



# CORPORATE GOVERNANCE STATEMENT

21 AUGUST 2019

The following disclosures and compliance statements are provided in accordance with the ASX Corporate Governance Principles and Recommendations and the NZX Corporate Governance Code as at 21 August 2019. This corporate governance statement has been approved by the board.

All the policies and charters referred to below are available on our website [www.Sky.co.nz/investor-relations](http://www.Sky.co.nz/investor-relations).

## NZX AND ASX CORPORATE GOVERNANCE BEST PRACTICE CODES

The NZX Corporate Governance Code sets standards for effective corporate governance in New Zealand and SKY is committed to reporting against this code. The board considers that SKY has complied with the NZX and ASX corporate governance best practice codes in all material respects during the 2018/2019 financial year, except where otherwise indicated.

## ANNUAL GENERAL MEETING

Notice of Sky's Annual Shareholder Meeting is available online at [www.Sky.co.nz/investor-relations](http://www.Sky.co.nz/investor-relations).

## 1. ETHICAL STANDARDS

*Directors should set high standards of ethical behaviours, model this behaviour, and hold management accountable for delivering these standards throughout the organisation.*

### CODE OF ETHICS

SKY has a Code of Ethics which outlines Sky's minimum ethical standards and policies in respect of various matters including conflicts of interest, corporate opportunities, confidentiality, insider trading and dealing with corporate assets, in addition to encouraging compliance with applicable laws and regulations. The Code of Ethics is posted on Sky's website.

### WHISTLEBLOWING

Sky's Whistleblowing Policy provides an internal process for staff to report any serious wrongdoing and gives protection to the employee making the disclosure in accordance with the policy. The policy outlines types of behaviour that may be considered serious wrongdoing, how an employee can make a disclosure and how they are protected. The Whistleblowing Policy is posted on Sky's website.

### INSIDER TRADING

SKY has a formal Insider Trading Policy which is posted on Sky's website. The policy outlines that directors, officers and employees of SKY may not buy or sell securities in SKY, nor may they tip others, while in the possession of inside information. Sky's policy affirms the law relating to insider trading contained in the Financial Markets Conduct Act 2013 and complies with ASX Listing Rule 12.9.

## 2. BOARD COMPOSITION AND PERFORMANCE

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

### BOARD OF DIRECTORS – COMPOSITION

Sky's board is appointed or ratified by the shareholders of SKY by ordinary resolution. Sky's constitution provides for a minimum of three directors and a maximum of ten directors. The actual number of directors may be changed by resolution of the board. As at 30 June 2019, the board consisted of six directors whose relevant skills, experience and expertise are outlined in their biographies in Sky's annual report. The board operates under a written charter.

### NOMINATION AND APPOINTMENT

The nomination and remuneration committee has a formal process by which it assesses the overall skills, experience and diversity required on the board and works with the board to ensure that diversity remains one of the key criteria when evaluating potential board candidates. A copy of the Nomination and Remuneration Committee Charter is available on Sky's website. The aim of the board is to have a mix of skills represented on the board that are relevant to Sky's business.

The board may appoint directors to fill casual vacancies that occur or add persons to the board up to the maximum number prescribed by the constitution. At each annual meeting all directors appointed by the board must retire and one third of the other directors must retire, although they can offer themselves for re-election if they wish. Directors' fees have been set at a maximum amount of \$950,000 per annum since October 2015.

The board is comprised of the following:

- Peter Macourt (Chairman) – appointed 2 May 2005
- Martin Stewart (Chief Executive) – appointed 18 April 2019
- Derek Handley - appointed 13 September 2013
- Geraldine McBride - appointed 13 September 2013
- Susan Paterson ONZM – appointed 20 August 2015
- Mike Darcey – appointed 19 September 2017

Before appointing directors to the board, or putting candidates forward at annual meetings for re-election, the board ensures that appropriate checks are carried out to ensure candidates have the necessary skills to act for the company. Written agreements are in place with each board member. New members receive induction training so as to gain an understanding of Sky's business and operations including its financial, strategic and risk management position as well as a director's rights, duties and responsibilities, the role of the board, the board committees and the executive management team. It is expected that all directors will be members of the Institute of Directors in New Zealand and will be required to stay informed of changes to, and emerging issues in, director duties and responsibilities. In addition, visits to specific company operations, when appropriate, and briefings from key executives and industry experts will be arranged. Sky will reimburse directors for reasonable costs incurred in attending appropriate conferences and training courses.

At 30 June 2019 all of the directors of Sky other than Martin Stewart were considered to be independent directors. Martin Stewart is currently the only executive director on the board and is not considered independent as he is Sky's chief executive. In determining independence, the board applies the materiality thresholds set out in the NZX and ASX Listing Rules.

## **ROLE OF THE BOARD**

The board of directors oversees Sky's business and is responsible for its corporate governance. The board sets corporate policies and the strategic direction of the company and oversees management with the objective of enhancing the interests of shareholders. Management is responsible for the implementation of the corporate policies set by the board, as well as the day-to-day running of Sky's business including risk management and controls and liaising with the board about these matters.

Various information reports are sent to the board in order to keep them informed about Sky's business including reports during the year ended 30 June 2019 on the effectiveness of the management of material legal and business risks. Directors also receive operating and financial reports, and access to senior management at board and committee meetings.

The board operates two permanent board committees, namely the audit and risk committee and the nomination and remuneration committee. The members of both committees are Susan Paterson (Chair), Peter Macourt, and Derek Handley. A copy of the Board Charter is available on Sky's website.

## **DELEGATIONS**

To enable the effective functioning of the day-to-day business of the company, the board has delegated certain of its powers to Sky's Chief Executive and senior management. Those powers are set out in the company's Delegated Authorities Policy (with treasury management delegations set out in the Treasury Policy) and relate to how SKY employees are able to authorise any transaction with a financial implication, or to perform other functions relating to human resource matters or finance and legal matters. Specifically, board approval is required for:

- (a) any action or transaction that exceeds the limits delegated to the Chief Executive;
- (b) large sports contracts;
- (c) transponder leases; and
- (d) appointing or removing authorised signatories to bank accounts, entering into overdraft facilities or similar credit arrangements, entering into loans, mortgages, debentures or other financial instruments or making investments or removing funds from investments.

There is no delegation to any person to raise capital or to specifically borrow money by any means whatsoever. Such transactions may only be performed with board approval. The board is responsible for monitoring those delegations and approving all changes to the Delegated Authorities Policy from time to time (the board may amend or withdraw delegations at its sole discretion at any time). All delegated authorities are exercised on the board's behalf in accordance with relevant company policies and procedures.

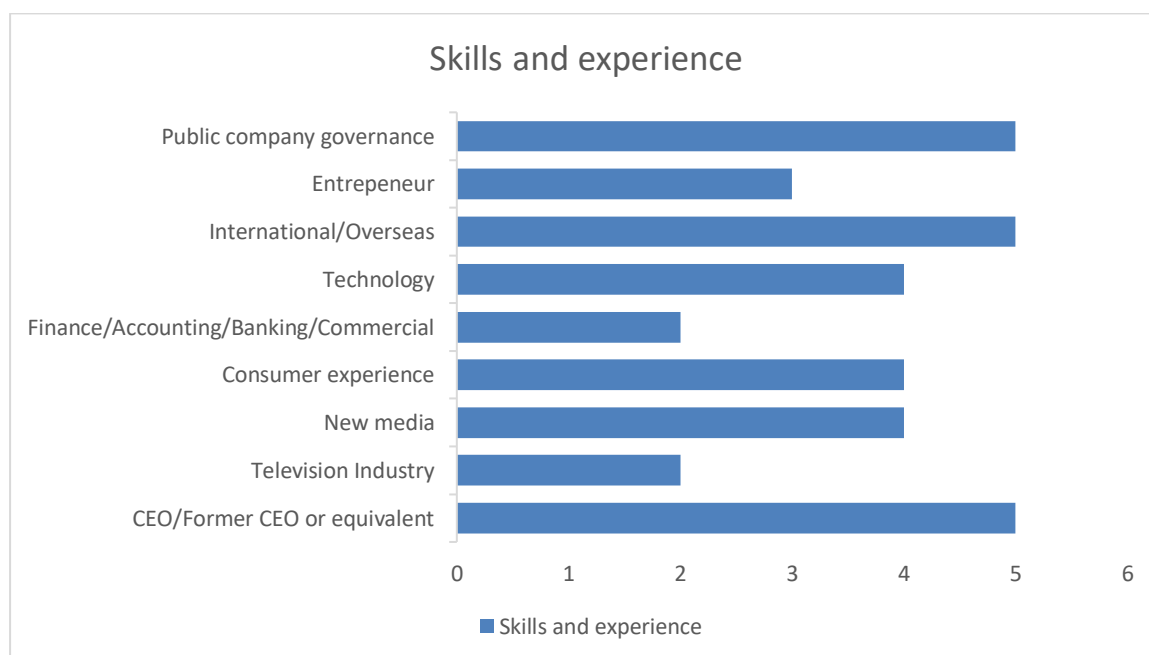
## MEETINGS

The board has regularly scheduled meetings and also meets when a matter of particular significance arises. During the year between 1 July 2018 and 30 June 2019, there were eight scheduled meetings and no unscheduled meetings. Attendance was as follows:

	Meetings held while a director	Attendance at scheduled meetings (8 in total)
Peter Macourt	8	8
Susan Paterson	8	8
John Fellet <sup>1</sup>	5	5
Derek Handley	8	8
Martin Stewart <sup>2</sup>	2	2
Geraldine McBride	8	8
Mike Darcey	8	6

## DIRECTORS SKILLS AND EXPERIENCE

The aim of the board is to have a mix of skills represented on the board that are relevant to Sky's business. The skills matrix for the non-executive directors is set out below:



## BOARD PERFORMANCE

Board performance is reviewed and evaluated periodically and as the need arises in accordance with the process set out in the Nomination and Remuneration Committee Charter. An evaluation has commenced during the financial period to 30 June 2019.

<sup>1</sup> John Fellet resigned on 28 March 2019

<sup>2</sup> Martin Stewart was appointed to Sky's board on 18 April 2019

## COMPANY SECRETARY

The Company Secretary is accountable directly to the board, through the Chairman, on all matters to do with the proper functioning of the board. The Company Secretary is Sophie Moloney.

## INDEPENDENT ADVICE

SKY has a procedure for board members to seek independent legal advice at Sky's expense.

## DIVERSITY

Diversity of gender, skill, age, ethnicity, experience and beliefs are valued by Sky. Sky recognises the value of diversity and the organisational strength, problem solving ability and innovative approach that it brings. The provision of equal opportunities for all employees is fundamental to the way in which Sky functions as a business. Sky established a diversity policy during 2012 (updated in 2015) and has posted this on Sky's website at [www.Sky.co.nz/investor-relations](http://www.Sky.co.nz/investor-relations). The board acknowledges there is a lot of focus on gender diversity both on boards and within companies, and as noted in Sky's diversity policy, this is one of the diversity characteristics that is considered when evaluating new director candidates. As at 30 June 2019, Sky's board had two female directors and four male directors (no change from 30 June 2018).

Sky's officers (a person who reports to the board or to a person who reports to the board) includes two female officers and seven male officers<sup>3</sup> (30 June 2018 three female officers and ten male officers).

SKY takes a holistic approach to diversity. Sky's measurable objectives for achieving diversity are that:

- Each year, the board actively considers the composition of the board and any opportunities for new directors to join the board with diversity (including gender diversity) being one of the key criteria when considering new appointments.
- Each year the board compares the number of female and male employees at SKY to the previous financial year's figures to ensure that Sky is maintaining a strong level of female participation at all levels of the organisation.
- Each year the board considers the extent of age diversification at Sky by comparing the number of employees aged over and under 45 years to the previous financial year's figures, in order to ensure Sky is benefiting from a mix of experience and new ways of thinking.

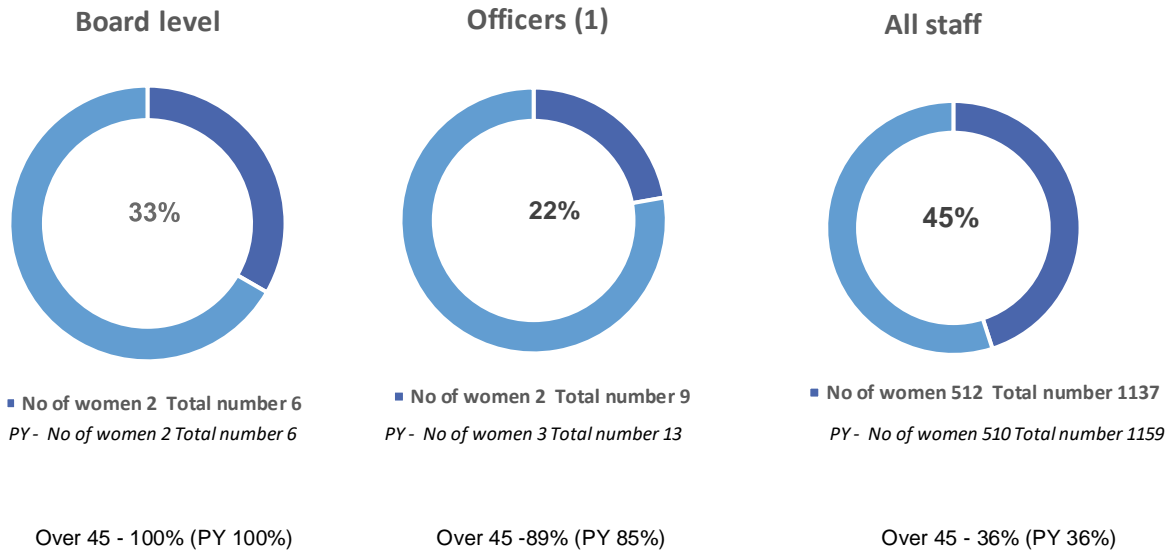
For the year ended 30 June 2019, the board is satisfied that Sky achieved its gender diversity objectives and other measureable diversity objectives as follows:

- The board considered opportunities for new directors to join the board with diversity (including gender diversity) in mind for new appointments.

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<sup>3</sup> These figures do not include one female officer and two male officers which, as at 30 June 2019, no longer reported to the Chief Executive, but were still contractually employed by SKY.

The chart below represents Sky's gender and age diversification as at 30 June 2019.



<sup>1</sup> These figures do not include one female officer and two male officers which, as at 30 June 2019, no longer reported to the Chief Executive, but were still contractually employed by SKY.

Sky also embraces ethnic diversity with a recent staff survey highlighting that there are over 40 nationalities represented on our staff.

### 3. BOARD COMMITTEES

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

The board has established the following committees to act for, and/or make recommendations to, the full board on certain matters as described below.

#### **AUDIT AND RISK COMMITTEE**

The audit and risk committee is responsible for overseeing the financial and accounting activities of Sky including the activities of Sky's auditors, accounting functions, internal audit, financial reporting processes, dividend policies, tax planning and compliance, treasury and general risk management. The committee operates under a formal Audit and Risk Committee Charter which is available on Sky's website.

The Charter also contains the External Audit Independence Group Policy, the object of which is to ensure that audit independence is maintained, such that Sky's external financial reporting is viewed as being highly reliable and credible.

The current members of the committee, who are independent non-executive directors, are Susan Paterson (Chair), Peter Macourt and Derek Handley.

Sky considers it appropriate that any non-executive director (whether or not a member of the committee) may attend audit and risk committee meetings without invitation, while executive directors should attend by invitation only.

#### **NOMINATION AND REMUNERATION COMMITTEE**

The nomination and remuneration committee is responsible for providing recommendations regarding the appointment, compensation levels and evaluation of Sky's directors, Chief Executive and senior executives and overseeing Sky's general human resources policies, including remuneration. The current members are Susan Paterson (Chair), Peter Macourt and Derek Handley. A copy of the Nomination and Remuneration Committee Charter is available on Sky's website. SKY management may only attend nomination and remuneration committee meetings on invitation.

#### **TAKEOVER PROTOCOL**

The Sky board has approved a Takeover Protocol that outlines the procedures when dealing with takeover offers.

#### **COMMITTEE MEETINGS**

During the year ended 30 June 2019:

- (a) The audit and risk committee met four times; and all directors attended.
- (b) The nomination and remuneration committee met two times and all directors attended.

## 4. REPORTING AND DISCLOSURE

*The board should demand integrity in financial and non-financial reporting and in the timeliness and balance of corporate disclosures.*

Sky endeavours to provide investors and stakeholders with financial and non-financial reporting that is clear, meaningful, timely and balanced. All key governance documents and policies, as well as all stock exchange announcements, interim and annual reports and investor presentations are available online at [www.Sky.co.nz/investor-relations](http://www.Sky.co.nz/investor-relations).

### FINANCIAL REPORTING

The audit and risk committee oversees the preparation of Sky's financial statements, including materiality guidance and setting policy to ensure the information presented is useful for investors and other stakeholders.

Sky endeavours to prepare financial statements that are easy to read by using clear, precise language and by structuring the report so that it is logically presented and that policies and related notes are combined in a format that is consistent and logical.

### DIRECTORS, CHAIRMAN AND BOARD COMMITTEES CONFIRMATION OF FINANCIAL STATEMENTS

#### (ASX RECOMMENDATION 4.2):

Each year Sky's Chief Executive and Chief Financial Officer confirm in a written statement to the board that the financial statements are true and correct, although wording of that statement is not exactly the same as the wording set out in section 295A of the Australian Corporations Act 2001.

### CONTINUOUS DISCLOSURE

Sky is committed to keeping the markets, shareholders and investors informed of material information relating to its business, financial performance and strategy in order that trading in securities takes place in an efficient well informed market at all times.

Sky has a Continuous Disclosure Policy that is available on Sky's website. The policy sets out the responsibilities of Sky in relation to its continuous disclosure obligations under the NZX and ASX Listing Rules and the Financial Markets Conduct Act 2013. The policy establishes the procedures required to fulfil Sky's obligations and details the process to appropriately identify and determine any Material Information that may require disclosure.



## 5. REMUNERATION

*The remuneration of directors and executives should be transparent, fair and reasonable.*

Director and executive remuneration is reported under the executive management remuneration section of our annual report. For directors this includes a breakdown of board and committee fees and the actual amounts paid. For the CEO, it includes details of both fixed remuneration and variable performance based remuneration.

The Nomination and Remuneration Committee Charter formalises practices for setting remuneration for directors, the CEO, the executive team and all employees.

Sky has policies in place to ensure that it remunerates fairly and responsibly. In addition to their base salary, executives are remunerated for increasing the level of economic return on capital employed in the business.

The performance of key executives is monitored on a continual basis by the board and Chief Executive but principally as part of annual salary reviews.

## 6. RISK MANAGEMENT

*Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The board should regularly verify that the issuer has appropriate processes that identify and manage potential and relevant risks.*

Sky's risk framework is overseen and monitored by both the board and the audit and risk committee. Sky maintains a risk register and the audit and risk committee in conjunction with management regularly report to the board on the effectiveness of the management of Sky's business risks and whether the risk management framework and systems of internal compliance and control are operating efficiently and effectively in all material respects.

Sky has a Risk Management Policy which provides an overview of its risk management process. The policy outlines Sky's strategic risk management objectives and guidelines and provides a framework to identify, manage and report on risks both financial and non-financial. The audit and risk committee reviews the Risk Management Policy annually. The board reviewed Sky's risk management framework during the reporting period to 30 June 2019 and is satisfied that Sky has in place a robust risk assessment process.

Sky's internal audit function is contracted out to an independent third party. An annual internal audit plan is presented and approved by the audit and risk committee and the audit and risk committee receives internal audit reports during the year and monitors completion of action items that arise.

### MATERIAL EXPOSURE TO ECONOMIC ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISKS

Sky identifies and assesses material exposure to economic, environmental and social sustainability risks on an annual basis and like all media companies SKY is exposed to industry disruption and ongoing structural changes in the way it carries out its business. A summary of Sky's Risk Management Policy, the key economic, environmental and social sustainability risks it faces, and how Sky intends to manage those risks is available on Sky's website.

Principle risks that could affect results and performance include:

- Regulatory environment;
- Competition;
- Content protection;
- Business continuity – Interruption to business;
- Investment strategy – Adoption of new technology;
- Financial risks;
- Reputational risks and brand perception;
- Business transformation; and
- Customer value proposition.

## HEALTH AND SAFETY

Sky has a Health and Safety Policies and Procedures Manual and a group health and safety management committee to ensure that Sky fully complies with its health and safety obligations. Sky's strategic approach to health and safety is to:

- provide a safe workplace for all;
- fulfil all safety obligations within the business, in line with the strategic intent, corporate objectives and legislative requirements; and
- share a vision and commitment to a safety culture that drives continual improvement and resilience at all levels within the company.

## 7. AUDITORS

*The board should ensure the quality and independence of the external audit process.*

### EXTERNAL AUDIT

The role of the external auditor is critical for the integrity of Sky's financial reporting.

PricewaterhouseCoopers (PWC) is Sky's external auditor. The audit and risk committee is responsible for reviewing and recommending to the board the engagement of the external auditors, for reviewing any regulatory requirements, for agreeing the scope of the audit, ensuring no management restrictions are placed on the auditors and for evaluating the performance of the external auditors. Sky's Audit and Risk Committee Charter available on Sky's website contains the policy for External Audit Independence which sets out the framework for ensuring that independence of the external auditor is maintained.

A copy of the most recent audit report, relating to the financial year is included in the annual report available online.

## **INTERNAL AUDIT**

Sky currently outsources to Ernst and Young (EY) its internal audit function which is tasked with monitoring Sky's internal control systems and risk management. Internal audit operates with and independently of management and reports directly to the audit and risk committee.

The audit and risk committee reviews the internal audit plan annually as well as the internal audit reports at each committee meeting. The internal audit reports are made available to the external auditors.

## **8. SHAREHOLDER RELATIONS**

*The board should respect the rights of the shareholders and foster relationships with shareholders that encourage them to engage with the issuer.*

### **INVESTOR COMMUNICATION AND CONTINUOUS DISCLOSURE**

Sky is committed to providing a high standard of communication to its shareholders and other stakeholders. Sky's approach to investor relations is designed to keep both the market and Sky's shareholders properly informed. Sky's Investor Communications Policy outlines the steps that it will take to enable shareholders and investors to engage with the company in an informed manner and to allow them to make informed assessments of Sky's value and future prospects, and vote on major decisions where appropriate. The policy is overseen by Sky's Chief Executive and Chief Financial Officer. A copy of this policy is available on Sky's website. Sky uses the following methods to communicate with its investors:

#### **SKY WEBSITE – INVESTOR RELATIONS**

Sky's website includes all documentation that has been released to the market to enable investors and stakeholders access to all information in one place. This includes copies of annual reports, presentations, media reports, news releases and corporate governance documents. In addition information may be requested directly from Sky's website to which Sky is committed to responding to in a timely manner.

#### **ELECTRONIC COMMUNICATIONS**

SKY is continually striving to improve its electronic communications with its investors and stakeholders by encouraging them to receive communications electronically via the company's share registry, Computershare Investor Services Limited.

#### **ANNUAL SHAREHOLDER MEETING**

Details of the Annual Shareholder Meeting are available on Sky's website.

Shareholders and stakeholders are provided with notices of shareholder meetings and explanatory notices. Sky's external auditors, legal representatives and share registrar are present at the Annual Shareholder Meeting. Directors, management and external auditors are available to answer any questions from shareholders.

#### **SKY EXECUTIVES**

Sky's executives are listed on the back page of the company's 2019 annual report. Written agreements are in place with each executive team member.