Spark's total net exposure (from non-derivative financial instruments) to foreign currency as at 30 June 2023 is $553 million (30 June 2022: $559 million). This includes $152 million long-term debt principal denominated in NOK (30 June 2022: $163 million) and $408 million long-term debt principal denominated in AUD (30 June 2022: $414 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 cash flows 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 2023 a movement of 10% in the New Zealand dollar would (after hedging) impact the statement of profit or loss by less than $1 million (30 June 2022: less than $1 million) and the statement of changes in equity by less than $11 million (30 June 2022: less than $12 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 2023 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 2022: less than $1 million) and the statement of changes in equity by less than $1 million (30 June 2022: less than $1 million).

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NOTES TO THE FINANCIAL STATEMENTS: FINANCIAL INSTRUMENTS

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 2023 were $1,299 million (30 June 2022: $976 million).

Spark considers the probability of default upon initial recognition of cash, receivables and derivative assets and whether there has been a significant and ongoing increase in credit risk at the end of each reporting period. To assess this Spark compares the risk of default occurring on these assets at the reporting date, with the risk of default at the date of initial recognition. Available, reasonable and supportive forward-looking information is considered, especially the following indicators:

- External credit rating (as far as available)
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer or counterparty's ability to meet their obligations
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.

Spark considers a financial asset to have low credit risk when the asset is held with a high-credit quality financial institution or with a party that has a strong financial position with no past due amounts.

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 financial institution. Spark has significant shareholder loans and finance lease receivables which are deemed low credit risk. Concentration of credit risk for trade and other receivables is limited because of Spark's large customer base.

Spark has certain derivatives 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 2023 no collateral was posted (30 June 2022: nil). Letters of credit and guarantees may 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 2023 Spark had current assets of $1,079 million and current liabilities of $850 million (30 June 2022: current assets of $1,221 million and current liabilities of $940 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 2022: $200 million)
- Committed bank facilities of $425 million with $115 million drawn as at 30 June 2023 (30 June 2022: $425 million facilities with $365 million drawn)
- Undrawn committed bank overdraft facilities of $15 million with New Zealand banks (30 June 2022: $15 million).

There are no compensating balance requirements associated with these facilities.

Spark's liquidity policy is to maintain unutilised committed facilities of at least 110% of the next 12 months' forecast peak net funding requirements, including coverage for short-term capital market issues. Spark's funding policy requires that no more than 30% of long-term debt (including undrawn and standby facilities) can mature within the next 12 months, which has been met.

5.2 Financial risk management (continued)

c) Liquidity risk (continued)

Maturity analysis

The following table provides an analysis of Spark's remaining contractual cash flows relating to financial liabilities. Contractual cash flows include contractual undiscounted principal and interest payments.

AS AT 30 JUNE 2023	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	290	290	290	–	–	–	–
Sale and leaseback liabilities	75	76	18	17	20	21	–
Lease liabilities	778	1,224	57	56	104	274	733
Short and long-term debt	1,052	1,285	227	150	36	469	403
Derivative financial liabilities							
Interest rate swaps (net settled)	13	(14)	(3)	(3)	(5)	(2)	(1)
Cross–currency interest rate swaps (gross settled)							
Inflows	–	(650)	(6)	(11)	(17)	(315)	(301)
Outflows	84	755	22	21	38	351	323
Forward exchange contracts (gross settled)							
Inflows	–	(46)	(46)	–	–	–	–
Outflows	1	46	46	–	–	–	–
	2,293	**2,966**	**605**	**230**	**176**	**798**	**1,157**

AS AT 30 JUNE 2022	CARRYING AMOUNT $M	CONTRACTUAL CASH FLOWS $M	0-6 MONTHS $M	6-12 MONTHS $M	1-2 YEARS $M	2-5 YEARS $M	5+ YEARS $M
Non-derivative financial liabilities							
Trade payables	260	260	260	–	–	–	–
Sale and leaseback liabilities	87	93	22	25	24	22	–
Lease liabilities	344	434	35	30	52	111	206
Short and long-term debt	1,526	1,765	568	126	164	310	597
Derivative financial liabilities							
Interest rate swaps (net settled)	14	–	3	–	–	(2)	(1)
Cross–currency interest rate swaps (gross settled)							
Inflows	–	(686)	(6)	(11)	(17)	(161)	(491)
Outflows	64	771	14	17	34	197	509
Forward exchange contracts (gross settled)							
Inflows	–	(18)	(18)	–	–	–	–
Outflows	–	18	18	–	–	–	–
	2,295	**2,637**	**896**	**187**	**257**	**477**	**820**

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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	2023 $M	2022 $M
Statement of profit or loss and other comprehensive income		
Current income tax		
Current year income tax expense (excluding adjusting items)	(209)	(177)
Current year income tax expense on adjusting items[1]	31	–
Adjustments in respect of prior periods	(3)	(1)
Deferred income tax		
Depreciation, provisions, accruals, tax losses and other adjustments (excluding adjusting items)	24	8
Depreciation, provisions, accruals, tax losses and other adjustments on adjusting items[2]	137	–
Adjustments in respect of prior periods	3	(1)
Income tax expense recognised in the statement of profit or loss and other comprehensive income	**(17)**	**(171)**

1   This includes $26 million for the costs associated with assets disposed of in the sale of Connexa, $2 million for the unwind of the deferred tax asset explained below for the Connexa transaction and $2 million of current tax for the Spark Sport provision.
2   Due to the difference between the right-of-use assets and lease liabilities recognised at the date of the sale of Connexa, a deferred tax asset of $126 million was recognised, with a corresponding adjustment (reduction) to tax expense. The balance of the deferred tax asset at 30 June 2023 was $124 million. The Spark Sport provision had a deferred tax impact at 30 June 2023 of $12 million. The current tax impact of adjusting items of $31 million together with the deferred income tax impact of $137 million is $168 million (see note 2.5). The total tax expense on an adjusted (non-GAAP) basis for FY23 was $185 million.

Reconciliation of income tax expense

YEAR ENDED 30 JUNE	2023 $M	2022 $M
Net earnings before income tax	1,152	581
Tax at current rate of 28%	(323)	(163)
Adjustments to taxation		
Non-assessable gains on sale[1]	317	(3)
Other non-assessable items	(6)	3
Tax effects of non-New Zealand profits	(5)	(7)
Adjustments in respect of prior periods	–	(1)
Total income tax expense[2]	**(17)**	**(171)**

1   Comprises the tax effect of the $583 million net gain on sale of Connexa, being $163 million, the $126 million deferred tax impact described above and the $26 million current tax impact of the costs associated with the assets disposed of and other adjustments of $2 million.
2   Includes the tax effect of the net gain on sale of Connexa and the Spark Sport provision, being a credit to tax of $168 million (see note 2.5). The total tax expense on an adjusted (non-GAAP) basis for FY23 was $185 million.

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 2022	(58)	(3)	(7)	(40)	(108)
Amounts recognised in statement of profit or loss and other comprehensive income					
Relating to the current period[1]	9	123	14	15	161
Adjustments in respect of prior periods[2]	(13)	3	14	(1)	3
Amounts recognised in equity relating to the current year	–	–	–	(1)	(1)
Closing balance as at 30 June 2023	**(62)**	**123**	**21**	**(27)**	**55**

ASSETS/(LIABILITIES)	FIXED ASSETS $M	LEASES $M	PROVISIONS & ACCRUALS $M	OTHER $M	TOTAL $M
Opening balance as at 1 July 2021	(77)	(19)	(5)	19	(82)
Amounts recognised in statement of profit or loss and other comprehensive income					
Relating to the current period	20	16	(2)	(26)	8
Adjustments in respect of prior periods	(1)	–	–	–	(1)
Amounts recognised in equity relating to the current year	–	–	–	(27)	(27)
Amounts classified as held for sale	–	–	–	(6)	(6)
Closing balance as at 30 June 2022	**(58)**	**(3)**	**(7)**	**(40)**	**(108)**

1 Amounts relating to the current period include timing differences for the Connexa lease and the Spark Sport provision.
2 Adjustments in respect of prior periods reflect changes in the prior year tax balances used for financial reporting and tax return completion. In the current year these primarily relate to reclassifications between categories to align with the current year's presentation.

Spark has not recognised the tax effect of accumulated unrestricted losses and temporary differences amounting to AU$461 million at 30 June 2023 based on the relevant corporation tax rate of Australia (30 June 2022: AU$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 32 million imputation credit account balance as at 30 June 2023 due to the timing of dividend and tax payments (30 June 2022: negative 16 million). The imputation credit account had a positive balance as at 31 March 2023 and 31 March 2022.

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NOTES TO THE FINANCIAL STATEMENTS: OTHER INFORMATION

6.2 Employee share schemes

Spark operates share-based compensation plans that are equity settled as outlined below.

Share option scheme

From September 2019, members of the Leadership Squad (including the CEO) and selected senior leaders have been granted options under the new Spark Long-Term Incentive (LTI) scheme. Under the scheme participants are granted options at the start of the three-year vesting period. The number of options granted equals the gross LTI value divided by the volume weighted average price of Spark New Zealand shares for the 20 days prior to the grant date. Subject to satisfaction of the performance hurdle and continued employment, at vesting each option converts to a Spark share based on a zero exercise price. If the target is not met (or the participant leaves Spark employment) then the options simply lapse, with exceptions for redundancy, death and disablement. Spark enables participants to meet tax obligations through PAYE by authorising the sale of a sufficient number of shares on their behalf.

Vesting of the LTI grants are contingent on: participants' continued employment with Spark for three years from grant date (subject to exceptions); and the Company achieving the specified performance hurdles. The performance hurdle targets are set annually and for grants issued in 2019, 2020, 2021 this was the Company's cost of equity plus 1% compounding annually. For grants issued in 2022, 75% of the allocated shares will vest based on the performance hurdle target of the Company's cost of equity plus 1.5% compounding annually and 25% will vest based on performance against environmental and diversity targets. Options with an intrinsic value of $15 million (30 June 2022: $14 million) remain outstanding at 30 June 2023 and have a weighted average remaining life of 1.3 years (30 June 2022: 1.3 years).

Historic restricted share schemes (RSS)

A restricted share scheme was initially introduced for selected employees in September 2001. For new allocations after August 2015 these were replaced by two new restricted share schemes

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

The Spark New Zealand Long-Term Incentive Scheme was for the senior leaders including the Leadership Squad and delivered 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 were issued to Spark Trustee Limited. Participants purchase shares from Spark Trustee Limited with funds lent to them by the Company and which were held on their behalf by Spark Trustee Limited. If the individual was still employed by Spark at the end of the vesting period (generally three years) and applicable performance hurdles were met, the employee was provided a cash bonus, which was used to repay the loan and the shares were then transferred to the individual. The target for this hurdle was the Company's cost of equity plus 1% compounding annually. The last year when RSS shares were granted was FY19 therefore FY22 was the last year where RSS shares vested.

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

	2023 OPTIONS NUMBER OF OPTIONS	2022 OPTIONS NUMBER OF OPTIONS	2022 RSS NUMBER OF SHARES
Opening balance as at 1 July	2,840,293	1,845,544	566,041
Granted	1,144,179	1,042,944	–
Vested	(964,574)	–	(566,041)
Lapsed	(93,834)	(48,195)	–
Closing balance as at 30 June	**2,926,064**	**2,840,293**	**–**
Percentage of total ordinary shares	0.16%	0.15%	0.00%

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 this scheme for the year ended 30 June 2023 was $1.4 million (30 June 2022: $1.3 million). The expense relating to the restricted share schemes for the year ended 30 June 2022 was $0.1 million. As at 30 June 2023, $2.1 million of share scheme awards remain unvested and not expensed (30 June 2022: $1.6 million). This expense, measured at its fair value based on a valuation model, will be recognised over the remaining vesting period of the awards. On 19 September 2022, the options granted in September 2019 vested, the prevailing market rate at this date was $5.06 per share.

6.3 Related party transactions

Related parties of Spark include the associate and joint venture companies listed in note 3.3 and key management personnel detailed below.

Interest of directors in certain transactions

A number of the Company's directors are also directors of other companies and any transactions undertaken with these entities have been entered into on a commercial basis.

Transactions with associate and joint venture companies

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

- Spark provided network operations and management services to Southern Cross in respect of its operations in New Zealand
- Spark made payments to Southern Cross in connection with capacity it has purchased on Southern Cross' network
- Spark made payments to Southern Cross for operational expenditure relating to cable maintenance
- Southern Cross made a partial repayment for a shareholder loan
- Spark made payments to Adroit Holdings Limited for operational expenditure relating to environmental IoT services and hardware and received payments for IoT warehousing
- Spark received revenue from Rural Connectivity Group for the sale of mobile backhaul equipment
- Spark received payments from Hourua Limited for milestones delivered for the Public Safety Network and for use of Spark's corporate office space
- Spark made payments to Connexa for access to mobile towers, this includes lease and operating charges. Spark also received payments from Connexa for transition services, rental recovery, maintenance, site build and interest on shareholder loans. Further details of the impact of Connexa to Spark can be found in note 1.4.
- Spark made payments to Connect 8 Limited in the prior year for fibre and telecommunications construction services until the full acquisition of the entity on 31 January 2022.

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	2023 $M	2022 $M
Revenues[1]	21	5
Expenses	(23)	(13)
Capacity acquired and other capital expenditure[2]	(18)	(15)
Receivables[3]	167	20
Payables	(4)	–
Lease liabilities[4]	482	–

1 Including interest income on shareholder loans.
2 As at 30 June 2023 Spark has committed to purchases of $22 million for cable capacity from Southern Cross (30 June 2022: $49 million).
3 Receivables include shareholder loans to Connexa, including one non-interest bearing loan, and one interest bearing loan set at a market rate at the time of drawdown.
4 Payments made for related party lease liabilities in the year were $28 million.

Key management personnel compensation

YEAR ENDED 30 JUNE	2023 $'000	2022 $'000
Directors' remuneration[1]	1,473	1,263
Salary and other short-term benefits	7,509	8,116
Share-based compensation	784	743
	9,766	10,122

1 Excludes Chief Executive remuneration.

The table above includes remuneration of the Chief Executive and the other members of the Leadership Squad, including amounts paid to members of the Leadership Squad who left during the year ended 30 June or were in acting Leadership Squad positions. Like other Spark employees, members of the Leadership Squad also receive product and service concessions. In addition, where members of the Leadership Squad are KiwiSaver members, they receive contributions towards their KiwiSaver schemes.

NOTES TO THE FINANCIAL STATEMENTS: OTHER INFORMATION

6.4 Subsidiaries

Subsidiaries are all entities over which Spark has control. The significant subsidiary companies of Spark and their activities are as follows:

NAME	COUNTRY	OWNERSHIP	PRINCIPAL ACTIVITY
Computer Concepts Limited	New Zealand	100%	IT infrastructure and business cloud services
Connect 8 Limited	New Zealand	100%	Mobile infrastructure business
Digital Island Limited	New Zealand	100%	Business telecommunications provider
Entelar Limited	New Zealand	100%	Mobile phone repair and equipment distribution
Entelar Group Limited	New Zealand	100%	Telecommunications and IT infrastructure build and maintenance services, and distribution and supply chain services
Gen-i Australia Pty Limited	Australia[1]	100%	Provides international wholesale and outsourced telecommunications services
Mattr Limited	New Zealand	94%	Software company focused on decentralised identity and verifiable data
Qrious Limited	New Zealand	100%	Data analytics business
Revera Limited	New Zealand	100%	IT infrastructure and data centre provider
Spark Finance Limited	New Zealand	100%	A Group finance company
Spark New Zealand Trading Limited	New Zealand	100%	Telecommunications and digital services company
TCNZ (Bermuda) Limited	New Zealand	100%	A holding company
Teleco Insurance Limited	Bermuda[1]	100%	A Group insurance company
Telecom New Zealand USA Limited	United States[1]	100%	Provides international wholesale telecommunications services
Telecom Southern Cross Limited	New Zealand	100%	A holding company

1 These foreign incorporated entities are tax resident in New Zealand.

The financial year end of all significant subsidiaries is 30 June.

6.5 Reconciliation of net earnings to net cash flows from operating activities

YEAR ENDED 30 JUNE	2023 $M	2022 $M
Net earnings for the year	1,135	410
Adjustments to reconcile net earnings to net cash flows from operating activities		
Depreciation and amortisation	504	520
Bad and doubtful accounts	10	7
Deferred income tax[1]	(159)	(6)
Share of associates' and joint ventures' net losses[2]	16	1
Interest income on loans receivable from associates and joint ventures	(8)	–
Net gain on remeasurement of equity accounted investments[2]	(9)	–
Impairments	–	2
Gain on sale and acquisition of property, plant and equipment and intangibles	(20)	(10)
Gain on lease modifications and terminations	(13)	(16)
Net gain on sale of Connexa	(583)	–
Other	(7)	–
Spark Sport provision	54	–
Changes in assets and liabilities net of effects of non-cash and investing and financing activities		
Movement in receivables and related items	(110)	(52)
Movement in inventories	28	(41)
Movement in current taxation	(14)	17
Movement in payables and related items	(24)	9
Net cash flows from operating activities	800	841

1 Primarily relates to the net gain on sale of Connexa, see note 6.1 for further details.
2 Included within share of associates' and joint ventures' net losses is $4 million of transaction costs incurred by Connexa in relation to the 2degrees transaction, therefore this and the net gain on remeasurement of equity accounted investments represent the net gain on dilution of the investment in the Connexa group excluded from the adjusted result in note 2.5.

6.6 Commitments and contingencies

Capital and other commitments

As at 30 June 2023, capital expenditure contracted for, but not yet incurred, was $515 million (30 June 2022: $498 million) with $293 million due in the year ending 30 June 2024. Commitments principally relate to spectrum, telecommunications network equipment, data centre infrastructure and cable capacity.

On 12 May 2023, Spark signed an agreement with the Crown for a direct allocation of C-band mobile spectrum under a new model where the revenue is directly invested into accelerated mobile network upgrades that benefit provincial and rural New Zealand. Included in total capital commitments above is $18 million for this spectrum, $6 million was prepaid in the year ended 30 June 2023.

As at 30 June 2023 Spark had other supplier commitments of $588 million (30 June 2022: $689 million), with $352 million due in the year ending 30 June 2024. Commitments include mobile handsets, subscription services, modems and licences.

Contingencies

No ongoing claims, investigations or 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 2023, 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 89 to 135, present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2023, 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) and non-assurance services provided to the Corporate Taxpayers Group, of which the Group is a member. These services have not impaired our independence as auditor of the Group. In addition to this, the Chief Executive has both a sister and brother-in-law that are partners at Deloitte. These Deloitte partners are not involved in the provision of any services to the Group and its subsidiaries and this matter has not impacted our independence. Also, partners and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. The firm has no other relationship with, or interest in the Group.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Revenue recognition

The Group's reported operating revenue of $3,875m, (2022: $3,694m) includes:

- Mobile $1,470m (2022: $1,351m)
- Broadband $626m (2022: $639m)
- Procurement and partners $584m (2022: $538m)
- Cloud, security and service management $436m (2022: $446m)
- Managed data, networks and services $287m (2022: $283m)
- Voice $231m (2022: $285m)
- Other operating revenues $241m (2022: $152m)

Revenue recognition is considered to be a key audit matter.

For Mobile and Broadband revenue, and to a lesser extent other revenue streams, there is an inherent risk around the accuracy and timing of revenue recognition given the complexity of systems and the large volume of data processed; moreover, judgement is required for multiple element arrangements. This risk is most pronounced for new or changing product plans and prices.

Cloud, security and service management revenue requires significant management judgements and estimates, particularly for larger contracts, which are bespoke and cover several accounting periods.

The judgements and estimates that significantly impact the accuracy of revenue recognition for these contracts include:

- identifying the separate performance obligations;
- assessing whether the performance obligations are satisfied at a point in time or over time; and
- determining the amount and appropriate method of measuring the costs of fulfilling the performance obligations or, where appropriate, the completeness and valuation of provisions against contracts that are expected to be loss-making.

Contract costs incurred to fulfil a contract arising from these contracts require significant estimation in determining their recoverability, and the appropriate period of amortisation.

Disclosures relating to revenue recognition and the revenue stream 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.

Our audit approach included both controls testing and substantive procedures. For our procedures on the design and operating effectiveness of controls over significant IT systems, we involved our IT specialists.

Our audit procedures included:

Across **Mobile and Broadband**, and **Cloud, security and service management** revenue streams:

- assessing the appropriateness of the revenue recognition policies for the products and services offered by the Group, which included but were not limited to:
  - » challenging the Group's assessment for each performance obligation about whether the customer can benefit from the product or service on its own or together with readily available resources;
  - » assessing the allocation of the transaction price to the performance obligations by comparing the stand-alone selling price assigned to observed market prices or estimated prices; and
  - » examining the stages at which revenue for each performance obligation is recognised.
- testing of manual journal entries recorded in the general ledger relating to revenue recognition.

Mobile and Broadband:

- testing of the design and implementation, and the operating effectiveness of automated controls and interfaces between relevant IT applications, measurement and billing of revenue, and the recording of entries in the general ledger. We also tested the access controls and change management controls over the relevant billing systems;
- testing of the design and implementation, and the operating effectiveness of manual controls over the initiation, authorisation, recording and processing of revenue transactions. This included evaluating process controls over authorising new price plans and rate changes and the adjustments to the relevant billing systems;
- testing the design and implementation of revenue recognition controls, including rating and billing during the year as it relates to new or changing product plans;
- recalculating revenue recognised to evaluate that the processing by the relevant telecommunication system is materially correct;
- reviewing new product plans in the current year to understand each of the performance obligations in the bundled offering;
- for new product plans that provide a bundle of services, assessing whether the customer can benefit from the product or service on its own or together with readily available resources; and
- assessing the recognition and timing of costs to acquire and costs to fulfil customer contracts.

Key audit matter	How our audit addressed the key audit matter
	Cloud, security and service management: • testing of cloud, security and service management contracts for appropriate revenue recognition and provisioning for contracts that were expected to be loss-making. We considered the future forecast profitability and the contractual terms to assess the recoverability of the contract-specific assets and to determine if any contracts required loss provisions; and • testing a sample of revenue transactions recorded during the year by agreeing to supporting evidence, which included cash receipts, customer contracts, and invoices. We focused our work on contracts which we regarded as higher risk because of the nature of the contract and the stage of delivery.
Carrying value of property, plant & equipment and intangible assets The Group has property, plant & equipment and intangible assets of $2,070m (2022: $1,948m). There are a number of areas where judgements significantly impact the carrying value of property, plant & equipment and intangible assets and their respective depreciation and amortisation profiles. These areas are as follows: • the impact of planned or unexpected replacement technology which will impact the way in which an asset is used or is expected to be used; • the determination of whether to capitalise or expense costs, particularly for capitalised labour; • the useful economic life of the asset; and • the timely transfer and commencement of depreciation of assets transferred from work in progress. Changes in these judgements may have a significant impact on the results of the Group. Due to the significance of these judgements and the materiality of these assets to the consolidated Statement of Financial Position, this is considered a key audit matter. Refer to notes 3.6 and 3.7.	Our audit procedures included the following: • testing of the design and implementation 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 whether the expenditure meets the definition of an asset in accordance with the applicable accounting standards; • assessing the reasonableness of the internal labour rates used to capitalise internal labour; • assessing the appropriateness of the date from which assets commenced being depreciated; • assessing the allocated useful economic lives, by comparing to industry benchmarks and our knowledge of the business and its operations; and • reviewing Board minutes and performing enquiries with management personnel around the prevailing risks of technological obsolescence and assessing their impact on the useful lives/impairment risk of existing assets. We assessed the application of the Group's annual asset life review. This included assessing judgements made by the Group on: • the appropriateness of asset lives applied in the calculation of depreciation and amortisation; • the nature and impact of changes on the business from Spark's strategy, including which specific assets are impacted; and • the extent of the impact of these changes on the carrying value of identified property, plant and equipment and software intangible assets.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Jason Stachurski, Partner for Deloitte Limited

Auckland, New Zealand

18 August 2023

Other information

Corporate governance disclosures

Stock exchange listings

Spark's ordinary shares are listed on the NZX and ASX. Spark is admitted to the Official List of ASX as a foreign exempt issuer. As an NZX listed issuer and ASX foreign exempt issuer, Spark complies with NZX Listing Rules and applicable ASX Listing Rules.

Spark's American Depositary Shares, each representing five ordinary Spark shares and evidenced by American Depositary Receipts (ADRs), are traded over-the-counter in the United States. This is a Level 1 ADR programme that is sponsored by Bank of New York Mellon.

Spark Finance Limited, a wholly-owned subsidiary of Spark New Zealand Limited, has debt securities listed on the NZDX. Details of debt securities issued by Spark Finance Limited can be found in Spark Finance Limited's reports at: **investors.sparknz.co.nz/Investor-Centre**

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 FY23 were:

BOARD/COMMITTEE[1]	CHAIR[2]	MEMBER[3]
Board of Directors	$381,700	$150,300
Audit and Risk Management Committee (ARMC)	$40,500	$19,700
Human Resources and Compensation Committee (HRCC)	$34,700	$17,400

1. All non-executive directors are members of the Nominations and Corporate Governance Committee (NOMs) and receive no additional fees for this role.
2. Committee chair and member fees were not payable to the Chair of the Board. Committee member fees were not payable to committee chairs.
3. Member fees were payable for each committee.

There is no increase to non-executive director fees for FY24. Fees will continue to be paid out of the current shareholder-approved annual remuneration limit of $1,630,000.

Fees are broadly aligned to 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 2023 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)
Sheridan Broadbent	Warwick Bray	Alison Barrass
David Havercroft	Sheridan Broadbent	Warwick Bray
Justine Smyth	Gordon MacLeod	Sheridan Broadbent
	Justine Smyth (ex officio)	David Havercroft
		Jolie Hodson
		Gordon MacLeod
		Charles Sitch

The total remuneration received by non-executive directors of Spark during FY23 was as follows:[1]

NAME OF DIRECTOR	BOARD FEES[2]	AUDIT & RISK MANAGEMENT COMMITTEE FEES	HUMAN RESOURCES AND COMPENSATION COMMITTEE FEES	TOTAL REMUNERATION[3]
Justine Smyth	$381,700	–	–	$381,700
Alison Barrass	$150,300	–	$34,700	$185,000
Paul Berriman[4]	$51,870	$6,799	–	$58,669
Warwick Bray	$150,300	$19,700		$170,000
Sheridan Broadbent[5]	$137,639	$9,850[6]	$15,934	$163,423
David Havercroft	$150,300		$17,400	$167,700
Gordon MacLeod[7]	$137,639	$18,194		$155,833
Charles Sitch	$150,300	$40,500	-	$190,800
Total	**$1,310,048**	**$95,043**	**$68,034**	**$1,473,125**

1. The figures shown are gross amounts and exclude GST (where applicable) and are rounded to the nearest dollar.
2. All non-executive directors are members of the Nominations and Corporate Governance Committee (NOMs) and receive no additional fees for this role.
3. This table excludes contributions towards medical and life insurance of a total of $14,285. Spark meets costs incurred by directors that are incidental to the performance of their duties. This includes providing New Zealand-based directors with mobile phones and $120 per month which can be used towards Spark products or services and overseas-based directors with $400 per month phone allowances. Spark also meets the costs of directors' Spark-related travel. As these costs are incurred by Spark to enable directors to perform their duties, no value is attributable to them as benefits to directors for the purposes of the above table.
4. Mr Berriman resigned as a director from 4 November 2022.
5. Ms Broadbent was appointed a director and a member of the HRCC from 1 August 2022.
6. Ms Broadbent was appointed a member of the ARMC from 1 January 2023.
7. Mr MacLeod was appointed a director and a member of the ARMC from 1 August 2022.

CEO remuneration

The total remuneration earned or paid in FY23, and anticipated target remuneration expected to be earned or paid in FY24, by and to the CEO, Jolie Hodson is as follows:

PERIOD	BASE SALARY[1]	SHORT-TERM INCENTIVE[2]	LONG-TERM INCENTIVE[3]
FY23 actual remuneration	NZ$1,266,900	NZ$501,692	NZ$950,175, in the form of share options
FY24 anticipated target remuneration	NZ$1,266,900	NZ$950,175	NZ$950,175 in the form of share options

1. Base salary excludes employer contributions towards KiwiSaver and is not at risk.
2. FY23 actual short-term incentive was earned in FY23 and will be paid in FY24. The gross amount earned in FY22 and paid in FY23 was $977,850. FY24 anticipated short-term incentive will be earned in FY24 and paid in FY25.
3. FY23 long-term incentive was granted in 2022 and, subject to performance hurdles, will vest in September 2025.

The following CEO long-term incentives vested in FY23:

GRANT YEAR	SECURITIES	PERFORMANCE PERIOD	PERFORMANCE MEASURE	VESTING OUTCOME	SHARES TRANSFERRED	VALUE TRANSFERRED[1]
FY20	Options	September 2019 – September 2022	Absolute TSR[2], hurdle – Spark's annual cost of equity + 1% compounding	100% – 3 year TSR result was 44.50% compared with a 32.63% target	203,317	**NZ$1,012,519**

1. Represents the value of the shares for tax purposes on the basis of permitted valuation methods.
2. Total Shareholder Return.

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 2023 the CEO held 311,830 ordinary shares, which exceeds the ideal shareholding requirement to hold shares that are at least equivalent in value to 100% of the CEO's base salary.

Other directors' fees

Mr Richard Quince received a director's fee of NZ$10,000 (excluding GST) for acting as a director of Teleco Insurance (NZ) Limited.

Board and committee meeting attendance for FY23

The Board held eight formal meetings and three special meetings during FY23. 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	11	8	8	4
Alison Barrass	10	–	8	4
Paul Berriman[1]	6	4	–	1
Warwick Bray	11	8	–	4
Sheridan Broadbent[2]	10	3	7	4
David Havercroft	10	–	7	4
Jolie Hodson[3]	11	8	8	4
Gordon MacLeod[4]	10	8	–	4
Charles Sitch	11	8	–	4
Justine Smyth[5]	11	6	8	4

1. Mr Berriman resigned as a director from 4 November 2022.
2. Ms Broadbent was appointed as a director, member of the HRCC and NOMs from 1 August 2022 and was appointed a member of the ARMC from 1 January 2023.
3. Ms Hodson attended ARMC and HRCC meetings as Executive Director.
4. Mr MacLeod was appointed as a director and a member of the ARMC and NOMs from 1 August 2022.
5. Ms Smyth attended ARMC meetings in an ex officio capacity.

Director independence

As part of the formal independence assessment, the Board considered all business relationships and close personal ties between Spark and any companies of which a non-executive director is an employee, director or substantial shareholder (if any). The Board has determined, based on information provided by directors regarding their interests, that at 30 June 2023 Ms Barrass, Mr Bray, Ms Broadbent, Mr MacLeod, Mr Sitch and Ms Smyth were independent.

The Board determined that Ms Hodson was not independent due to her position as CEO, and Mr Havercroft was not independent due to his recent relationships with Spark, which have now ceased.

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

Director interests

- In accordance with sections 140 and 211(e) of the Companies Act 1993, the table below lists the general disclosures of interests made by Directors in the interests register that remained current, including changes made to those interests, during FY23:

DIRECTOR	ENTITY	RELATIONSHIP
Alison Barrass	GWA Group Limited	Ceased to be director
	Suncorp NZ Limited	Appointed director
	Rockit Global Limited (and related companies)	Director and shareholder
	Tom & Luke Holdings Limited	Director and Chair
	Babich Wines Limited	Chair
	Zespri Group Limited	Director
	Institute of Directors	Member of the Nominations Committee
Warwick Bray	Woolworths Group Limited	Appointed Director
Sheridan Broadbent	Cloudsource Holding Limited	Ceased to be director
	Manawa Energy Limited	Director
	Pipeline and Civil Limited	Director and Chair
	Pipeline Group Limited	Director and Chair
	PLC Plant Limited	Director and Chair
	Cybersecurity Advisory Committee	Ceased to be Committee member
	Business Leaders' H&S Forum	Deputy Chair
David Havercroft	Kiwi Wealth Investments General Partner Limited	Ceased to be director
	Kiwi Wealth Management Limited	Ceased to be director
	Kiwi Investment Management Limited	Ceased to be director
	Kiwi Wealth Limited	Ceased to be director
	Portfolio Custodial Nominees Limited	Ceased to be director
	W3 Capital Limited	Director
	Westpac New Zealand Limited	Director
Jolie Hodson	Digital Boost Alliance Aotearoa	Ceased to be Chair
	MATTR Limited	Director
	NZ Telecommunications Forum Inc.	Board member
	Climate Leaders Coalition	Convenor of the Coalition's CEO Steering Group
Gordon MacLeod	Delegat Group Limited	Director
	Spanbild Holdings Limited	Board advisor
	Breast Cancer Foundation NZ	Trustee
Justine Smyth	Mondiale VGL Group Limited	Appointed director and Chair
	Breast Cancer Foundation NZ	Chair and Trustee
	MATTR Limited	Director

Directors disclosed, pursuant to section 148 of the Companies Act 1993, the following acquisitions and disposals of relevant interests in Spark shares during FY23:

NAME	DATE	NATURE OF TRANSACTION	CONSIDERATION	NUMBER OF SHARES
Sheridan Broadbent	26 August 2022	Purchase of ordinary shares by Mariachi Desperados Trust	$26,623.50	5,000
	19 September 2022	Purchase of ordinary shares by Mariachi Desperados Trust	$51,419	10,000
Jolie Hodson	19 September 2022	Issue of options	Services to Spark	178,870
	3 October 2022	Conversion of options	Services to Spark	203,317
	3 October 2022	Sale of ordinary shares	$403,355.10	80,995
Justine Smyth	2 September 2022	Purchase of ordinary shares by PJ Trust	$175,408.44	32,733
	7 September 2022	Purchase of ordinary shares by PJ Trust	$21,049.22	3,913
	14 September 2022	Purchase of ordinary shares by PJ Trust	$179,346.12	33,354

• 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 2023 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 FY23 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
Mahi Tahi – Wellbeing support[11]	Yes	Yes	Yes

1. Excludes benefits offered to some subsidiaries, which differ from Spark's overall benefits suite.
2. Eligibility for Parental Leave is in accordance with Government legislation.
3. Employees must work at least 15 hours a week to be eligible.
4. Employees with active Spark mobile or broadband accounts will receive monthly credits of $120, which can be used towards Spark products or services.
5. Spark's employee share purchase scheme provide a simple and cost-effective way for Spark NZ employees to acquire discounted shares through an interest free loan paid off over three years, giving employees a real stake in the future success of the company.
6. The opportunity for Spark employees to take a day of paid volunteer leave.
7. For specific charities, Spark will match employee donations dollar-for-dollar, up to a $500 annual matching cap.
8. Casual employees are ineligible.
9. Marram Trust offers access to accommodation across New Zealand for discounted rates, as well as providing a basic level of healthcare cover.
10. The ability to purchase additional annual leave via a deduction of base salary.
11. Wellbeing support includes our Employee Assistance Programme, access to wellbeing coaches, counselling with OutLine Aotearoa, specialist clinical support from our in-house psychotherapist and health psychologist and subscription to the Take A Breath Platform.

Employee remuneration

The table below shows the number of employees and former employees, not being directors of Spark, who, in their capacity as employees, received remuneration and other benefits during FY23 totalling NZ$100,000 or more[1].

RANGE	CURRENT	FORMER	TOTAL	RANGE	CURRENT	FORMER	TOTAL
$100,000 – $110,000	346	33	379	$360,001 – $370,000	3	0	3
$110,001 – $120,000	273	26	299	$370,001 – $380,000	2	1	3
$120,001 – $130,000	278	22	300	$380,001 – $390,000	1	1	2
$130,001 – $140,000	262	16	278	$390,001 – $400,000	1	0	1
$140,001 – $150,000	242	5	247	$400,001 – $410,000	2	1	3
$150,001 – $160,000	189	7	196	$420,001 – $430,000	3	0	3
$160,001 – $170,000	122	13	135	$440,001 – $450,000	2	0	2
$170,001 – $180,000	86	6	92	$450,001 – $460,000	4	0	4
$180,001 – $190,000	80	3	83	$470,001 – $480,000	1	1	2
$190,001 – $200,000	64	4	68	$480,001 – $490,000	2	0	2
$200,001 – $210,000	47	2	49	$500,001 – $510,000	2	0	2
$210,001 – $220,000	26	2	28	$510,001 – $520,000	1	0	1
$220,001 – $230,000	23	4	27	$520,001 – $530,000	1	0	1
$230,001 – $240,000	20	2	22	$540,001 – $550,000	1	0	1
$240,001 – $250,000	16	2	18	$570,001 – $580,000	1	0	1
$250,001 – $260,000	11	2	13	$580,001 – $590,000	1	1	2
$260,001 – $270,000	11	2	13	$590,001 – $600,000	1	0	1
$270,001 – $280,000	10	1	11	$620,001 – $630,000	1	0	1
$280,001 – $290,000	4	2	6	$740,001 – $750,000	1	0	1
$290,001 – $300,000	2	1	3	$890,001 – $900,000	1	0	1
$300,001 – $310,000	5	3	8	$900,001 – $910,000	1	0	1
$310,001 – $320,000	4	0	4	$980,001 – $990,000	1	0	1
$320,001 – $330,000	1	0	1	$1,130,001 – $1,140,000	1	0	1
$330,001 – $340,000	2	1	3	$1,150,001 – $1,160,000	1	0	1
$340,001 – $350,000	4	0	4	$1,560,001 – $1,570,000	1	0	1
$350,001 – $360,000	1	1	2		**2166**	**165**	**2331**

1. The table includes base salaries, short-term incentives and vested long-term incentives. The table does not include: amounts paid after 30 June 2023 relating to FY23; long-term incentives that have been granted and have yet to vest (based on grant values, the total value of which was NZ$11.1 million as at 30 June 2023); 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 2023 there were 1,845,000,906 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	12,946	29.87	6,494,477	0.35
1,001–5,000	18,452	42.57	47,926,965	2.60
5,001–10,000	6,163	14.22	45,560,035	2.47
10,001–100,000	5,552	12.81	129,025,841	6.99
100,001 and over	229	0.53	1,615,993,588	87.59
Total	**43,342**	**100.00**	**1,845,000,906**	**100.00**

1. Includes 1,777,157 shares on issue held by Spark Trustee Limited on behalf of 1,283 holders for Spark Share (FY22: 1,744,191 shares on issue held by Spark Trustee Limited on behalf of 1,321 holders of Spark Share).

The 20 largest registered holders of Spark shares at 30 June 2023 were:

NAME[1]		NUMBER OF SHARES	%
1.	HSBC Nominees (New Zealand) Limited[2]	324,970,379	17.61
2.	HSBC Nominees (New Zealand) Limited[2]	212,112,734	11.50
3.	JP Morgan Chase Bank	158,805,100	8.61
4.	Citibank Nominees (NZ) Limited	109,178,836	5.92
5.	BNP Paribas Nominees NZ Limited[3]	99,851,438	5.41
6.	HSBC Custody Nominees (Australia) Limited	62,786,217	3.40
7.	Custodial Services Limited	62,775,543	3.40
8.	National Nominees New Zealand Limited	50,013,462	2.71
9.	Accident Compensation Corporation	49,843,365	2.70
10.	Forsyth Barr Custodians Limited	36,461,028	1.98
11.	New Zealand Superannuation Fund Nominees Limited	35,552,650	1.93
12.	Citicorp Nominees Pty Limited	34,156,306	1.85
13.	FNZ Custodians Limited	34,043,334	1.85
14.	JP Morgan Nominees Australia Pty Limited	32,028,688	1.74
15.	JB Were (NZ) Nominees Limited	26,241,292	1.42
16.	BNP Paribas Nominees NZ Limited[3]	25,440,987	1.38
17.	Premier Nominees Limited	23,898,147	1.30
18.	New Zealand Depository Nominee	23,695,548	1.28
19.	New Zealand Permanent Trustees Limited	21,378,266	1.16
20.	Public Trust	16,192,559	0.88

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 2023 the substantial holders in Spark were as follows:

NAME	NUMBER OF ORDINARY SHARES	% OF ORDINARY SHARES ON ISSUE[1]
Blackrock Investment Management (Australia) Limited	161,169,532	8.74

1. Based on issued share capital of 1,845,000,906 as at 30 June 2023.

As at 30 June 2023 directors, or entities related to them, held relevant interests (as defined in the Financial Markets Conduct Act 2013) in Spark shares as follows:

NAME	RELEVANT INTEREST IN SPARK SHARES AT 30 JUNE 2023	
	NUMBER	%[1]
Alison Barrass	37,716	0.002
Warwick Bray	31,230[2]	0.002
Sheridan Broadbent	15,000[3]	0.001
David Havercroft	100,086	0.005
Jolie Hodson	867,976[4]	0.047
Charles Sitch	39,350[5]	0.002
Justine Smyth	500,201[6]	0.027

1. Each percentage stated has been rounded to the nearest 1/1000th of a percent.
2. Relevant interest in beneficial ownership of 31,230 ordinary shares held by WDB Insight Pty Limited.
3. Relevant interest in beneficial ownership of 15,000 ordinary shares held by Mariachi Desperados Trust.
4. Includes 311,830 ordinary shares and 556,146 options.
5. Relevant interest in beneficial ownership of 39,350 ordinary shares held by Sitch Superannuation Pty Limited.
6. Relevant interest in beneficial ownership of 375,201 ordinary shares held by Miksha Trust and beneficial ownership of 125,000 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, this was 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, this was 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 2023. Alternate directors are indicated with an (A).

SUBSIDIARY COMPANY	PRINCIPAL ACTIVITY	CURRENT DIRECTORS	DIRECTORS WHO RETIRED DURING THE YEAR
Computer Concepts Limited	IT infrastructure and Cloud services	M Anastasiou, G McBeath, S Knight	
Connect 8 Limited	Mobile infrastructure business	M Beder, H Polglase, M Sheppard	R Singh, C Phipps
Digital Island Limited	Business telecommunications provider	S Knight, G McBeath	
Entelar Group Limited	Telecommunications and IT infrastructure build and maintenance services, and distribution and supply chain services	M Beder, H Polglase, M Sheppard	
Entelar Limited	Mobile phone repair and equipment distribution	M Beder, H Polglase, M Sheppard	R Singh, J Bahlman, G Clark
Gen-i Australia Pty Limited	Provides international wholesale and outsourced telecommunications services	F Evett, I Hopkins	
MATTR Limited	Software company focussed on decentralised identity and verifiable data	C Barber, J Hodson, J Smyth, S Knight	
Qrious Limited	Data analytics business	S Knight, M Anastasiou	
Revera Limited	IT infrastructure and data centre provider	M Anastasiou, G McBeath, S Knight	
Spark Finance Limited	Group finance company	M Anastasiou, M Sheppard, S Knight, A White	
Spark New Zealand Cables Limited	Investment company	M Sheppard, L Urquhart	
Spark New Zealand Trading Limited	Telecommunications and digital services company	M Anastasiou, S Knight, M Beder	
Spark Trustee Limited	Trustee company	M Anastasiou, S Knight	
TCNZ Australia Investments Pty Limited	Australian operations	F Evett, I Hopkins	
TCNZ (Bermuda) Limited	Holding company	J Wesley-Smith, J Wong	
TCNZ Financial Services Limited	Investment company	M Anastasiou, F Evett	
TCNZ (United Kingdom) Securities Limited	Holding/investment company	F Evett, M Palmer, J Reader	
Teleco Insurance Limited	Group insurance company	C Phipps, C Feathers, A White, M Anastasiou (A), F Evett (A)	
Teleco Insurance (NZ) Limited	Mobile phone insurance	A White, R Quince	
Telecom Capacity Limited	Holding company	S Knight, J Wong	
Telecom Enterprises Limited	Investment company	M Anastasiou, S Knight	
Telecom New Zealand (UK) Enterprises Limited	Holding/investment company	F Evett, M Sheppard	
Telecom New Zealand USA Limited	Provides international wholesale telecommunications services	A Preston, J Wong	D Reeve
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	

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 dashboard (quarterly)	✔							
Performs other items from its charter	✔							
Prepares strategy and annual plan		✔						
QBR process and next 90-day priorities		✔						
Coaches and guides Leads		✔						
Owner for principal risks		✔						
Designs and continuously improves the managing risk framework			✔					
Helps the business apply the framework			✔					
Profiles the principal and next 90-day risks for LS and ARMC			✔					
Helps Leads to capture their risks for the QBR Memo			✔					
Executes Internal Audit plan (objective assurance)			✔					
Designs and continuously improves the empowerment framework				✔				
Creates empowerment & functional guidance kits				✔				
Oversees essential policies and webpage				✔				
Creates and delivers training modules				✔				
Use the Empowerment and Managing Risk Frameworks					✔			
Understand and adhere with the essential policies					✔			
Maintain view of risks for OKRs and fill in QBR Memo					✔			
Provide input into principal risk process					✔			
Escalate risks to LS or Risk Team (if required)					✔			
Review risk sections in QBR packs across Spark						✔		
Maintain view of risks for their OKRs and fill in QBR						✔		
Support Leads to manage identified risks						✔		
Provide input into principal risks						✔		
Maintain policy and guidance material							✔	
Complete assessments of effectiveness							✔	
Participate in policy owner working groups							✔	
Follow this framework and the essential policies								✔
Make informed decisions after assessing the benefits and risks								✔

Sustainability appendix

As an integrated report we have included disclosure on our sustainability performance throughout this report. Pages 6 and 7 detail our integrated reporting value creation model, aligned to the 'capitals' which each have a dedicated section in the report.

This report is prepared in accordance with the International <IR> Framework and with the Global Reporting Initiative (GRI) Core Option. It also incorporates climate risk disclosure aligned to the incoming New Zealand Climate Related Disclosure reporting recommendations aligned to the Task Force on Climate-related Financial Disclosures (TCFD) framework.
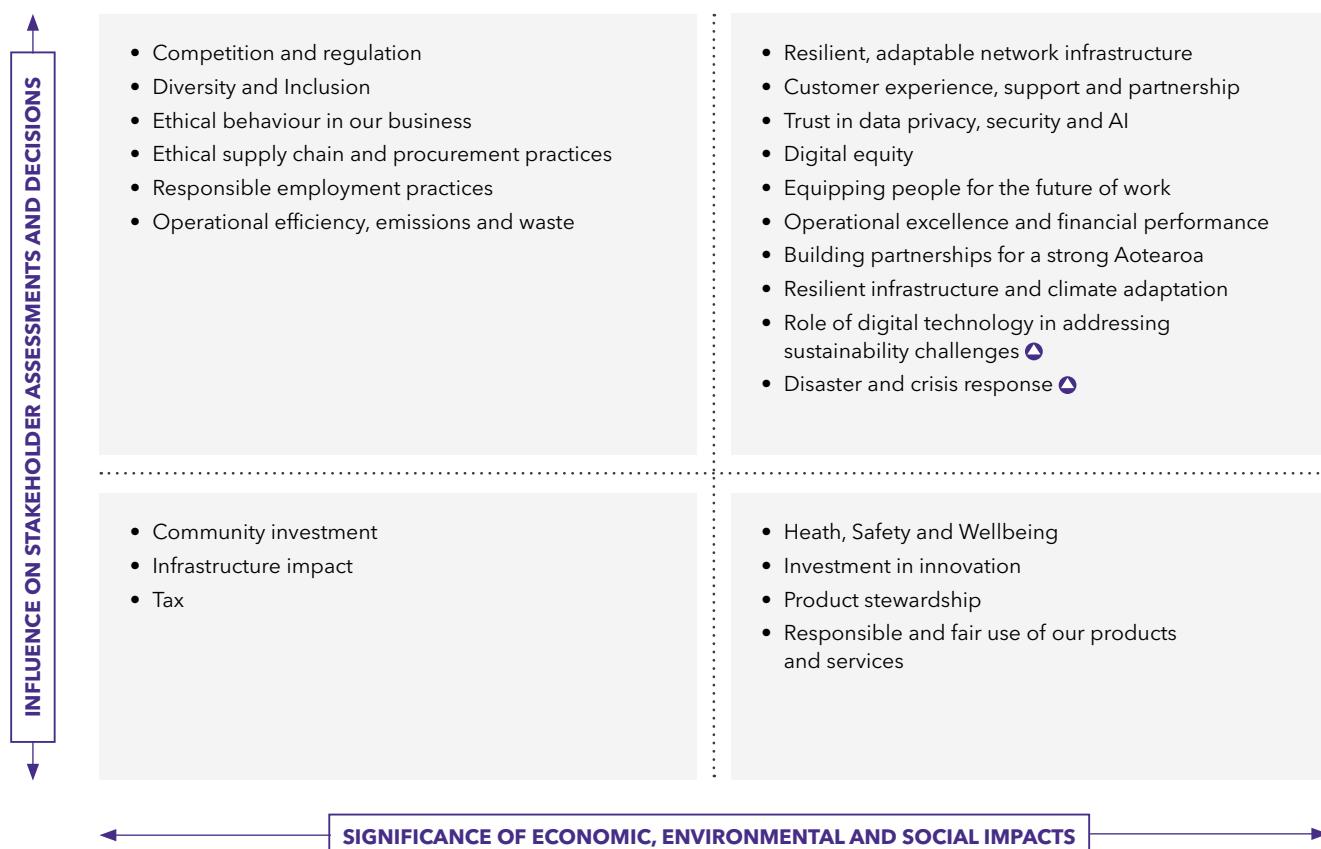
We publish a summary of our approach to sustainability at Spark on our website: **https://www.sparknz.co.nz/sustainability/**

Materiality

To prioritise Spark's reporting on sustainability topics we follow the GRI materiality principle (set out in GRI 101) to identify and prioritise topics which substantively influence the assessments and decisions of stakeholders or have a significant environmental, social, or economic impact. We also consider the materiality principles of the Integrated Reporting International <IR> Framework, considering whether a matter could substantively affect Spark's ability to create value in the short, medium, or long term.

Our assessment of material topics includes analysis of stakeholder feedback, review of industry peers, and interviews with external stakeholders. Internally we consult with a range of employees, including members of our strategy, finance, community, corporate relations, risk, legal & regulatory, and people and culture teams, to determine Spark's view of topics meeting the GRI materiality principle criteria.

We have updated our materiality matrix for FY23. This includes incorporating AI alongside trust in privacy and security, merging network resilience and climate adaptation into a single topic, increasing the importance of disaster crisis response and the role of digital technology in addressing sustainability challenges.

INFLUENCE ON STAKEHOLDER ASSESSMENTS AND DECISIONS

- Competition and regulation
- Diversity and Inclusion
- Ethical behaviour in our business
- Ethical supply chain and procurement practices
- Responsible employment practices
- Operational efficiency, emissions and waste

- Resilient, adaptable network infrastructure
- Customer experience, support and partnership
- Trust in data privacy, security and AI
- Digital equity
- Equipping people for the future of work
- Operational excellence and financial performance
- Building partnerships for a strong Aotearoa
- Resilient infrastructure and climate adaptation
- Role of digital technology in addressing sustainability challenges ⬨
- Disaster and crisis response ⬨

- Community investment
- Infrastructure impact
- Tax

- Heath, Safety and Wellbeing
- Investment in innovation
- Product stewardship
- Responsible and fair use of our products and services

SIGNIFICANCE OF ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS

⬨ Issue moved up from FY22 due to greater influence on stakeholder assessments and decisions

Our most material sustainability issues

TOPIC	TOPIC DESCRIPTION AND SCOPE	REFERENCE
Resilient infrastructure and climate adaptation	The resilience of our infrastructure. Our long-term adaptation to climate change.	Our network and technology Pages 32 – 41 Climate change risk Pages 74 – 77
Customer experience, support and partnership	Providing high-quality, reliable products and services that enable our customers. Rectifying issues where they may arise. Partnering with our customers to enable their success through digital technology.	Our customers Pages 22 – 31
Trust in data privacy, security and AI	How we collect, use and share personal information and how we keep it safe. Building trust in our products and services. Ethical use of AI technologies.	Our customers Pages 22 – 31
Digital equity	Providing equitable access to telecommunications products and services and to the benefits of digital technology.	Our communities Pages 62– 67
Disaster and crisis response	The role of telecommunications in responding to natural disasters and crisis events.	Our network and technology Pages 32 – 41
Equipping people for the future of work	Developing and upskilling for future ways of working including building digital skills aligned to digital equity outcomes.	Our people Pages 50 – 61 Our communities Pages 62 – 67
Operational excellence and financial performance	Executing our business strategy to build financial capital.	Our performance Pages 18 – 21 Financial statements Pages 88 – 139
Building partnerships for a strong Aotearoa	Focus on community partnerships and collaboration aligned to our Māori Strategy, Te Korowai Tupu.	Our communities Pages 62 – 67 Te Korowai Tupu Page 57
The role of digital technology in addressing sustainability challenges	Opportunities to use digital technology to address sustainability challenges such as climate mitigation, climate adaptation, water quality, biodiversity loss. Partnering with our customers to increase their resilience, productivity and sustainability.	Our environment Pages 42– 49

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 engage with, we are guided by the definition set out in GRI 101: which is, "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 surveys and use of 'sounding boards' on large programmes of work • 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; • Annual meeting that allows shareholders a chance to meet and ask questions directly of the Spark Board and Management; • Regular investor roadshows; 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 • Meetings with customers on sustainability topics, sharing sustainability focus areas and exploring opportunities to work together
Government	• Engagement with central Government on issues related to the telecommunications industry, 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	• We engage with local communities affected by our activities, in particular where we are building new network infrastructure
Community partners	• Spark Foundation works in partnership with community partners on an ongoing basis
Industry organisations	• Engagement with a number of industry organisations, representing the telecommunications and technology sector, community groups, and the New Zealand business community

External initiatives Spark subscribes to or endorses

• Spark is a founding member of the Climate Leaders Coalition (CLC). The CLC is a group of CEOs who have collectively committed to voluntary action on climate change, measuring and publicly reporting on their emissions, and setting an absolute target for reducing emissions in line with the Paris Agreement. Spark's CEO, Jolie Hodson, is the Convenor of the CLC.

• Spark has committed to a Government-accredited voluntary Product Stewardship scheme for mobile phones, which is actioned by the Re:Mobile initiative. See page 47.

• Spark is a member of the Digital Boost Alliance which is a Government-led initiative that brings together the public sector and corporate sector to help small-medium businesses and individuals across Aotearoa lift their use of digital technologies.

Spark was an active member of the following associations in FY23:

• International Telecommunication Union (Radiocommunication Sector membership)
• Infrastructure New Zealand
• GSM Association (GSMA)
• New Zealand Internet Task Force
• Telecommunications Forum (TCF)
• NZ Tech (Including Internet of Things Alliance and AI Industry Forum)
• TUANZ

• Business NZ
• Sustainable Business Council
• Sustainable Business Network
• Global Women (including Champions for Change)
• Joint Audit Cooperation (JAC) initiative
• Digital Boost Alliance
• Digital Equity Coalition Aotearoa (DECA) (membership through Spark Foundation)

Climate change metrics and targets

Our detailed Climate Risk section is on pages 74–77.

Information on our emissions and SBTi target is available in the Our Environment section on page 44.

Our standalone Greenhouse Gas Inventory Report is available at: **www.sparknz.co.nz/sustainability/environment**

NZ CS1 Ref.	Metric Category	FY23	Notes
22(a)(i)	Scope 1 emissions	2,694 tCO$_2$e	
22(a)(ii)	Scope 2 emissions (location-based)	10,301 tCO$_2$e	
	Scope 2 emissions (market-based)	10,624 tCO$_2$e	
22(a)(iii)	Scope 3	4,818 tCO$_2$e	See our GHG Inventory Report **www.sparknz.co.nz/sustainability/environment** for detail on our scope 3 emissions reporting inclusions
22(b)	GHG emissions intensity	0.003 kgCO$_2$e / $ revenue	Scope 1 and 2 emissions divided by reported revenue
22(c)	Transition risks – amount or percentage of assets or business activities vulnerable to transition risks	0% – no material risks identified due to transition risk	
22(d)	Physical risks – amount or percentage of assets or business activities vulnerable to physical risks	<2% of all sites identified in initial analysis	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
22(e)	Climate-related opportunities: amount of percentage of assets or business activities aligned with climate related opportunities	100%: all telecommunications and digital technologies present opportunities for decarbonisation	
22(f)	Capital deployment: amount of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities	N/A	Due to the nature of our business the majority of Spark's capital expenditure is to build capacity, coverage, or resilience of our infrastructure – all of which contribute towards to both climate risk and opportunity
22(g)	Internal emissions price: price per metric tonne of CO$_2$e used	Escalating: $51.68 (FY22)… $138.42 (FY30)… $186.02 (FY40)…	We have used an emissions price aligned to the Climate Change Commission's demonstration pathway in benchmarking emissions reduction opportunities
22(h)	Management remuneration linked to climate-related risks and opportunities	Included in Long-term Incentive Scheme	See Leadership and Board Remuneration Section Page 86

Global Reporting Initiative (GRI) content index

Our disclosure against each material topic includes our management approach, considering the requirements of *GRI 103: Management Approach*.

Note: CGS refers to Spark's Annual Corporate Governance Statement, which may be found here: **www.sparknz.co.nz/about/governance**

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	159
102-4	Location of operations	8
102-5	Ownership and legal form	134, 141
102-6	Markets served	8
102-7	Scale of the organisation	8
102-8	Information on employees and other workers	59, 60
102-9	Supply chain	70, 71
102-10	Significant changes to the organisation and its supply chain	94
102-11	Precautionary principle or approach	43
102-12	External initiatives	153
102-13	Membership of associations	153
102-14	Statement from senior decision-maker	10
102-16	Values, principles, standards and norms of behaviour	6, 53, 68, CGS Principle 1
102-18	Governance structure	78–84, CGS Principles 2, 3 and 4
102-40	List of stakeholder groups	153
102-41	Collective bargaining agreements	<1% of Spark employees in FY23
102-42	Identifying and selecting stakeholders	153
102-43	Approach to stakeholder engagement	153
102-44	Key topics and concerns raised	152
102-45	Entities included in the consolidated financial statements	93, 134
102-46	Defining report content and topic boundaries	5, 151
102-47	List of material topics	151, 152
102-48	Restatements of information	44 (Emissions reporting)
102-49	Changes in reporting	N/A
102-50	Reporting period	5
102-51	Date of most recent report	Spark's FY23 Annual Report was published on 18 August 2023
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	159
102-54	Claims of reporting in accordance with GRI standards	5, 151
102-55	GRI content index	155, 156
102-56	External assurance	136–139, GHG Inventory Report
GRI 200 Economic Standard Series		
201-2	Financial implications and other risks and opportunities due to climate change	74–77
203-1	Infrastructure investments and services supported	32–41
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	31
207-1	Approach to tax	71

Indicator	Disclosure	Page number/reference
GRI 300 Environmental Standard Series		
305-1	Direct (Scope 1) emissions	45, GHG Inventory Report
305-2	Energy indirect (Scope 2) emissions	45, GHG Inventory Report
305-3	Other indirect (Scope 3) emissions	45, GHG Inventory Report
306-2	Management of significant waste-related impacts	47
306-3	Waste generated	47
308-1	New suppliers that were screened using environmental criteria	70, 71
308-2	Negative environmental impacts in the supply chain and actions taken	70, 71
GRI 400 Social Standard Series		
401-1	New employee hires and employee turnover	59
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	145
401-3	Parental leave	61
403-1 (2018)	Occupational health and safety management system	55
403-9 (2018)	Work-related injuries	55
404-2	Programmes for upgrading employee skills and transition assistance programmes	50-61
405-1	Diversity of governance bodies and employees	59, 60, 81
405-2	Ratio of basic salary and remuneration of women to men	59
414-1	New suppliers that were screened using social criteria	70, 71
414-2	Negative social impacts in the supply chain and actions taken	70, 71
417-3	Incidents of non-compliance concerning marketing communications	31
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	31

Glossary

3G	third-generation mobile network as defined by the International Telecommunications Union.
4G	fourth-generation mobile network as defined by the International Telecommunications Union.
5G	fifth-generation mobile network as defined by the International Telecommunications Union.
5G standalone	a network that has a 5G core as well as 5G on mobile towers rather than non-standalone 5G which uses a combination of existing 4G LTE architecture with a 5G radio access network (RAN).
ADR	an American Depositary Receipt.
ARMC	the Audit and Risk Management Committee.
ARPU	average revenue per user.
ASX	the Australian Securities Exchange.
Burstable	able to exceed maximum bandwidths for short periods
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, a 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.
iNPS	interaction net promoter score, a measure of customer satisfaction.
IoT	the internet of things.
IFRS	International Financial Reporting Standards.
LTE	long-term evolution.
LTI	long-term incentive, which is part of the Spark Leadership Squad and CEO's remuneration.
Millimeter waves	millimeter waves, also known as extremely high frequency (EHF), is a band of radio frequencies that has wavelengths between 1 mm and 10 mm. These frequencies can carry massive amounts of data at very high speeds. That makes them ideal for accommodating the massive increase in data demanded from new 5G use cases such as augmented/virtual reality, cloud gaming, video analytics and other cloud-compute capabilities.
Multi-access edge computing (MAEC)	extends the capabilities of cloud computing by bringing it to the 'edge' of the network. While traditional cloud computing occurs on remote servers that are situated far from the customer and device, MAEC allows this processing to take place much closer to the end customer – meaning data has to travel a shorter distance, decreasing latency, and the amount of data sent across the network can be reduced, reducing congestion and delivering a better customer experience.
Network slicing	allows the operator to 'slice' its network to support different types of services through each 'slice'. Multiple slices can be tuned independently to meet different quality of service parameters. For example, one slice may simply need a standard speed connection to enable office email, another might be tuned to support very low data Internet of Things devices, while another slice may need high reliability and ultra-low latency to support robotics.
NOMs	the Nominations and Corporate Governance Committee.
NPS	Net Promoter Score.
NZ GAAP	Generally Accepted Accounting Practice in New Zealand.
NZ IAS	New Zealand International Accounting Standard.
NZ IFRS	New Zealand Equivalent to International Financial Reporting Standards.
NZX	NZX Limited.
OKR	Objectives and Key Results.

Glossary (continued)

OTN	Optical Transport Network (OTN) – the high speed backbone of Spark's network, stretching from the Far North to the bottom of the South Island. The OTN uses light signals through optical fibre cables to carry all of Spark's data traffic up and down the country through diverse paths, ensuring resilient, fast connectivity for all users.
PSTN	Public Switched Telephone Network.
QBR	Quarterly Business Review.
SME	Small and Medium Enterprise.
Southern Cross	Southern Cross Cables group of companies, which consists of two sister companies, Southern Cross Cables Holdings Limited and Pacific Carriage Holdings Limited and their subsidiaries.
STI	Short-Term Incentive, which is part of Spark Leadership Team and CEO remuneration.
TRIFR	Total Recordable Incident Frequency Rate per million Spark employee hours worked.
TSR	Total Shareholder Return and is a measure of share price appreciation and dividends paid over a given period.

Contact details

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Auckland 1010
New Zealand
Ph +64 4 471 1638 or 0800 108 010

Company secretary

Paige Howard-Smith

For more information

For inquiries about transactions, changes of address or dividend payments contact the share registries below.

New Zealand registry

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