

24 October 2019

Chorus Ltd (CNU)

The company will hold its Annual Shareholders Meeting **10.30am Thursday 31 October 2019**.

The location is the **Aon Centre Level 10, 1 Willis Street Wellington**.

The meeting will also be webcast at <https://www.chorus.co.nz/webcast>

Chorus is a provider of telecommunications infrastructure. It is the owner of the majority of telephone lines and exchange equipment and responsible for building approximately 75% of the new fibre optic network. It has received government soft loans of \$929 million to build the new fibre network and it provides wholesale services to retailers.

Its forecast is to provide services to 1.36 million homes and businesses by the end of 2022 at a cost of between \$2.26 billion and \$2.37 billion.

At FY19 end it had 1.45 million fixed lines, 1.19 million broadband connections and 610,000 fibre connections. The fibre rollout is now 80% complete with fibre uptake at 53% compared to the target of 20% by 2020.

Revenue was down 2% at \$970 million, EBITDA was down 2.6% at \$636 million and NPAT was down 37% at \$53 million largely due to increased interest costs and depreciation and amortisation. Dividend was up from 22 cents per share to 23 cents per share and the shares are trading at \$5.46 up 12.14% over the past year.

In June the company announced that Kate McKenzie the Managing Director was leaving to return to her native Australia at the end of the year. J B Rousselot has been appointed CEO and is taking up this role in November. He has previously held senior roles at Telstra and NBN Co. the Australian fibre provider.

Board Composition

The Board currently comprises an Independent Chair, Independent Deputy Chair, 5 Independent Directors and the Managing Director, 3 females and 5 males. Anne Urlwin is retiring at the meeting and Sue Bailey is standing for election. There is a wide range of appropriate skill sets amongst the Board members.

We would hope that the Board does not appoint the incoming CEO as a Director. Good governance principles require there is a clear separation of the governance and management functions. The CEO should report to the Board, not be a first amongst equals.

Resolutions

- 1. To re-elect Mark Cross as an Independent Director.**

Mark Cross was appointed to the Board in November 2016. He has held senior positions with Deutsche Bank in London and Australia, and prior to that at Lloyds Corporate Finance/ Southpac Corporation in Australia and New Zealand. He is currently chair of Milford Asset Management, MFL Mutual Fund and Superannuation Investments, and a director of Z Energy. He is also a former director of Genesis Energy and Argosy Property. He is a member of Chartered Accountants Australia and a chartered member of the New Zealand Institute of Directors.

We will vote undirected proxies **IN FAVOUR** of this resolution.

2. To elect Sue Bailey as an Independent Director.

Sue Bailey has a background in telecommunications, across fixed telephony, mobile and broadband. She has worked for Telstra, Virgin Mobile and most recently for Optus where she was a member of the executive leadership team. Prior to that, she was a Senior Vice President at Virgin Mobile. Her career began in Telstra, where she held a range of marketing and product roles.

We will vote undirected proxies **IN FAVOUR** of this resolution.

3. To increase the Director Fee Pool from \$1,149,500 to \$1,169,042

The current fee pool was approved in 2016 with a 4.5% increase in the previous pool. This increase is 1.7%. The Board has not provided an independent report with appropriate comparator companies. NZSA policy is that Boards should provide a report in order to ensure they have independently benchmarked the proposed fees and to provide information so shareholders can make an informed decision.

In this case the increase is small, and we have met with the company and are satisfied that it is appropriate. We will vote undirected proxies **IN FAVOUR** of this resolution.

4. That the Board is authorised to fix the auditor's remuneration for the coming year.

This is an administrative resolution.

We will vote undirected proxies **IN FAVOUR** of this resolution.

5. To amend the Constitution to comply with the new NZX Listing Rules.

The NZX Listing Rules were amended as at 1st January 2019. This resolution seeks shareholder approval to amend the current Constitution to comply with the new Rules. The details are set out in the Notice of Meeting.

We will vote undirected proxies **IN FAVOUR** of this resolution.

Proxies

You can vote online or appoint a proxy at <http://www.investorvote.co.nz>

Instructions are on the Proxy/voting paper sent to you.

Voting and proxy appointments close **10.30am Tuesday 29 October 2019**

Please note you can appoint the Association as your proxy. We will have a representative at the meeting.

STANDING PROXIES - AUTOMATICALLY APPOINT NZSA AS YOUR PROXY FOR SOME OR ALL OF YOUR HOLDINGS WITHOUT HAVING TO FILL IN NEW FORMS EVERY TIME. MAKE YOUR VOTE COUNT!

DETAILS ON NZSA WEBSITE,

<http://www.nzshareholders.co.nz/shareholders-standing-proxies.cfm>

The Team at NZSA