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sky

Corporate Governance Statement

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The following disclosures and compliance statements are provided in accordance with the NZX Corporate Governance Code (dated 1 April 2023) (NZX Code) and the ASX Corporate Governance Principles and Recommendations (4th edition) (ASX Recommendations). This corporate governance statement is current as at 24 August 2023, and has been approved by the Board. All key governance policies and charters referred to below are available on Sky's website www.sky.co.nz/investor-centre/corporate-governance.

NZX and ASX Corporate Governance Best Practice Codes

The NZX Code and the ASX Recommendations set standards for effective corporate governance in New Zealand and Australia, respectively, and Sky is committed to reporting against these standards. The Board considers that Sky has complied with the NZX and ASX corporate governance best practice codes in all material respects during the 2023 financial year, except where otherwise indicated.

1. A culture of acting lawfully, ethically and responsibly

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

Statement of Values

Sky's values were developed through a collaborative workshop process, led by Sky Culture Champions and endorsed by the Board. Collectively, the values "Be Yourself", "Create Something Amazing" and "Make Someone's Day" create a common understanding of the expectations Directors, executives and employees have of each other and themselves.

Code of Ethics

Sky has a Code of Ethics which provides a practical set of guiding principles for a code of ethical behaviours in respect of various matters including conflicts of interest, gifts and entertainment, corporate opportunities, confidentiality, insider trading and dealing with corporate assets, in addition to emphasising the requirement to comply with applicable laws and regulations.

The Code of Ethics applies to Sky's directors, senior executives, employees and other persons, and is available on Sky's website. All potential breaches of the Code of Ethics are to be notified to Sky's Chief Financial Officer or Chief Executive (or the Chair of the Sky Board of Directors if the Chief Financial Officer or Chief Executive are potentially implicated), and any material breaches will be notified to the Board.

Sky managers are responsible for providing appropriate training and ensuring that all Sky employees are aware of and adhere to Sky's Code of Ethics.

Sky is in the process of designing a Conduct and Ethics framework, with input from internal stakeholders to clearly set out the expectations regarding behaviours of its people and stakeholders throughout the business. Sky anticipates that this framework will be adopted during the course of 2024. Once adopted, Sky's Code of Ethics will be updated where necessary to reflect this framework and Sky intends to provide training sessions to all employees on the new framework and revised Code of Ethics.

Whistleblowing/Protected Disclosures

Sky's Protected Disclosures Policy (or Whistleblower Policy) provides a process for staff and any other persons to report any serious wrongdoing and gives protection to the person making the disclosure in accordance with the policy. The policy outlines types of behaviour that may be considered serious wrongdoing, when and how a person can make a disclosure and how they are protected. This includes access to an independent, third party, qualified to provide comprehensive advice and access to support.

A thorough review of the policy and underlying processes was undertaken in 2023 to review and strengthen the framework and ensure Sky's procedures continue to reflect best practice and compliance with the Protected Disclosures (Protection of Whistleblowers) Act 2022 introduced in July 2022 and ASX Recommendation 3.3. The Protected Disclosures Policy is posted on Sky's website. Any material incidents reported under the Policy will be notified to Sky's People and Performance Committee and/or the Board and this process is formalised in the Protected Disclosures Policy.

Securities Trading

Sky has a formal Securities Trading Policy, which is posted on Sky's website. Sky's Securities Trading Policy includes robust procedures to minimise the risk of insider trading. The policy outlines that directors, officers, employees and contractors of Sky may not buy or sell securities in Sky, nor may they tip others, while in the possession of material information which is not generally available to the market.

Additional restrictions apply to key management personnel who are prohibited from trading during prohibited periods (other than in exceptional circumstances) and must at all times (including outside prohibited periods) obtain written consent to trade from the Chief Financial Officer, Chair of the Board or the Chair of the Audit and Risk Committee (as applicable).

Sky's Securities Trading Policy affirms the law relating to insider trading contained in the Financial Markets Conduct Act 2013 and the Australian Corporations Act 2001 (Cth) and complies with ASX Listing Rule 12.12 (*Content of Trading Policy*).

Anti-bribery and Corruption Policy

Sky introduced an Anti-Bribery and Corruption Policy during the 2022 financial year to specifically set the minimum standards of conduct expected of Sky (including its directors, senior managers, employees, contractors and consultants or any other person who represents Sky or is engaged to carry out work for Sky and its subsidiaries) to ensure Sky complies with all relevant anti-bribery and corruption legislation in all jurisdictions in which it operates or has dealings. This policy is in line with ASX Recommendation 3.4 and builds on the existing strong framework established through Sky's Code of Ethics to reinforce Sky's standards, including appropriate controls around offering and accepting gifts or entertainment.

Breaches of the Anti-Bribery Policy must be reported to the Chief Executive Officer, and the Board will be informed of any material incidents of bribery or corruption. No breaches of the Anti-Bribery Policy were reported during the 2023 financial year.

Modern Slavery

Sky filed its second Modern Slavery Statement covering the period 1 July 2021 to 30 June 2022 with the Australian Border Force (under the Modern Slavery Act 2018 (Australia)), with the next filing due by 31 December 2023.

This year Sky strengthened its measures to reduce the risk of modern slavery practices across the group's operations and supply chain through proactively managing suppliers identified as being potential risks. In addition, Sky further embedded the Supplier Code of Conduct into the procurement process, affirming Sky's commitment to ethical, responsible and sustainable business conduct. The next steps in this work will be to further engage with key suppliers to ascertain their ability to assess and address their modern slavery risks. All learnings from this process will be incorporated into Sky's Procurement Policy, processes and supplier management practices.

A review of Sky's contracting arrangements also resulted in Sky incorporating contractual clauses in supplier contracts that place obligations on the counterparty to manage and notify Sky of their modern slavery risks, thereby setting expectations and allowing a mechanism for identifying and addressing issues.

In FY24 Sky's new Human Resources Information Portal (ELMO) will provide access to ASX compliant modern slavery awareness training modules to all staff.

Sky is monitoring the progression of the New Zealand Government's Ministry of Business, Innovation and Employment work to develop modern slavery legislation for New Zealand.

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. The NZX Listing Rules provide for a minimum of three directors, and Sky's constitution provides for a maximum of ten directors. As at 30 June 2023, the Board consisted of six directors whose relevant skills, experience and expertise are outlined in their biographies on page 43.

The Board operates under a written charter (Board Charter), which sets out the respective roles and responsibilities of the Board, the Chair and management, and (together with the delegated authorities policy) those matters expressly reserved to the Board and those delegated to management. A copy of the Board Charter is available on Sky's website.

Nomination and Appointment

The Board gives consideration to the Board's skills, experience and diversity when evaluating potential board candidates. The objective is to have a mix of skills represented on the Board that are relevant to Sky's business and strategy. The Board is also responsible for board succession planning generally.

During the financial year ending 30 June 2023, the Board appointed Belinda Rowe to Sky's Board. Sky enters into a written agreement with each of its newly appointed directors establishing the terms and conditions of their appointment.

The Board may appoint directors to fill casual vacancies that occur or add persons to the Board up to the maximum number prescribed by Sky's constitution. At each annual meeting all directors appointed by the Board since the last annual meeting must retire and seek re-election, if eligible. Directors must also not hold office (without re-election) past the third annual meeting following the director's appointment or 3 years, whichever is longer. Directors' fees have been set at a maximum amount of \$950,000 per annum since October 2015.

As at 30 June 2023 the Board is comprised of:

| | Appointed |
|---|-------------------|
| Philip Bowman (Independent Chair) | 1 September 2019 |
| Keith Smith (Independent Director and Deputy Chair) | 21 April 2020 |
| Michael Darcey (Independent Director) | 19 September 2017 |
| Joan Withers (Independent Director) | 17 September 2019 |
| Mark Buckman (Independent Director) | 21 March 2022 |
| Belinda Rowe (Independent Director) | 1 March 2023 |

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 Sky. Material information that is relevant to a decision on whether or not to elect or re-elect the director is provided to shareholders. Written agreements are in place with each Board member and senior executive setting out the terms of their appointment.

New Board 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 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. The Board will periodically review whether there is a need for existing directors and/or the Board as a whole to undertake professional development to maintain the skills and knowledge to perform their roles as directors effectively and to deal with new and emerging business and governance issues. Sky will reimburse directors for reasonable costs incurred in attending appropriate conferences and training courses.

Sky ensures that a majority of its Board are independent directors and that the role of Chair of the Board and Chief Executive are separate. At 30 June 2023 all of the directors of Sky were considered to be independent directors, having regard to the factors in NZX Recommendation 2.4 and ASX Recommendation 2.3 (none of which apply to the directors of Sky). The Chair of Sky's Board is Philip Bowman, an independent director (and is not the Chief Executive of Sky).

Role of the Board

The Board oversees Sky's business and is responsible for its corporate governance. The Board sets corporate policies and the strategic direction of Sky 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 financial year ended 30 June 2023 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 also established a number of ad-hoc committees during the 2023 financial year to assist the Board in fulfilling its responsibilities in relation to specific matters.

Delegations

To enable the effective functioning of the day-to-day business of Sky, the Board has delegated certain of its powers to Sky's Chief Executive and senior management. Those powers are set out in Sky'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:

- any action or transaction that exceeds the limits delegated to the Chief Executive; and
- appointing or removing authorised signatories to bank accounts, entering into overdraft facilities or similar credit arrangements, or entering into loans, mortgages, debentures or other financial instruments.

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 and the Treasury 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 2022 and 30 June 2023, there were 10 Board meetings. Attendance was as follows:

| | Board meetings held while a director | Attendance at Board meetings |
|--------------------------------|--------------------------------------|------------------------------|
| Philip Bowman | 10 | 10 |
| Keith Smith | 10 | 9 |
| Geraldine McBride ¹ | 5 | 4 |
| Michael Darcey | 10 | 10 |
| Joan Withers | 10 | 10 |
| Mark Buckman | 10 | 10 |
| Belinda Rowe ² | 2 | 2 |

(1) Geraldine McBride retired from the Board 2 November 2022.

(2) Belinda Rowe was appointed to the board on 1 March 2023.

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 directors is set out below:

● Primary skills ○ Secondary skills

| Skills attribute | Philip Bowman | Joan Withers | Keith Smith | Mike Darcey | Mark Buckman | Belinda Rowe |
|--|---------------|--------------|-------------|-------------|--------------|--------------|
| Pay Television and Media Industry – including experience in overseas markets | ● | ● | ● | ● | ● | ● |
| Strategic content partnerships | ○ | | ○ | ● | ○ | ● |
| Customer Experience development | ○ | ● | ○ | | ● | ● |
| Technology, Data and Innovation | ○ | ○ | | ○ | ● | ● |
| Public Company Governance including Risk and Sustainability Management | ● | ● | ● | ○ | ● | ● |
| Finance/Accounting and Commercial including Corporate Transactions | ● | ○ | ● | ● | ○ | ○ |
| CEO and Executive Experience | ● | ● | ○ | ● | ● | ● |
| People Management and Culture | ● | ● | ○ | ○ | ● | ● |

Board Performance

Board performance, including the performance of Board committees and individual directors, is reviewed and evaluated periodically and as the need arises in accordance with the process set out in the Board Charter. A formal evaluation exercise was completed during the 2023 financial year.

Executive Performance

Executive performance is reviewed and evaluated on a continual basis (and in any case at least once every financial year) by the Board and Chief Executive, and periodically as the need arises, in accordance with the People and Performance Committee Charter and the Remuneration Policy, principally as part of annual salary reviews and through participation in Sky's short-term incentive (STI) scheme. The components of Sky's STI scheme consider in the first instance a participation gateway regarding Health and Safety performance. Assessment criteria include financial performance, employee engagement and customer satisfaction. A formal evaluation of senior executive performance for the 2023 financial year is being undertaken following the completion of that period.

Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary is Kirstin Jones.

Independent Advice

Sky has a procedure for Board members to seek independent legal advice at Sky's expense (as set out in the Board Charter).

Diversity

Sky recognises diversity and inclusion as a strategic asset for Sky's current and future success. Sky values diversity of gender, age, ethnic and cultural background, sexuality, experience and beliefs. Sky's Board and management believe that an organisation that reflects the diversity of its current and future customers will be able to deliver more personalised customer experiences, and customer value, to continue to grow successfully, and to attract and retain the best talent.

Sky's Diversity Policy reflects a continuing commitment to diversity and inclusion. Sky proactively considers diversity in all recruitment activities, with a particular focus on leadership roles with the most recent review of the policy reflecting this commitment. Over the course of the 2023 financial year Sky has actively considered diversity through recruitment, promotion and organisational change.

The Board acknowledges the importance of diversity both on boards and within companies, and as noted in Sky's Board Charter, this is one of the characteristics that is considered when evaluating new director candidates. As at 30 June 2023, Sky's Board had two female directors and four male directors.

Sky's officers (being a person who is concerned or takes part in the management of Sky and reports to the Board, or to a person who reports to the Board) includes four female officers and four male officers. The officers include the Chief Executive and the members of Sky's executive leadership team who report directly to the Chief Executive.

Sky takes a holistic approach to diversity and Sky is committed to building measurable objectives comparable in market for all senior leadership roles in FY24.

During the 2023 financial year Sky focused on creating the foundations to support diversity within the workplace and ensure a more sustainable holistic solution to creating meaningful pathways for everyone. This included the introduction of paid parental leave inclusive of KiwiSaver benefits, innovative and flexible working arrangements, consideration of intergenerational family household circumstances in pay and leave, and paid gender transition support leave. Sky considers these building blocks are critical to providing an environment that encourages and supports inclusivity with a view to more clearly identifying future meaningful metrics of success.

The chart below represents Sky's gender and age diversification as at 30 June 2023:

| 2023 | Board Level | Officers ¹ | All staff |
|---------------------|-------------|-----------------------|-----------|
| Women | 2 | 4 | 290 |
| Men | 4 | 4 | 372 |
| Gender diverse | 0 | 0 | 1 |
| Prefer not to say | 0 | 0 | 8 |
| Total number | 6 | 8 | 671 |
| Over 45 | 100% | 100% | 41% |
| 2022 | | | |
| Women | 2 | 2 | 423 |
| Men | 4 | 5 | 475 |
| Total number | 6 | 7 | 898 |
| Over 45 | 100% | 86% | 35% |

(1) For the purpose of Recommendation 1.5(c)(3) of the ASX Corporate Governance Principles and Recommendations (4th edition), "senior executives" has the same meaning as the "officers" referred to in the chart above as defined under the NZX Listing Rules.

The table below provides a detailed breakdown of the age diversification of Sky's workforce:

| Age | 2023 | 2022 |
|---------|------|------|
| <30 | 13% | 20% |
| 30 - 39 | 30% | 32% |
| 40 - 49 | 32% | 28% |
| 50 - 59 | 20% | 15% |
| 60 - 69 | 4% | 4% |
| >70 | 1% | 1% |

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. The Content Rights Committee was established during 2023 in recognition of the importance and time commitment required of directors for this aspect of the Board's duties.

Audit and Risk Committee

The Audit and Risk Committee is responsible for overseeing the financial and accounting activities of Sky including accounting and reporting, external and internal auditors, 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.

As at 30 June 2023, the members of the Committee, who are independent non-executive directors, are Keith Smith (ARC Chair, Board Deputy Chair), Philip Bowman (Board Chair), and Joan Withers.

All directors who are not members of the Audit and Risk Committee may attend Audit and Risk Committee meetings without invitation. A standing invitation exists for the Chief Executive Officer and the Chief Financial Officer to attend Audit and Risk Committee meetings.

People and Performance Committee

The People and Performance Committee is responsible for providing recommendations regarding the appointment, compensation levels and evaluation of Sky's directors, Chief Executive and senior executives, overseeing Sky's people and performance strategy and policies, including remuneration, compliance with legislative and listing requirements, and ensuring the health, safety and wellbeing of all employees. The Committee also ensures that before appointing executives, appropriate checks are carried out to ensure candidates have the necessary skills to act for Sky.

The current members, who are independent non-executive directors, are Mark Buckman (PPC Chair), Joan Withers and Michael Darcey. The Committee's Charter is available on Sky's website. Sky management may only attend Committee meetings by invitation.

Content Rights Committee

The Content Rights Committee is responsible for (a) providing guidance, challenge, strategic input and counsel to Sky's management in relation to content rights arrangements; (b) approving Sky's pursuit and negotiation of content rights arrangements; and (c) where applicable authority has been delegated to the Committee by the Board, approving Sky's entry into and modification of content rights arrangements in accordance with such delegated authority. The current members, who are independent non-executive directors, are Philip Bowman (CRC Chair, Board Chair), Keith Smith (Board Deputy Chair), and Michael Darcey. The Committee's Charter is available on Sky's website. Sky management may only attend Committee meetings by invitation.

Ad-hoc Committees

The Board established a number of ad-hoc committees during the 2023 financial year to assist the Board in fulfilling its responsibilities in relation specific matters. Each such committee was established by Board resolution (clearly prescribing the membership of the committee and the role of the committee) and required to regularly report back to the Board on proceedings. The Board retained ultimate responsibility for the relevant matters.

Board Membership

Sky's Board is responsible for ensuring the balance of skills, knowledge, experience, independence and diversity of directors remains relevant to Sky's business and strategy and enables the Board to discharge its duties and responsibilities effectively. The Board gives consideration to these factors when assessing board succession and in evaluating potential board candidates.

The Board does not have a formal nomination committee constituted by a Board committee charter. The Board or a nominations sub-committee of the Board (which is distinct from the People and Performance Committee) evaluates potential Board candidates to be considered for appointment. To be eligible for appointment as directors, candidates must demonstrate appropriate qualities and experience. Directors will be selected based on all of the above factors including the needs of the Board at the time.

Committee Meetings

During the financial year ended 30 June 2023 attendance at committee meetings were as reflected in the table below:

| | Committee meetings held while a Committee member | Attendance at Committee meetings |
|---|--|----------------------------------|
| Audit and Risk Committee | | |
| Keith Smith (Chair) | 4 | 4 |
| Joan Withers | 4 | 4 |
| Philip Bowman | 4 | 4 |
| People and Performance Committee | | |
| Mark Buckman (Chair) ¹ | 7 | 7 |
| Geraldine McBride (former Chair) ² | 2 | 2 |
| Joan Withers | 7 | 7 |
| Michael Darcey | 7 | 7 |
| Keith Smith | | 1 ³ |
| Content Rights Committee | | |
| Philip Bowman (Chair) | 2 | 2 |
| Keith Smith | 2 | 0 |
| Michael Darcey | 2 | 2 |

(1) Mark Buckman was appointed to the People and Performance Committee on 1 September 2022 and was appointed Chair on 2 November 2022.

(2) Geraldine McBride retired from the Board 2 November 2022.

(3) Keith Smith is not a usual member of the People and Performance Committee but attended 1 meeting.

Takeover Protocol

The Sky Board has approved a Takeover Protocol that outlines the procedures when dealing with takeover offers. This is available on Sky's website.

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 material stock exchange announcements, interim and annual reports and investor presentations are available online at www.sky.co.nz/investor-centre.

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, Chair and Board Committees' Confirmation of Financial Statements

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, are prepared in accordance with applicable accounting standards and present fairly Sky's financial position. Although the wording of that statement is not exactly the same as the wording set out in section 295A of the Australian Corporations Act 2001, in substance the statement meets the requirements of ASX Recommendation 4.2.

Continuous Disclosure

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

When Sky provides a substantive investor or analyst presentation, such as those prepared for investor results briefings, shareholder meetings, or investor day events, a copy of the material to be presented is released to the NZX and ASX ahead of the presentation.

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.

In most circumstances, material market announcements are approved by the full Board prior to their release. Copies of all material market announcements are promptly circulated to the Board after they have been made.

5. Remuneration

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

Sky's Remuneration Framework

Sky is committed to being an innovative employer, presenting fair, market comparable and inclusive remuneration strategies to ensure the strongest talent is attracted to, remains with and remains attracted to the future growth of the business.

Sky's approach to remuneration demonstrates the intention to ensure clear alignment between remuneration and sustainable, long-term stakeholder interests. Sky's remuneration policy provides detailed information regarding the company's remuneration framework and the approach to Board and key management personnel (KMP) remuneration. A copy of the policy is available on Sky's website.

Stakeholder views and interests were considered in the design of Sky's remuneration framework to ensure an appropriate focus on performance which supports the delivery of business strategy. This is achieved through targeting the delivery of key performance indicators (KPIs) as a core component of Sky's remuneration plans.

The People and Performance Committee is responsible for providing recommendations regarding the appointment, compensation levels and evaluation of Sky's directors, Chief Executive and senior executives, overseeing Sky's people and performance strategy and policies, including remuneration, compliance with legislative and listing requirements, and ensuring the health, safety and wellbeing of all employees.

The Board approves Sky's Remuneration Policy and all components of remuneration, including Director fees, fixed remuneration, the quantum and terms of short term incentives (STI) and the quantum and terms of any long term incentives (LTI).

Fixed Remuneration

Fixed remuneration includes base salary and benefits, including KiwiSaver. The salary component of fixed remuneration is reviewed on an annual basis while benefits are reviewed as appropriate. Executive KMP fixed remuneration is reviewed annually and tested against relevant independent external benchmark data, with any increases approved by the PPC and the Board.

In considering changes to fixed remuneration during the 2023 financial year Sky's Board and management were conscious of the challenging impact of inflationary pressures and this was reflected in the decision to once again focus salary increases towards staff at the lower end of the salary ranges. In FY23, the average salary increase was 6.4%, effective from 1 October 2022.

| Salary range | Percentage of workforce | Percentage increase |
|-----------------------|-------------------------|---------------------|
| Up to \$100,000 | 70% | 8% |
| \$100,001 – \$250,000 | 29% | 5% |
| From \$250,001 | 1% | 4% |
| Blended increase | | 6.4% |

Employee Benefits

Changes were made to employee benefits during FY23 following employee feedback and consultation.

The revised benefits offering includes a broader range of benefits:

- The introduction of paid parental leave of 3 months at full pay or 6 months at half pay with KiwiSaver contributions included.
- Family support beyond parenting, including flexible working arrangements above the legislative requirements and leave associated with intergenerational family units to care for in the home.
- The ability to give back to the community with a volunteer day.
- More inclusive gender policies and the introduction of gender transition leave paid.
- Provision of a range of free and discounted Sky services.

Short Term Incentive Plan

Sky's Short Term Incentive plan (STI) provides a direct link between delivery of strategic or performance objectives (both financial and non-financial) and remuneration outcomes. The Chief Executive, the Executive Team and direct reports to the Executive Team are eligible to take part in Sky's STI plan.

The STI framework and specific metrics are considered by the People and Performance Committee and recommended to the Board for approval on an annual basis. The Board retains discretion to deny an award under Sky's STI plan, where it would reward conduct that is contrary to Sky's values or risk appetite.

The entitlement percentage for the FY23 period was set at 45% of base salary for the Chief Executive and 35% of base salary for other executives. Other eligible staff are entitled to 15% of base salary. The STI measures were updated to include a composite rolling average of Total Company Net Promoter Score (NPS) rather than Sky Box NPS as the metric for assessing Customer Satisfaction performance to better represent company performance for all Sky customers. In addition, STI metric weightings were changed to better reflect the strategic importance of satisfying and retaining customers to the long-term success of the business.

Sky's STI programme includes an overarching Health and Safety hurdle whereby the STI will be forfeited in the case of a successful prosecution under the Health and Safety at Work Act 2015.

| Short Term Incentive (STI) achievement FY23 | | | Overall Performance |
|---|-----------|-------------|---------------------|
| Measure | Weighting | Achievement | |
| EBITDA | 35% | 88% | 42% |
| Free Cash Flow | 15% | 0% | |
| Subscriber Nos. | 15% | 75% | |
| Customer Satisfaction | 25% | 0% | |
| Employee Engagement | 10% | 0% | |

Long Term Incentive Plan

There was no Long Term Incentive plan (LTI) in place during FY23. This was identified as a major gap in the executive remuneration strategy and led to the development of an LTI plan that will operate from FY24. The purpose of the LTI is to incentivise performance and retention of Sky's key executives and create further alignment with shareholders' interests, consistent with contemporary market standards.

The LTI is structured as a performance rights plan with a three-year vesting period with service rights conditions. The performance conditions are set by the Board, having regard to Sky's medium and longer-term performance objectives with key

measures being total shareholder returns (based upon a cost of equity metric) and relative total shareholder return. Each metric will contribute 50% towards the total. Participants in the LTI will be prohibited from entering into transactions to hedge or otherwise limit the economic risk of participating in the plan.

As part of the implementation plan, no increase will be applied to Chief Executive and executive fixed remuneration in the 2024 financial year. In this way, Sky's remuneration costs will only increase if performance achieves the targets set by the Board. The percentage of potential LTI will vary by role with the Chief Executive's LTI set at a maximum of 50% of fixed remuneration and executive participation set at a maximum of 25% of fixed remuneration.

Sky Executive KMP Remuneration Objectives

Shareholder value creation through equity components.

An appropriate balance of 'fixed' and 'at risk' components.

Creation of reward differentiation to drive performance culture and behaviours.

Attract, motivate and retain executive talent required at each stage of development.

Total Annual Remuneration (TAR) or Total Target Remuneration (TTR) is set by reference to relevant market benchmarks

Fixed

Fixed Annual Remuneration (FAR)

Fixed remuneration is set based on relevant market relativities, as determined by the Board but will reflect role and responsibilities, performance, qualifications, experience and geographic location.

At Risk

Short Term Incentives (STI)

STI key performance indicators (KPI) will be determined by the Board based on key Financial and Non-Financial criteria aligned to deliver Sky's priority business strategies.

Long Term Incentives (LTI)

Performance conditions will be set by the Board and linked to a selected matrix of Earnings, Total Shareholder Return or other objectives that the Board will align executive KMP interests with shareholder interests.

Remuneration will be delivered as

Base salary plus any allowances (includes Superannuation or equivalent).

Paid, as cash, on completion of the relevant performance period. Deferral of a portion of the STI into equity (performance rights) will be considered.

Awarded as equity and will vest (or not) at the end of the performance period which will be a minimum of three years.

Strategic intent and market positioning

FAR for executive KMP will typically be positioned between the median and 75th percentile (+/-) compared to relevant market data considering expertise, competitive tensions and performance in the role.

Performance incentive is directed to achieving key strategic or financial targets. FAR and STI opportunity is targeted to be positioned at about the 75th percentile of the relevant benchmark group.

LTI is intended to align executive KMP with shareholder interests. LTI opportunity should ideally be positioned at or about the 75th percentile.

Total Annual Remuneration (TAR) or Total Target Remuneration (TTR)

TAR or TTR is intended to be positioned in the upper 3rd quartile compared to relevant market based comparisons. 4th quartile TAR or TTR may be derived if demonstrable out performance is achieved by Sky.

Chief Executive Remuneration

Sky's Chief Executive, Sophie Moloney has a permanent employment agreement with Sky. The agreement includes a period of notice from the individual of 6 months and allows for a provision of consultative agreed termination notice from the company, referred to as the "No Fault Termination Clause". This clause allows for the agreed termination of the contract with six months' pay and six months' notice. In addition, there is the provision for a redundancy payment of 44 weeks.

Under the terms of the employment agreement signed at the time of the Chief Executive's appointment in December 2020, a review was undertaken in the prior financial year resulting in a salary increase of 4%, effective from 1 July 2022. The timing of subsequent reviews will now revert to the standard annual review cycle. Market comparison data is independently reviewed by external remuneration consultants to benchmark the Chief Executive and executive remuneration to ensure it remains fair and competitive. The PPC and Board are confident the Chief Executive and executive team are appropriately paid for their roles and fall within Sky's policy guidelines.

The Chief Executive's remuneration for the years ending 30 June 2022 and 30 June 2023, is illustrated in the table below:

| \$ | 2023 | 2022 |
|---------------------------|------------------|------------------|
| Base salary ¹ | 969,423 | 932,500 |
| STI | 182,785 | 330,568 |
| Total remuneration | 1,152,208 | 1,263,068 |

(1) Sophie Moloney's base salary is \$970,000 per annum. Other benefits paid to the CEO were as follows: FY23 KiwiSaver employer contribution: \$37,895 and FY22 KiwiSaver employer contribution: \$37,902.

The Chief Executive has a significant portion of remuneration 'at risk' and linked to performance. In FY23 the Chief Executive was entitled to participate in the STI scheme based on 45% of base salary (44% of fixed remuneration). For the financial year ended 30 June 2023 the Chief Executive's STI was awarded at 16% of total remuneration.

From FY24, as a result of a market benchmark and review process, the Chief Executive STI proportion will increase to 50% of base salary (49% of fixed remuneration). In addition, the Chief Executive will participate in the LTI scheme from FY24 at 50% of base salary (49% of fixed remuneration).

Pay Equity and Diversity

Sky continues to place a strong focus on diversity, equity and inclusion and undertakes annual remuneration reviews to ensure identified inequity is addressed.

As mentioned above under Fixed Remuneration, the decision to weight FY24 salary increases towards staff on lower salaries resulted in an 8% increase for those in the lowest salary band compared to an increase of 4% for those in the top band (and an average of 6.4% across the company).

Sky has committed to paying all employees at least the living wage. At 30 June 2023 the living wage in New Zealand was \$23.65 per hour and no Sky employees were paid less than the living wage.

Median Pay Gap

The median pay gap represents the number of times greater the CEO remuneration is to an employee paid at the median of all Sky employees. At 30 June 2023 the Chief Executive's base salary of \$970,000 (on an annualised basis) was 11.2 times that of the median employee at \$86,400. On a total remuneration basis, including STI, the median pay gap was 14.6 times.

Employee Remuneration

The following table shows the number of employees and former employees of Sky and its subsidiaries whose remuneration and benefits for the year ended 30 June 2023 were within the specified bands above \$100,000.

The remuneration figures shown in the table include all monetary payments actually paid during the year ended 30 June 2023, including severance and STI payments. The table does not include amounts paid post 30 June 2023 that relate to the 2023 financial year, such as STI bonuses.

| Remuneration range (\$) | Number of employees |
|-------------------------|---------------------|
| 100,000 - 110,000 | 58 |
| 110,001 - 120,000 | 35 |
| 120,001 - 130,000 | 40 |
| 130,001 - 140,000 | 38 |
| 140,001 - 150,000 | 28 |
| 150,001 - 160,000 | 20 |
| 160,001 - 170,000 | 13 |
| 170,001 - 180,000 | 12 |
| 180,001 - 190,000 | 9 |
| 190,001 - 200,000 | 6 |
| 200,001 - 210,000 | 4 |
| 210,001 - 220,000 | 9 |
| 220,001 - 230,000 | 3 |
| 230,001 - 240,000 | 3 |
| 240,001 - 250,000 | 4 |
| 250,001 - 260,000 | 7 |
| 260,001 - 270,000 | 3 |
| 270,001 - 280,000 | 1 |
| 280,001 - 290,000 | 2 |
| 290,001 - 300,000 | 1 |
| 300,001 - 310,000 | 1 |
| 310,001 - 320,000 | 3 |
| 350,001 - 360,000 | 1 |
| 360,001 - 370,000 | 1 |
| 400,001 - 410,000 | 1 |
| 460,001 - 470,000 | 2 |
| 500,001 - 510,000 | 1 |
| 510,001 - 520,000 | 1 |
| 520,001 - 530,000 | 1 |
| 860,001 - 870,000 | 1 |
| 1,260,001 - 1,270,000 | 1 |
| Total | 310 |

Director Remuneration

Directors do not receive any performance or equity-based remuneration, superannuation or retirement benefits (for their role as directors). This reflects the role of the directors which is to provide oversight and guide strategy, whereas the role of management is to operate the business and execute Sky's strategy.

The directors' fee pool available has been set at a maximum amount of \$950,000 per annum since it was last approved by shareholders in October 2015.

| Annual Fee Structure (\$) | Year ended 30 June 2023 | Year ended 30 June 2022 |
|---|----------------------------|----------------------------|
| Board fees | | |
| Board Chair | \$210,000 | \$200,000 |
| Deputy Chair | \$136,500 | \$130,000 |
| Non-executive Director | \$105,000 | \$100,000 |
| Board Committee Fees | | |
| Audit and Risk Committee | | |
| Chair | \$20,000 | \$20,000 |
| Member | \$12,000 | \$12,000 |
| People and Performance Committee | | |
| Chair | \$12,000 | \$12,000 |
| Member | \$8,000 | \$7,500 |
| Content Rights Committee¹ | | |
| Member | \$5,000 | - |

(1) The Content Rights Committee was formed during FY23.

Fees paid to Sky Directors in the year ended 30 June 2023 are set out in the table below:

| Name | Board Fees | Audit and Risk Committee | People and Performance Committee | Content Rights Committee | Total Remuneration |
|------------------------------------|----------------|--------------------------|----------------------------------|--------------------------|--------------------|
| Philip Bowman (Chair) ¹ | 210,000 | - | - | 3,315 | 213,315 |
| Keith Smith (Deputy Chair) | 136,500 | 20,000 | - | 3,315 | 159,815 |
| Michael Darcey | 105,000 | - | 8,000 | 3,315 | 116,315 |
| Joan Withers | 105,000 | 12,000 | 8,000 | - | 125,000 |
| Mark Buckman ² | 105,000 | - | 9,333 | - | 114,333 |
| Geraldine McBride ³ | 35,641 | - | 4,000 | - | 39,641 |
| Belinda Rowe ⁴ | 35,000 | - | - | - | 35,000 |
| Totals | 732,141 | 32,000 | 29,333 | 9,945 | 803,420 |

(1) The Board Chair is a member of the Audit and Risk Committee, (and is not the Chair of the Committee), however he does not receive a separate fee for this role.

(2) Mark Buckman joined the People and Performance Committee during the financial year, effective 1 September, and became Chair of the Committee, effective 2 November.

(3) Geraldine McBride resigned from the Board during the financial year, effective 2 November 2022.

(4) Belinda Rowe joined the Board during the financial year on 1 March 2023.

Fee structure from 1 July 2023

The People and Performance Committee commissioned an independent review of Director Remuneration to benchmark the current settings against comparable market peers. On the basis of that review, the board fee pool will remain unchanged, and board fees will increase by 5%, effective 1 July 2023.

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 management framework is overseen and monitored by both the Board and the Audit and Risk Committee. The Audit and Risk Committee in conjunction with management regularly report to the Board on the effectiveness of the management of Sky's 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 Controlling and Managing Risk Policy which provides an overview of Sky's risk management process. The Policy outlines Sky's 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 Sky's risk management framework with management at least annually to satisfy itself that it continues to be sound and to ensure that Sky is operating with due regard to the risk appetite set by the Board. A review of Sky's risk management framework was undertaken in the 2023 financial year.

Sky recognises that having a robust and well-documented enterprise-wide risk management framework is critical to support the management of risks across Sky. Management, with oversight by the Audit and Risk Committee, continue to identify and implement improvements to Sky's risk management processes in line with the enterprise-wide risk management framework, while maintaining its focus on managing both near and long-term risk to best support Sky's current and future business and operating goals.

Sky's internal audit function is outsourced to Ernst & Young (EY). 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. Sky's internal audit function assists it to better accomplish its objectives by bringing a systemic, disciplined approach to evaluating and continually improving the effectiveness of Sky's risk management and internal control processes.

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 as part of the overall framework of assessing risk to satisfy itself that its risk management framework continues to be sound and that Sky is operating with due regard to the risk appetite set by the Board. A summary of the key economic, environmental and social sustainability risks it faces, and how Sky intends to manage those risks is included in the Controlling and Managing Risk Policy on Sky's website.

Sky's high level assessment of exposure to climate related risk has been captured within the company's detailed risk assessment framework. Sky's climate related risks are broadly contained within the principal risk areas of legislative and regulatory compliance and adverse natural events. Sky will build on the initial risk identification work by documenting the key physical and transitional risks (and opportunities) associated with climate change in more detail, and by completing scenario analysis, in line with the requirements of the Aotearoa New Zealand Climate Related Disclosures.

Sky has identified the following strategic risks that could affect results and performance:

| Strategic risks | Description | Mitigation |
|--|--|--|
| Critical infrastructure | Reliability and continuity of the provision of services is fundamental to the sustainability and reputation of Sky's business. | Sky has robust Business Continuity Management and Disaster Recovery plans which are regularly reviewed, tested and updated. This includes review by independent advisors. |
| Cybersecurity | Cybersecurity risk mitigation is important for the safe and reliable operation of Sky's business, including to protect sensitive data. | Sky has a comprehensive cybersecurity programme that includes tools and systems designed to prevent and detect potential threats to cyber security, privacy and data breaches. This programme is continually monitored, tested and improved. |
| Acquiring and retaining market leading content | Acquiring and retaining great content at the right price is critical to Sky's future. | In recent years, Sky has secured significant multi-year content rights deals and it continually reviews what is important to its customers and the evolving content and rights landscape, utilising data-based insights and research to ensure its content remains market leading while ensuring financial sustainability. |
| Strategy Execution | Failure to execute strategic initiatives could impact Sky's reputation and ability to meet financial goals. | In conjunction with the Board, Sky's executive team have clearly defined Sky's strategic goals and have a clear path to achieving those goals. This includes engaging with the Sky team more broadly to ensure the whole business is aligned. |
| Legislative and regulatory compliance | The ever changing legal and regulatory landscape within which Sky operates together with Sky's evolving product mix and delivery methods creates a risk that Sky could inadvertently fail to comply. | Sky has robust policies and procedures covering compliance with key legal and regulatory requirements. Sky's internal legal team monitors changes and proposed amendments to its compliance obligations. Sky also engages external legal advisors to ensure it remains compliant. |
| Adverse natural event | Extreme climatic events and natural disasters could significantly impact Sky's ability to deliver its great content and could impact demand for its services from impacted customers. | As noted above, Sky has robust Business Continuity and Disaster Recovery plans to ensure it is best placed to withstand climatic events and natural disasters. Sky also has comprehensive plans to assist customers impacted by these events. |
| Ability to attract, retain and engage key talent | Attracting, retaining and engaging employees is key to achieving Sky's strategic goals. | Sky continues to invest in its people and culture programmes including building leadership capability across the business, improving access to the tools, systems and process needed to enable employees to achieve their potential, and implementing a Talent Strategy to identify and retain key talent. Sky has also focused significantly on Te Ao Māori and the opportunities presented by imbedding its principles within Sky. |
| Competition | Sky operates within an extremely competitive market with New Zealanders now able to access the content they want to watch more easily than ever before. | If Sky fails to respond to new competitors or changes to customers' needs, it could fail to meet strategic and financial goals. While Sky is focused on delivering its strategic goals, it continually monitors its market environment using customer feedback and data insights to ensure its content and delivery approach remain relevant and in demand. Sky remains focused on connecting New Zealanders with the sport and entertainment they love, in ways that work for them, right across the country. |

Health and safety

Sky has a comprehensive Health & Safety Strategic plan supported by Health and Safety Policies and a Procedures Manual. A Health and Safety update is provided at Sky's monthly Risk Management Steering committee meeting and regular reports are provided to the Audit and Risk Committee, and People and Performance Committee and to the Board to ensure that Sky fully complies with its health and safety obligations. Sky's strategic approach to health and safety is to:

- safeguard the wellbeing of its people by providing a safe and inclusive workplace environment;
- 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 organisational resilience at all levels within Sky.

Over the course of the financial year, Sky has held a zero Lost Time Injury Rate (LTIFR) with permanent crew and has worked with contracting partners on continuous improvement initiatives. Sky carried out 474 field audits, with over 44% of those audits being conducted with its contracting technician partners. In the 2024 financial year Sky will include additional Health and Safety aspects in the internal audit cycle and introduce external Health and Safety audits.

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 2023 financial year is included on page 122.

Sky undertakes an internal process of verification for periodic materials released to the NZX and ASX where these have not been audited or reviewed by the external auditor, to ensure the accuracy and integrity of the material prior to release. This process includes the following:

- reports are prepared by or under the supervision of subject matter experts;
- material statements in the report are reviewed for accuracy and appropriately interrogated; and
- all announcements (other than administrative announcements) must be approved by Sky's Disclosure Committee.

Where considered appropriate Sky requests an external review from a suitably qualified advisor to provide an additional level of independent review.

Internal audit

Sky currently outsources to 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. 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

Sky is committed to facilitating effective two-way communication with its shareholders and other stakeholders. Sky's approach to investor relations is designed to keep both Sky's shareholders and the broader market properly informed. Sky's Investor Communications Policy outlines the steps that it takes to enable shareholders to engage with Sky 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. A copy of this policy is available on Sky's website.

In addition to information provided to the market via NZX and ASX, Sky uses the following methods to communicate with its investors:

Investor centre website

Sky's website (www.sky.co.nz/investor-centre) includes copies of documents that have been released to the market to enable investors and stakeholders' access to all information about Sky and its governance in one place. This includes copies of annual reports, presentations, market announcements, media releases and corporate governance documents. In addition, information may be requested directly from Sky by emailing investorrelations@sky.co.nz to which Sky is committed to responding to in a timely manner.

Electronic communications

Sky is committed to improving the efficiency, timeliness, and sustainability of communications with its shareholders by encouraging them to receive communications material electronically via Sky's share registry, Computershare Investor Services Limited.

Annual shareholder meeting

Shareholders are encouraged to attend Sky's Annual Shareholder Meeting, whether this is held in person, virtually or as a hybrid meeting. Details of the Annual Shareholder Meeting, and the ways that shareholders can participate, are available in the Notice of Meeting which is dispatched to shareholders at least 20 working days prior to the Annual Shareholder Meeting in accordance with NZX Corporate Governance recommendations, and made available on Sky's website. Sky ensures that shareholder meetings are held at a reasonable time and place and ensures that all resolutions at a shareholders' meeting are decided by a poll.

Notices of shareholder meetings include explanatory information regarding the resolutions to be considered by Sky's shareholder meetings. These are provided in sufficient time to enable shareholders to form a reasoned judgement on the matters to be voted upon. Sky's external auditors, legal representatives and share registrar attend the Annual Shareholder Meeting. Directors, management and external auditors are available to answer any questions from shareholders at the Annual Shareholder Meeting. Details of how shareholders unable to attend the Annual Shareholder Meeting can submit questions in advance are included in the Notice of Meeting.

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