

# Letter From The Chairman



9 October 2015

Dear Shareholder

On behalf of the Board of directors I am pleased to invite you to the 2015 Annual Meeting of Spark New Zealand Limited, which is to be held on Friday, 6 November 2015 at 10.00am (New Zealand time) in the Conference Centre at Level 2, Spark City, 167 Victoria Street West, Auckland.

This year we are offering shareholders the opportunity to attend and participate in the 2015 Annual Meeting via an online platform in a virtual annual meeting trial as an alternative to attending in person. This may be attractive particularly to those shareholders who do not reside in Auckland. By signing up for the virtual annual meeting trial, you will be able to watch the Annual Meeting, vote and ask questions by logging on using your computer from anywhere a broadband connection is available. Further information, including how to register for the virtual annual meeting trial, can be found in the Important Information section at the back of this Notice of Annual Meeting.

At the Annual Meeting I will comment on Spark New Zealand's performance and strategic shift over the last year and Managing Director, Simon Moutter, will outline our progress in more detail.

Paul Berriman and Charles Sitch are retiring and standing for re-election at the Annual Meeting. The Board unanimously supports the re-election of these directors. You can read about the background of the directors standing for re-election, and the rationale as to why the Board supports their re-election as directors, in the Explanatory Notes to the Notice of Annual Meeting.

There are two resolutions relating to the Managing Director's remuneration package. Both resolutions relate to the proposed issue of shares to the Managing Director, under two separate share schemes. Full details are contained in the Explanatory Notes to the Notice of Annual Meeting.

An increase in the total directors' remuneration fee pool is being sought, being the first directors' fee pool increase proposed since 2003. The Board has determined that a modest increase in the total fee pool is appropriate to ensure optimal membership of Board committees, to allow sufficient headroom to cover any unforeseen costs, and to allow an increase in the fees paid to non-executive directors if the Board determines this to be appropriate. As is evident from information provided in the annual report, the total available fee pool has not been used to date, and any actual increases in fees paid to directors has been, and will continue to be, fully disclosed in the annual report each year. Further details are contained in the Explanatory Notes to the Notice of Annual Meeting.

We have taken the opportunity of this year's Annual Meeting to request shareholder approval for minor alterations to Spark New Zealand's constitution. The alterations give effect to recent legislative amendments, and reflect completion of the 2011 demerger and the rebranding of the company as Spark New Zealand.

At the meeting, shareholders will also be asked to authorise the directors to fix the auditor's remuneration.

The Board unanimously recommends that you vote in favour of all resolutions.

If you cannot attend the Annual Meeting and choose not to participate in the virtual annual meeting trial, I encourage you to appoint a proxy to attend and vote in your place. You can appoint a proxy online by going to [vote.linkmarketservices.com/SPK](http://vote.linkmarketservices.com/SPK) or by scanning the QR code on the Proxy Form with your smartphone, before 10.00am (New Zealand time) on Wednesday, 4 November 2015.

#### **NZX registered holders:**

You will need your Holder number and FIN to complete the online validation process and to securely appoint your proxy online. Please contact Link Market Services if you need to obtain these details.

#### **ASX registered holders:**

You will need your Holder number and postcode or country of residence to complete the online validation process and to securely appoint your proxy online.

Alternatively, you can send a completed Proxy Form by email, post or fax (in accordance with the details in the Proxy Form) so that it reaches Link Market Services Limited by 10.00am (New Zealand time) on Wednesday, 4 November 2015.

Shareholders present at the Annual Meeting or attending virtually via the online platform will have the opportunity to ask questions during the meeting. If you cannot attend the Annual Meeting but would like to ask a question you can submit a question online by going to [vote.linkmarketservices.com/SPK](http://vote.linkmarketservices.com/SPK) and completing the online validation process as outlined above or by completing the shareholder question section on the Proxy Form and returning to Link Market Services. Questions will need to be submitted by Friday 30 October 2015. The Board will address and answer questions at the Annual Meeting.

You will also be able to view and listen to the Annual Meeting live by webcast at: [virtualmeeting.co.nz/spark2015](http://virtualmeeting.co.nz/spark2015)

For those shareholders who are attending the Annual Meeting, please bring the enclosed Proxy Form with you as the barcode will assist with your registration.

You are invited to join the Board and senior management for light refreshments at the conclusion of the Annual Meeting. I look forward to seeing you then.

Yours sincerely

A handwritten signature in black ink that reads "Mark Verbiest".

**Mark Verbiest**  
Chairman

# Notice of Annual Meeting of Shareholders

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The Annual Meeting of shareholders of Spark New Zealand Limited ('Spark New Zealand') will be held in the Conference Centre at Level 2, Spark City, 167 Victoria Street West, Auckland on Friday, 6 November 2015 commencing at 10.00am (New Zealand time).

## Items of business:

- A **The Chairman's introduction**
- B **Addresses to shareholders**
- C **Shareholder discussion**
- D **Resolutions:**

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

1. **Auditor's remuneration:** That the directors are authorised to fix the auditor's remuneration.
2. **Re-election of Mr Paul Berriman:** That Mr Paul Berriman is re-elected as a director of Spark New Zealand.
3. **Re-election of Mr Charles Sitch:** That Mr Charles Sitch is re-elected as a director of Spark New Zealand.
4. **Issue of shares to the Managing Director (Performance Equity Scheme):** That approval is given for the issue by Spark New Zealand to Mr Simon Moutter (Managing Director) during the period to 5 November 2018 of in total up to 1,000,000 shares in Spark New Zealand under the Managing Director Performance Equity Scheme (comprising redeemable ordinary shares and, where contemplated by the scheme, ordinary shares), on the terms set out in Explanatory Note 4.
5. **Issue of shares and provision of financial assistance to the Managing Director (Long Term Incentive Scheme):** That approval is given for the issue by Spark New Zealand to Mr Simon Moutter (Managing Director) during the period to 5 November 2018 of in total
  - a. up to 1,250,000 ordinary shares in Spark New Zealand; and
  - b. an associated interest-free loan up to \$3,000,000 to pay for the shares issued,each under the Managing Director Long Term Incentive Scheme, on the terms set out in Explanatory Note 5.
6. **Directors' remuneration fee pool:** That the total directors' fee pool is increased by \$80,000, from \$1.5 million to \$1.58 million per annum.

To consider, and if thought fit, to pass the following special resolution:

7. **Alteration of constitution:** That approval is given for alterations to Spark New Zealand's constitution, in the form and manner described in the explanatory notes to the Notice of Annual Meeting.

Notes:

Resolutions 1 to 6 above are to be considered as ordinary resolutions and, to be passed, require the approval of a simple majority of votes cast on the resolution (being more than 50%). Resolution 7 is to be considered as a special resolution and, to be passed, requires the approval of 75% or more of votes cast on the resolution.

By Order of the Spark New Zealand Board



**Mark Verbiest**  
Chairman

9 October 2015

# Explanatory Notes

## Resolution 1: Fixing the remuneration of the auditor, KPMG

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

## Resolutions 2 and 3: Re-election of directors

Non-executive directors Mr Paul Berriman and Mr Charles Sitch retire by rotation and offer themselves for re-election pursuant to NZX Main Board Listing Rule 3.3.11 and ASX Listing Rule 14.4. To see videos of these directors outlining their ambitions for Spark New Zealand, please go to [investors.sparknz.co.nz](http://investors.sparknz.co.nz)



**Paul Berriman**  
Independent Director

### Term of Office

Appointed director 1 December 2011 and last re-elected at the 2012 Annual Meeting.

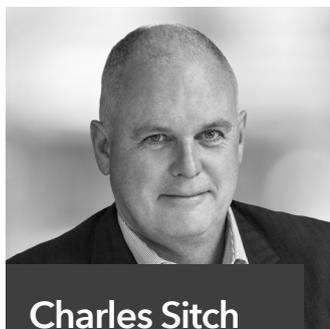
### Biography

Paul joined the Board of Directors in December 2011, bringing over 25 years of international experience in telecommunications, media and convergence. Paul is the Group Chief Technology Officer of the HKT Trust, the listed telecommunications arm of PCCW, primarily responsible for leading the group's product and technology roadmap and strategic development. Paul manages his executive responsibilities alongside his governance responsibilities with proficiency, conveyed by his perfect attendance record at Spark New Zealand Board meetings during the 2015 financial year. In 2009, Paul was recognised by the IPTV World Forum with their Special Merit Award for Outstanding Industry Contribution and in 2008, he was listed as one of the Global Telecoms Business Magazine's top 100 "most influential persons in telecoms". Before joining PCCW in 2002, Paul was Managing Director of management consultancy Arthur D. Little in Hong Kong and also held roles in Reuters and several major Hong Kong service providers. Paul holds a Bachelor of Science degree in electro-acoustics from the University of Salford in the United Kingdom and a Master of Business Administration degree from the University of Hong Kong. A Chartered Engineer, he is a current or former member of a number of industry working groups and advisory boards.

Paul is a strong contributor to the Spark Board outside of meetings, also assisting senior staff from time to time with valuable advice, particularly of a technical technology nature.

### Board Committees

Member of the Audit and Risk Management Committee, the Human Resources and Compensation Committee and the Nominations and Corporate Governance Committee.



**Charles Sitch**  
Independent Director

### Term of Office

Appointed director 1 December 2011 and last re-elected at the 2013 Annual Meeting.

### Biography

Charles joined McKinsey & Company in 1987 and in 2000 became a senior director, primarily working with CEOs and Boards on strategy and operations turnarounds, before retiring in 2010. Since 2006 he has been involved in various new business ventures. A Director of Spark New Zealand since December 2011, Charles is also a member of the board of Trinity College at Melbourne University and the Robin Boyd Foundation and a committee member of the Melbourne Cricket Club. Charles holds a MBA from Columbia Business School and a LLB and BCom from Melbourne University.

Charles has worked in and around telecommunications and large scale technology based businesses for many years. This experience adds a useful dimension to the Board, particularly from a strategic and economics perspective.

### Board Committees

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

## Resolutions 4 and 5: Issues of shares and provision of financial assistance to the Managing Director

Resolution 4 seeks approval for the issue to Mr Moutter of up to 1,000,000 Spark New Zealand redeemable ordinary shares under the Managing Director Performance Equity Scheme. Resolution 5 seeks approval for the issue to Mr Moutter of up to 1,250,000 Spark New Zealand ordinary shares under the Managing Director Long Term Incentive Scheme and the provision of an interest-free loan or loans to Mr Moutter of an amount up to \$3,000,000.

### Remuneration of Managing Director - Overview

Spark New Zealand appointed Simon Moutter as its Managing Director in August 2012. In determining the Managing Director's remuneration package, the Board considered the scope and complexity of the Managing Director's role, the high calibre of Mr Moutter, external expert advice on best practice remuneration structures, the business challenges facing Spark New Zealand and market practice for the remuneration of managing directors in positions of similar responsibility in New Zealand and Australia.

In structuring the Managing Director's remuneration package, the Board aimed to create an appropriate balance between fixed and variable components, ensuring that a substantial proportion of the Managing Director's remuneration is subject to Mr Moutter's and Spark New Zealand's performance.

To ensure alignment between the interests of shareholders and the Managing Director, and to enhance his long-term commitment to Spark New Zealand, the Board further determined that a component of the Managing Director's remuneration package would be delivered in equity and hence subject to the long-term performance of Spark New Zealand.

The Managing Director's employment agreement provides that his remuneration package (including annual target values of the incentive components of his package) will be reviewed each year at 1 July.

The Managing Director's remuneration package remains the same as upon Mr Moutter's appointment and comprises:

- Fixed cash remuneration of NZ\$1,350,000 per annum;
- An annual cash-based short-term incentive with a target value of NZ\$750,000;
- An equity incentive (which forms part of his short-term incentive) with a target value of NZ\$600,000 that will be delivered in Spark New Zealand redeemable ordinary shares, which will be made under the 'Managing Director Performance Equity Scheme' described further below; and
- A long-term incentive with a target value of NZ\$1,000,000 that will be delivered in Spark New Zealand ordinary shares subject to a performance hurdle, which will be made under the 'Managing Director Long Term Incentive Scheme' described further below.

As the Managing Director is a director of Spark New Zealand the issue of shares to him and the provision of an associated interest-free loan in connection with the Managing Director Long Term Incentive Scheme must be approved by an ordinary resolution of shareholders. Approval is sought pursuant to NZX Main Board Listing Rules 7.3.1 and 7.6.5, and ASX Listing Rule 10.14. The Managing Director is the only director of Spark New Zealand who will be issued with shares, the objective being to create some alignment with the interests of shareholders. If shareholder approval to the issue of equity and the provision of the interest-free loan is not obtained, the incentive awards will be received by the Managing Director in cash instead of equity.

## **Managing Director Performance Equity Scheme**

### **a. Overview**

The Managing Director Performance Equity Scheme is intended to reward the Managing Director for achieving pre-specified target levels of performance during a financial year (the same targets that apply to his cash-based short-term incentive) and through delivering the reward in equity, linking part of his remuneration to the long-term performance of Spark New Zealand. The incentive award will be delivered in redeemable ordinary shares or, at the Board's discretion or where shareholder approval is not obtained, in cash only. Redeemable ordinary shares have the same rights and terms as ordinary shares in Spark New Zealand except that they can be 'redeemed' (ie, acquired from the Managing Director and cancelled by Spark New Zealand) for a nominal consideration of \$1 in certain circumstances summarised in paragraph 5 under "Key Conditions of Shares Issued". The Managing Director is prohibited from disposing of the redeemable ordinary shares for a specified period following issue. The issue of the shares on these conditions links a substantial part of the Managing Director's remuneration with the long-term performance of Spark New Zealand.

### **b. Key Features**

The key features of the Managing Director Performance Equity Scheme are:

1. The target value of the incentive award for each financial year will be determined by the Board as part of the remuneration package;
2. The Board will prescribe target performance levels for that financial year in consultation with the Managing Director;
3. If the Managing Director achieves the target performance levels in any financial year, he will be entitled to an incentive award equal to the annual target value of the annual performance incentive component of his remuneration package. The amount of the incentive award will be adjusted up or down in line with assessed over or under performance. The maximum pre-tax value of the incentive award is capped at 75% above the annual target value;
4. The actual incentive award will be delivered to the Managing Director in redeemable ordinary shares, which the Managing Director will be prohibited from trading for a period of two years and which can be redeemed by Spark New Zealand in certain circumstances;
5. The Board may, in its sole discretion, determine that 100% of the incentive award will be received by the Managing Director in cash instead of shares;
6. If shareholder approval to the issue of shares is not obtained, 100% of the incentive award will be received by the Managing Director in cash instead of shares;
7. The amount and timing of any cash payment described in paragraph 5 or 6 is designed to put the Managing Director in substantially the same position he would have been in had he received shares instead of cash. Unless the Board determines otherwise, the cash payment would be the value that the Managing Director would have received when the trading restrictions would have ended if he had received redeemable ordinary shares rather than a cash payment;
8. The maximum number of shares to be issued under the Managing Director Performance Equity Scheme over the three-year period (6 November 2015 to 5 November 2018) for which approval is sought is 1,000,000; and
9. The redeemable ordinary shares will automatically reclassify into ordinary shares at the end of the specified period to which trading restrictions apply and in certain other circumstances detailed below.

The other key conditions of issue are referred to below.

### c. Determination of Incentive Award

The amount of any incentive award will depend on an evaluation of the Managing Director's actual performance, measured against specific performance objectives, which will be set by the Board. The specific performance objectives will include financial criteria based on Spark New Zealand's business and strategic plans and other criteria relating to corporate governance, reputation, effective leadership and management. These objectives will be set at the beginning of each financial year and assessed at the end of the financial year by the Board when it makes its determination of the incentive award.

### d. Key Conditions of Shares Issued

1. As noted above, the shares will be redeemed (ie, acquired and cancelled by Spark New Zealand) in certain circumstances specified in the scheme and summarised in paragraph 5 below, for an aggregate consideration of NZ\$1. This redemption feature ensures that Spark New Zealand recovers the shares if the Managing Director ceases to be entitled to some or all of the shares during the relevant period.
2. If the Managing Director's employment ceases due to termination by Spark New Zealand on notice, the restrictions on disposal will cease to apply to all the redeemable ordinary shares that are at least halfway through the vesting period and these shares will reclassify into ordinary shares.
3. If the Managing Director's employment ceases due to termination by the Managing Director following a 'fundamental change' in the Managing Director's employment then:
  - (a) the restrictions on disposal of the redeemable ordinary shares will cease to apply and all of those shares will reclassify into ordinary shares; and
  - (b) the Managing Director will receive a bonus issue of ordinary shares (for performance over the partially complete financial year). The number of ordinary shares to be issued will be a pro-rata proportion of the target value for the then current financial year (based on the proportion of that year that has passed) divided by the volume weighted average market price for ordinary shares reported on the NZX Main Board over the 20 trading days before the date of issue.

A 'fundamental change' is where the Managing Director is no longer the Managing Director of a company listed on either the NZX Main Board or the Australian Securities Exchange.

4. If the Managing Director's employment ceases for any other reason then the Board has the discretion to remove the restrictions on disposal of some or all of the shares and these shares will reclassify into ordinary shares.
5. Where employment ceases, any redeemable ordinary shares, which do not reclassify into ordinary shares in the manner described above, will be redeemed and cancelled for a nominal total consideration of NZ\$1.

### e. Number of Shares Issued

The Board proposes that the maximum number of shares to be issued to the Managing Director under the Managing Director Performance Equity Scheme over the next three years (6 November 2015 to 5 November 2018) for which approval is sought is 1,000,000 shares. This includes all redeemable ordinary shares and any ordinary shares to be issued as described under 'Key Conditions of Shares Issued' above. The number of redeemable ordinary shares awarded will be calculated by dividing the value of the award by the volume weighted average market price of Spark New Zealand ordinary shares reported on the NZX Main Board for the 20 trading days immediately preceding the effective date of issue of the redeemable ordinary shares.

An example of the number of shares that could be issued to the Managing Director under the Managing Director Performance Equity Scheme for the 2016 financial year is provided below:

*The Managing Director has a target value for the Managing Director Performance Equity Scheme for the 2016 financial year of \$600,000. In the event that the Managing Director meets the thresholds required to earn the target value, 100% of the after-tax value of this award may be provided in the form of Spark New Zealand redeemable ordinary shares. The number of shares awarded will be calculated by dividing the after-tax (calculated at 33%) value of the award by the volume weighted average market price (VWAP) of Spark New Zealand ordinary shares reported on the NZX Main Board for the 20 trading days immediately preceding the effective date of issue of the shares. Based on these assumptions, set out below is the number of shares the Managing Director would receive based on an illustrative example using the lowest and highest prices for Spark New Zealand shares traded in the 2015 financial year:*

- *If the VWAP was \$2.635 (the lowest traded price for Spark New Zealand shares during the 2015 financial year), the Managing Director would receive 152,562 redeemable ordinary shares; and*
- *If the VWAP was \$3.495 (the highest traded price for Spark New Zealand shares during the 2015 financial year), the Managing Director would receive 115,022 redeemable ordinary shares.*

## Managing Director Long Term Incentive Scheme

### a. Overview

The Managing Director Long Term Incentive Scheme is intended to link part of the Managing Director's remuneration with the long-term performance of Spark New Zealand, and to better align the Managing Director's interests with those of shareholders. This is achieved by granting a proportion of the Managing Director's remuneration in the form of shares each year, with those shares being subject to a restrictive period and a performance hurdle (see below for further information on the performance hurdle). The ultimate value, if any, realised by the Managing Director is therefore subject to both Spark New Zealand's share price performance over the relevant period, and the long term performance measure(s) specified in the performance hurdle. If shareholder approval is not obtained for the issue of shares and provision of financial assistance under the Managing Director Long Term Incentive Scheme, Spark New Zealand will instead put in place a cash-based long term incentive scheme of equivalent value to the Managing Director Long Term Incentive Scheme.

## **b. Key Features**

The key features of the Managing Director Long Term Incentive Scheme are:

1. The target value of the incentive award for each financial year will be determined by Spark New Zealand as part of the remuneration package;
2. The Managing Director will be loaned an interest-free amount equal to the after-tax value of the target value which will be advanced to a trustee and applied to the purchase or issue of shares in Spark New Zealand. Spark New Zealand's recourse in respect of the loan will be limited to the shares acquired with the loan;
3. The shares will be issued to the trustee and held on behalf of the Managing Director for a restrictive period. The shares will not be able to be sold, transferred or otherwise disposed of by the Managing Director during this restrictive period;
4. The Board sets the restrictive period after which shares are eligible for vesting (that is, the shares become unrestricted and transfer to the Managing Director) at the time shares are transferred to the trustee. For the 2016 financial year, the Board has determined that the shares will be eligible for vesting in September 2018. For subsequent share issues, it is anticipated that the Board will specify that the shares are eligible for vesting on the third anniversary of the issue;
5. The shares have the same dividend rights as all other Spark New Zealand ordinary shares, but any dividends received during the restrictive period are required to be applied to repay the loan;
6. The ability of any of the shares to vest and the number of shares that will vest at the end of the vesting period is dependent on achievement of a performance hurdle;
7. Upon vesting of the shares, the Managing Director will be paid a cash bonus equal to the grossed up value of the original loan amount, which after deduction of tax will be applied to repay the outstanding balance of the loan, and the shares will transfer from the trustee to the Managing Director. Any funds remaining following repayment of the loan in full will be paid to the Managing Director, such residual funds being equal to the value of dividends applied to repay the loan during the restrictive period;
8. The scheme contains specific regimes dealing with rights offers, bonus issues and capital returns. In broad terms:
  - (a) For a rights offer, the trustee, at the direction of Spark New Zealand, will dispose of the Managing Director's rights in relation to the shares and advance to the Managing Director the consideration received on that disposal.
  - (b) For a bonus issue of shares, Spark New Zealand will issue to the trustee the number of ordinary shares the Managing Director is entitled to receive in respect of the shares on the bonus issue.
  - (c) For a capital return, Spark New Zealand will reduce the number of shares in the same proportion as the reduction of shares under the capital return and pay the Managing Director a bonus based on the number of shares cancelled on the capital return and apply the net proceeds of the bonus to repay the loan.
9. The Board has the power to alter the Managing Director's rights, obligations or benefits (including to provide for an early vesting of some or all of the share rights) on the occurrence of an 'event' if the scheme does not provide for the 'event', or, if in the opinion of the Board the occurrence of the 'event' produces an unfair or inappropriate result. The scheme defines an 'event' as an event which affects the position or rights or benefits of the Managing Director, such as an offer for or acquisition of securities of Spark New Zealand, or a reconstruction or amalgamation affecting Spark New Zealand;
10. Upon the occurrence of any of the events covered in paragraphs 8 and 9 above, the treatment under the scheme will be subject to any applicable NZX Main Board and ASX Listing Rules;
11. Except as summarised above, shares issued under the Managing Director Long Term Incentive Scheme confer no general entitlement to participate in issues of securities in Spark New Zealand; and
12. The shares issued under the Managing Director Long Term Incentive Scheme will be fully paid Spark New Zealand ordinary shares and will rank equally in all respects with all other Spark New Zealand ordinary shares from the date of issue.

The key conditions of issue are expanded on below.

## **c. Performance Hurdle**

Shares issued under the Managing Director Long Term Incentive Scheme may be transferred to the Managing Director only if the applicable performance hurdle has been met. If the applicable performance hurdle is met, then upon payment of the bonus described above towards repaying the outstanding loan, the shares will be transferred to the Managing Director.

The Board will determine annually the performance hurdle that will apply to shares issued under the Managing Director Long Term Incentive Scheme. In respect of shares to be granted in 2015, as with issues under previous schemes, the relevant shares will only transfer to the Managing Director if Spark New Zealand's Total Shareholder Return ('TSR') meets or exceeds Spark New Zealand's cost of equity plus one percent, compounding annually. TSR is a measure of the combination of share price appreciation and dividends paid since the date of the issue. TSR calculations for this hurdle will be made with reference to the closing price immediately prior to the effective date of issue and the volume weighted average price of that share for the 10 business days at the end of the relevant period. If Spark New Zealand's TSR performance meets or exceeds this performance hurdle, all of the shares will transfer to the Managing Director. If Spark New Zealand's TSR performance does not meet this performance hurdle, all of the shares will lapse.

Spark New Zealand also has discretion to grant shares with no performance hurdle. It is anticipated that the Board will specify that subsequent grants of shares are subject to a performance hurdle.

## **d. Effect of Termination of Employment**

Except as outlined below, the Managing Director's non-vested shares lapse immediately upon termination of his employment:

1. If the Managing Director's employment ceases due to termination by the Managing Director following a 'fundamental change' in the Managing Director's employment, then those issues of shares that have not reached the vesting date, but that are

more than halfway through the period from the issue date to the vesting date, will vest. Where such shares are subject to a performance hurdle, Spark New Zealand may determine that they shall not vest but shall remain in place until testing of the performance hurdle, at which time they will either vest or lapse based on the outcome of that testing; and

2. If the Managing Director's employment ceases for any other reason, then any entitlement to vesting of the shares shall be solely at the Board's discretion.

A 'fundamental change' is where the Managing Director is no longer the Managing Director of a company listed on either the NZX Main Board or the Australian Securities Exchange.

#### **e. Number of Shares Issued and Amount of Financial Assistance**

The Board proposes that the maximum number of shares to be issued to the Managing Director under the Managing Director Long Term Incentive Scheme over the next three years (6 November 2015 to 5 November 2018) for which approval is sought is 1,250,000 shares. This maximum number includes the \$1,000,000 of shares in respect of the 2016 year and issues in subsequent years up to 5 November 2018.

The number of shares issued will be calculated by dividing the value of the issue in shares (as opposed to in cash) by the volume weighted average market price of Spark New Zealand shares reported on the NZX Main Board for the 20 trading days immediately preceding the effective date of the issue of the shares.

In addition the maximum amount of financial assistance will reflect the agreed annual long term incentive amount less tax at the highest marginal tax rate. As the approval is sought to cover a three year period, this amount equals \$3,000,000.

An example of the number of shares that could be issued to the Managing Director under the Managing Director Long Term Incentive Scheme for the 2016 financial year is provided below:

*The Managing Director has a target value for the Managing Director Long Term Incentive Scheme for the 2016 financial year of \$1,000,000. The value of the interest-free loan is the net (after tax, using the highest marginal tax rate) target value, which equals \$670,000. The number of shares to be issued will then be calculated, by dividing that amount by the volume weighted average market price (VWAP) of Spark New Zealand ordinary shares reported on the NZX Main Board for the 20 trading days immediately preceding the effective date of issue of the shares. Based on these assumptions, set out below is the number of shares the Managing Director would receive based on an illustrative example, using the lowest and highest prices for Spark New Zealand shares traded in the 2015 financial year:*

- *If the VWAP was \$2.635 (the lowest traded price for Spark New Zealand shares during the 2015 financial year), the Managing Director would receive 254,270 ordinary shares; and*
- *If the VWAP was \$3.495 (the highest traded price for Spark New Zealand shares during the 2015 financial year), the Managing Director would receive 191,703 ordinary shares.*

The number of shares that could ultimately be transferred to the Managing Director is subject to the applicable performance hurdle.

#### **Directors' Discretion**

The Board will have the discretion and power to amend the terms of the Managing Director Performance Equity Scheme and the Managing Director Long Term Incentive Scheme subject to the NZX Main Board and ASX Listing Rules, as long as the interests of Spark New Zealand shareholders are not adversely affected and any necessary consent of the Managing Director is obtained.

#### **Appraisal Report**

In accordance with the requirements of NZX Main Board Listing Rule 6.2.2, an appraisal report on the proposal to issue shares to the Managing Director on the terms of each scheme and to provide an interest-free loan under the Managing Director Long Term Incentive Scheme has been prepared by Simmons Corporate Finance Limited. The report describes the terms of each of the Managing Director's schemes, including how they differ from the schemes under which approval was sought for issues to the Managing Director in 2012. Simmons Corporate Finance Limited has reviewed the terms of the proposed issue of shares to the Managing Director and has concluded the proposal is fair to Spark New Zealand shareholders. A copy of the Simmons Corporate Finance appraisal report is included with this Notice of Annual Meeting.

#### **Disclosure of Number of Shares**

The actual number of shares issued under the Managing Director Performance Equity Scheme and the Managing Director Long Term Incentive Scheme will be disclosed in Spark New Zealand's annual report each year, together with the details of the shareholder approval obtained. Since the commencement of the Managing Director Performance Equity Scheme in 2012, 318,601 redeemable ordinary shares (comprising 190,140 issued at a price of \$3.00 per share and 128,461 at a price of \$3.24 per share) have been issued to the Managing Director under that scheme. Simon Moutter will be the only person entitled to participate in either of the above schemes. Any additional persons who become entitled to participate in either of the above schemes will not participate in the schemes unless shareholder approval is obtained under ASX Listing Rule 10.14.

For the voting exclusions applicable to resolutions 4 and 5, see the Important Information section at the back of this Notice of Annual Meeting.

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## Resolution 6: Directors' remuneration fee pool

The total amount of fees available for payment to non-executive directors was last increased 12 years ago at the 2003 Annual Meeting of the company.

It is proposed that the total amount of the fee pool be increased from \$1.5 million to \$1.58 million per annum, which represents an increase of \$80,000 per annum (or 5%) since the last shareholder approval in October 2003. The aggregate amount of fees may be divided amongst the directors (excluding the Managing Director) as they deem appropriate.

The Board has determined that a modest increase in the total fee pool is appropriate to provide flexibility for the Board to ensure optimal membership of Board committees, allow sufficient headroom to cover any unforeseen costs that may arise from time to time, and to allow an increase in the fees paid to non-executive directors if the Board determines this to be appropriate.

NZX Main Board Listing Rule 3.5.1, ASX Listing Rule 10.17 and the constitution of Spark New Zealand require that the proposed increase in directors' remuneration be authorised by an ordinary resolution of shareholders. For the voting exclusions applicable to this resolution, see the Important Information section at the back of this Notice of Annual Meeting.

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## Resolution 7: Alteration of constitution

It is proposed that the Spark New Zealand constitution be updated in 2015 to give effect to minor legislative and other amendments.

The legislative amendments include amendments for the coming into effect of the Financial Markets Conduct Act 2013 on 1 December 2014.

The name of the company in the constitution has been updated to 'Spark New Zealand Limited' and some obsolete provisions which relate to the demerger of the Telecom group of companies in 2011 have been deleted.

The proposed altered form of constitution has been approved by NZX pursuant to NZX Main Board Listing Rules 6.1.1 and 6.1.2(c).

A copy of the proposed altered form of constitution is available free of charge by contacting Spark New Zealand's Company Secretary at [company.secretary@spark.co.nz](mailto:company.secretary@spark.co.nz). You may inspect the altered constitution free of charge at Level 2, Spark City, 167 Victoria Street West, Auckland or at: [sparknz.co.nz/about/governance](http://sparknz.co.nz/about/governance).

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# Important Information

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## Virtual annual meeting - trial available

This year shareholders will be able to attend the Annual Meeting in person (as described in this Notice), or, alternatively, volunteer to attend the Annual Meeting virtually via an online platform (from anywhere a broadband connection is available, using your computer). Shareholders involved in the virtual annual meeting trial will be able to vote and ask questions during the meeting via the online platform. Unfortunately, ADR holders are not eligible to participate in the virtual annual meeting trial. If you are interested in taking part in the virtual annual meeting trial for the 2015 Annual Meeting, you will need to agree to the terms and conditions on which the trial is being offered, and register by 5.00pm (New Zealand time) on Friday, 30 October 2015 at: [investors.sparknz.co.nz](http://investors.sparknz.co.nz)

## Statutory notice - FMCA effective date

Spark New Zealand Limited (NZBN: 9429039661098), of Level 2, Spark City, 167 Victoria Street West, Auckland, 1010, New Zealand, advises that it has elected to fully transition to the Financial Markets Conduct Act 2013 (FMCA) with effect from 24 November 2015. After that date, all of the requirements of the FMCA will apply to Spark New Zealand. Spark New Zealand is already governed by the FMCA financial reporting and fair dealing requirements, amongst other things.

## Voting entitlements

Voting entitlements for the Annual Meeting will be determined as at 5.00pm (New Zealand time) on Thursday, 5 November 2015. Registered Spark New Zealand shareholders at that time will be the only persons entitled to vote at the Annual Meeting, and only the Spark New Zealand shares registered in those Spark New Zealand shareholders' names at that time may be voted at the Annual Meeting.

## Voting exclusions

Spark New Zealand will disregard any votes cast on the following resolutions by the specified persons:

- In respect of Resolutions 4 and 5, votes by Mr Simon Moutter or any associate or associated person of Mr Moutter; and
- In respect of Resolution 6, votes by the directors of Spark New Zealand or any associate or associated person of the directors.

Spark New Zealand will not disregard a vote cast on resolutions 4, 5 or 6 if it is cast by a disqualified person as proxy for a person who is entitled to vote, in accordance with express directions on how to vote.

## Voting in person

If you are entitled to vote and wish to do so in person, you should attend the Annual Meeting. Please bring your Proxy Form (which contains your attendance slip and ballot paper) with you to the meeting as the barcode will assist with your registration.

A corporation may appoint a person to attend the meeting as its representative in the same manner as that in which it could appoint a proxy.

## Voting by proxy

A Spark New Zealand shareholder who is entitled to vote at the Annual Meeting is entitled to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a Spark New Zealand shareholder.

If you appoint a proxy you may either direct your proxy how to vote for you or you may give the proxy discretion to vote as he or she sees fit. If you wish to give your proxy discretion then you should make the appropriate election, either online or in the Proxy Form, to grant your proxy that discretion. You will be deemed to have given your proxy discretion if you do not make an election in relation to any of resolutions 1 to 7.

# Important Information

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

If you expressly appoint the Chairman of the meeting or any other director as your proxy and elect to give them discretion on how to vote on a resolution, they may exercise your vote even if they have an interest in the outcome of the resolution, subject to the following exceptions:

- Mr Simon Moutter, or any associate or associated person of Mr Moutter, will be prohibited from voting any discretionary proxies in relation to the two resolutions relating to Mr Moutter's remuneration package (ie, resolutions 4 and 5).
- The Chairman of the meeting and any other directors, or any associate or associated person of any of them, will be prohibited from voting any discretionary proxies in relation to the resolution relating to directors' remuneration (ie, resolution 6).

The Chairman of the meeting and the directors intend to vote all discretionary proxies for which they have authority to vote in favour of the resolutions.

A Proxy Form accompanies this Notice of Annual Meeting.

If you do not propose to attend the Annual Meeting, either in person or via the virtual annual meeting trial, but wish to be represented by proxy, you can appoint a proxy **online** by going to [vote.linkmarketservices.com/SPK](http://vote.linkmarketservices.com/SPK) or by scanning the QR code on the Proxy Form with your smartphone.

## NZX registered holders:

You will need your Holder number and FIN to complete the online validation process and to securely appoint your proxy online.

## ASX registered holders:

You will need your Holder number and postcode or country of residence to complete the online validation process and to securely appoint your proxy online.

Alternatively, you can complete the Proxy Form and either:

- **Email** your proxy to [sparknz@linkmarketservices.com](mailto:sparknz@linkmarketservices.com)
- Return the Proxy Form by **mail** to Link Market Services, using the envelope enclosed; or
- **Fax** the Proxy Form to **09 375 5990** (within New Zealand) or **+64 9 375 5990** (international).

The online proxy appointments must be lodged with, and the completed Proxy Forms received by, Link Market Services Limited no later than **10.00am on Wednesday, 4 November 2015 (New Zealand time)**.

Where a Proxy Form is completed for a company, it must be signed by a duly authorised officer or attorney. Persons who sign on behalf of a company must be acting with the company's express or implied authority.

Where a Proxy Form is signed by an attorney, a copy of the power of attorney under which it was signed, if not previously provided to Link Market Services Limited, together with a signed certificate of non-revocation of the power of attorney must accompany the Proxy Form.

## Webcast

The Annual Meeting will be webcast live on the internet. To view the webcast, go to: [virtualmeeting.co.nz/spark2015](http://virtualmeeting.co.nz/spark2015)

## Minutes of the previous meeting and Annual Report

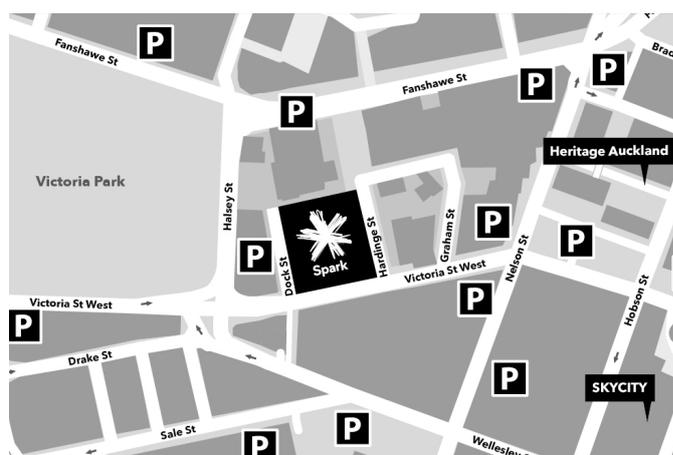
The minutes of last year's Annual Meeting and an archive of the 2014 webcast are also available on [investors.sparknz.co.nz](http://investors.sparknz.co.nz).

The 2015 Annual Report is available on Spark New Zealand's website. Go to: [investors.sparknz.co.nz](http://investors.sparknz.co.nz)

## Meeting venue

The Conference Centre at Level 2, Spark City, 167 Victoria Street West, Auckland.

## Parking around Spark City



## For more information

If you have any questions, or for more information, please contact Link Market Services:

### NZX registered holders:

By phone **+64 9 375 5998**

NZ Toll Free **0800 737 100**

By fax **+64 9 375 5990**

By email [sparknz@linkmarketservices.com](mailto:sparknz@linkmarketservices.com)

By mail **PO Box 91976, Auckland, 1142, New Zealand**

Website [www.linkmarketservices.co.nz](http://www.linkmarketservices.co.nz)

### ASX registered holders:

By phone **+61 2 8280 7111**

AU Toll Free **1300 554 474**

By fax **+61 2 9287 0303**

By email [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

By mail **Locked Bag A14, Sydney South NSW 1235**

Website [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)