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STOCK EXCHANGE ANNOUNCEMENT

24 August 2015

2015 full year results & annual report – supplementary documents

Further to the filing of Chorus' Appendix 4E, the following supplementary documents are attached in relation to Chorus' FY15 full year results and annual report:

1. Media Release
2. Investor Presentation (including FY16 outlook and guidance)
3. NZX Appendix 1
4. Corporate Governance Statement
5. Appendix 4G
6. Section 209 Notice

ENDS

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STOCK EXCHANGE ANNOUNCEMENT

24 August 2015

Chorus full year result for FY15

FY15 impacted substantially by regulatory pricing decisions

- Net profit after tax \$91m (*FY14: \$148m*), no dividend
- EBITDA \$602m (*FY14: \$649m*)
- Operating revenue of \$1,006m (*FY14: \$1,058m*)
- Chorus' UFB rollout now 44% complete (*FY14: 31%*)
- Broadband uptake grew 4% to 1,207,000

Chorus has today reported a net profit after tax (NPAT) of \$91m (*FY14: \$148m*) and earnings before interest, tax, depreciation and amortisation (EBITDA) of \$602m (*FY14: \$649m*) for the year ended 30 June 2015.

Operating revenue for the period was \$1,006m (*FY14: \$1,058m*) and operating expenses were \$404m (*FY14: \$409m*). Depreciation and amortisation for the period was \$324m (*FY14: \$322m*), delivering earnings before interest and tax (EBIT) of \$278m (*FY14: \$327m*).

Chorus' financial result for FY15 was substantially impacted by the requirement to implement initial regulatory pricing decisions based on international benchmarking, with EBITDA down \$47m when compared to FY14.

The regulatory pricing remains under review and the ongoing uncertainty has overshadowed positive increases in fixed line and broadband connections, as well as Chorus' work on the Ultra-Fast and rural broadband rollouts that continue to deliver better broadband ahead of schedule.

"The business initiatives we implemented in managing for cash have delivered results ahead of target for the year, going some way towards offsetting the very significant reduction in regulated pricing. This together with the slightly improved draft copper pricing, has helped the share price recover some value, although we remain unable to pay a dividend," said Mark Ratcliffe, Chorus CEO.

“Chorus is well placed to help New Zealand realise the socio-economic benefits of broadband as demand for digital connectivity grows. We are seeing growing demand for better broadband for educational, business and entertainment purposes, reinforcing Chorus’ role as an essential utility provider. A fit-for-purpose regulatory framework will help New Zealand realise even greater broadband potential,” he said.

Operating performance

Broadband connections grew by four percent to 1,207,000 during FY15 and for the second consecutive year, fibre broadband connections more than doubled to 88,000.

Forty-four percent of Chorus’ Ultra-Fast Broadband (UFB) rollout is now complete taking fibre past 368,000 premises. The UFB build is complete in five towns – Ashburton, Blenheim, Oamaru, Taupo and Timaru – with a further five towns expected to be completed in FY16.

Rural New Zealand is also a benefitting. The first phase of the Government’s Rural Broadband Initiative (RBI) is nearly complete with new or upgraded broadband coverage extended to 93,000 rural lines, with just 10,500 more to be covered in FY16.

Regulation

Regulatory developments continued to be the single most important factor affecting Chorus and its shareholders during the year. Revenues from Chorus’ copper network provide the basis for Chorus’ ongoing investment in better broadband infrastructure, particularly the multi-billion dollar investment to build and connect New Zealanders in Chorus UFB areas.

While the Commerce Commission’s recent regulatory decisions support an increase in copper pricing relative to its prior benchmarked price, until the final pricing decision is announced later this year Chorus must continue to operate on the reduced pricing introduced on 1 December 2014. Chorus continues to believe that the draft pricing significantly undervalues the true cost of network investment in New Zealand.

Longer term investment decisions also remain challenging in this context, exacerbated by the absence of a post-2020 regulatory framework.

Chorus remains focused on improving returns to shareholders and securing a regulatory environment that enables shareholders to earn a fair return on the investment they are making in bringing better broadband to New Zealand.

Dividend

Chorus remains unable to update investors on dividend policy until the Commerce Commission’s final pricing review is complete. This has been delayed until December.

FY16 outlook

FY16 Gross Capex: \$580m—\$630m

FY16 EDITDA: A modest decline relative to adjusted* FY15 EBITDA of \$546m

*Adjusted EBITDA is a non-GAAP profit measure which provides comparable period on period information. Please refer to page 27 of the Chorus 2015 annual report for more detail on the adjustments made.

ENDS

Chorus Chief Executive, Mark Ratcliffe, and Chief Financial Officer, Andrew Carroll, will discuss the final results at a briefing in Wellington from 10.00am (NZ time). The webcast will be available at www.chorus.co.nz/webcast.

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Chorus Full Year Result, FY15

**For 12 months ending
30 June 2015**

24 August 2015, Wellington

Disclaimer

- > This presentation may contain forward-looking statements regarding future events and the future financial performance of Chorus, including forward looking statements regarding industry trends, regulation and the regulatory environment, strategies, capital expenditure, the construction of the UFB network, possible business initiatives, credit ratings and future financial and operational performance. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond Chorus' control, and which may cause actual results to differ materially from those expressed in the statements contained in this presentation. No representation, warranty or undertaking, express or implied, is made as to the fairness, accuracy or completeness of the information contained, referred to or reflected in this presentation, or any information provided orally or in writing in connection with it. Please read this presentation in the wider context of material published by Chorus and released through the NZX and ASX.
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- > The information in this presentation should be read in conjunction with Chorus' audited consolidated financial statements for the year ended 30 June 2015. This presentation includes a number of non-GAAP financial measures, including "EBITDA". These measures may differ from similarly titled measures used by other companies because they are not defined by GAAP or IFRS. Although Chorus considers those measures provide useful information they should not be used in substitution for, or isolation of, Chorus' audited financial statements. Refer to the presentation appendices for further detail relating to EBITDA measures.
- > This presentation does not constitute investment advice or a securities recommendation and has not taken into account any particular investor's investment objectives or other circumstances. Investors are encouraged to make an independent assessment of Chorus.



Mark Ratcliffe
Chorus CEO

Agenda

Mark Ratcliffe, CEO

- > Business performance overview
- > Connections trends
- > UFB and RBI programmes









Andrew Carroll, CFO

- > Financial results
- > Capex, CPPP and CPPC
- > Guidance update
- > Net debt and capital management
- > FPP update

Mark Ratcliffe, CEO

- > Bringing NZ better broadband
- > Improving the fibre process
- > Outlook
- > Q and A

Regulatory impact overshadows investment

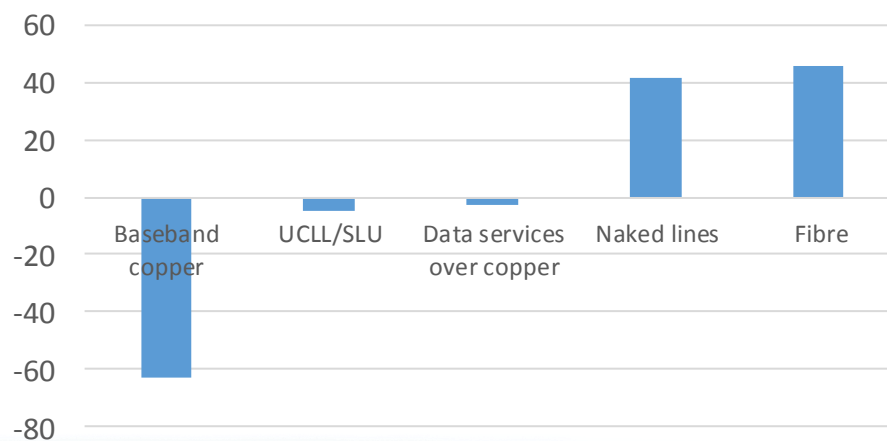
	FY15 v FY14 change
> Net Profit After Tax of \$91 million	 39%
> EBITDA of \$602 million	 7%
> Revenue of \$1,006 million	 5%
> Total fixed line connections increased to 1,794,000	 1%
> Broadband connections increased to 1,207,000	 4%
> Better broadband rollouts on track	
▪ UFB premises 44% complete	 13%
▪ RBI lines 90% complete	 20%
▪ 588,000 end-users within reach of better broadband	 38%

Fixed line connections

Fixed line connections	30 June 2015	30 June 2014
Baseband copper	1,408,000	1,471,000
UCLL	123,000	127,000
SLU/SLES	3,000	4,000
Naked Basic/Enhanced UBA and Naked VDSL	159,000	117,000
Data services over copper	13,000	16,000
Fibre	88,000	42,000
Total fixed line connections	1,794,000	1,777,000

Change in connections

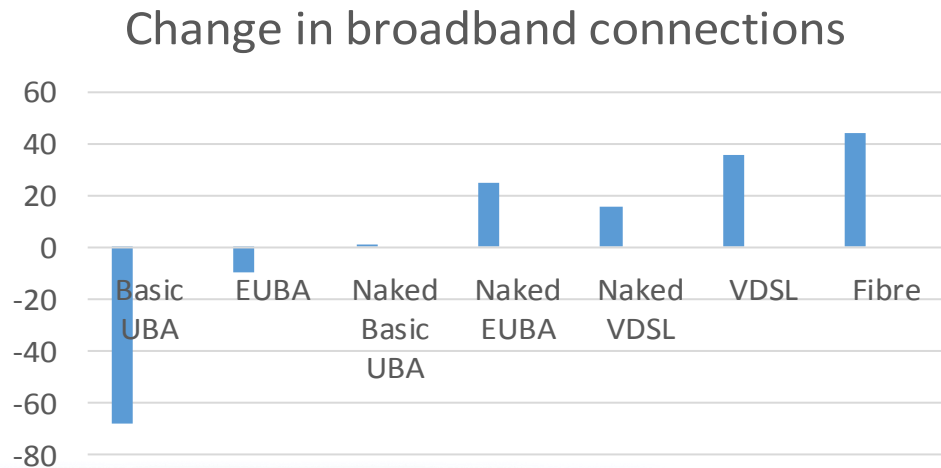
- > Total connections up by **17,000** lines
 - includes 16,000 baseband copper lines previously unbilled
- > Shift from baseband copper to other connection types continues
 - **110%** increase in fibre lines
 - **36%** growth in 'Naked' lines
- > UCLL declining as UFB footprint grows



Continuing broadband growth

Broadband connections	30 June 2015	30 June 2014
Basic UBA	96,000	164,000
Naked Basic UBA	10,000	9,000
Enhanced UBA	792,000	802,000
Naked Enhanced UBA	118,000	93,000
VDSL	85,000	49,000
Naked VDSL	31,000	15,000
Fibre (mass market)	75,000	31,000
Total broadband connections	1,207,000	1,163,000

- > Increase of **44,000** total broadband connections
 - strong growth in VDSL and fibre as end-users transition from UBA connections
 - **16%** of connections now high-speed VDSL or fibre



Chorus connections drivers

Maintaining connections

1 Dec billing changes identified 16,000 baseband copper lines now being billed.

Record net gain of 58,300 migrants in the June 2015 year. More homes were consented in the first six months of 2015 than a year previously. (*Statistics NZ data*)

RSPs leveraging enhanced rural broadband coverage and performance; ~85% uptake on RBI network.

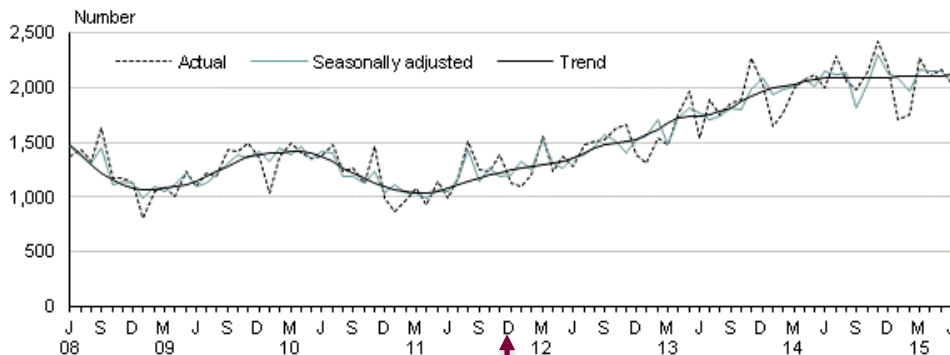
Reducing connections

Expect decline over time of ~20,000 dual copper-fibre lines previously retained for voice services for some RSP end-users.

Fixed to mobile substitution: households with landline access decreased from 92% (2006 census) to 86% (2013 census).

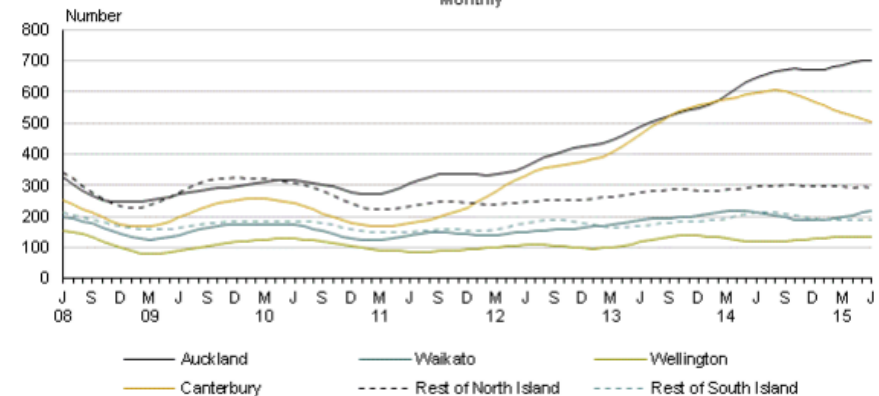
Local fibre companies expanding footprint: Chorus estimates ~250,000 end-users passed and uptake of ~35,000 lines.

New dwellings consented
Monthly



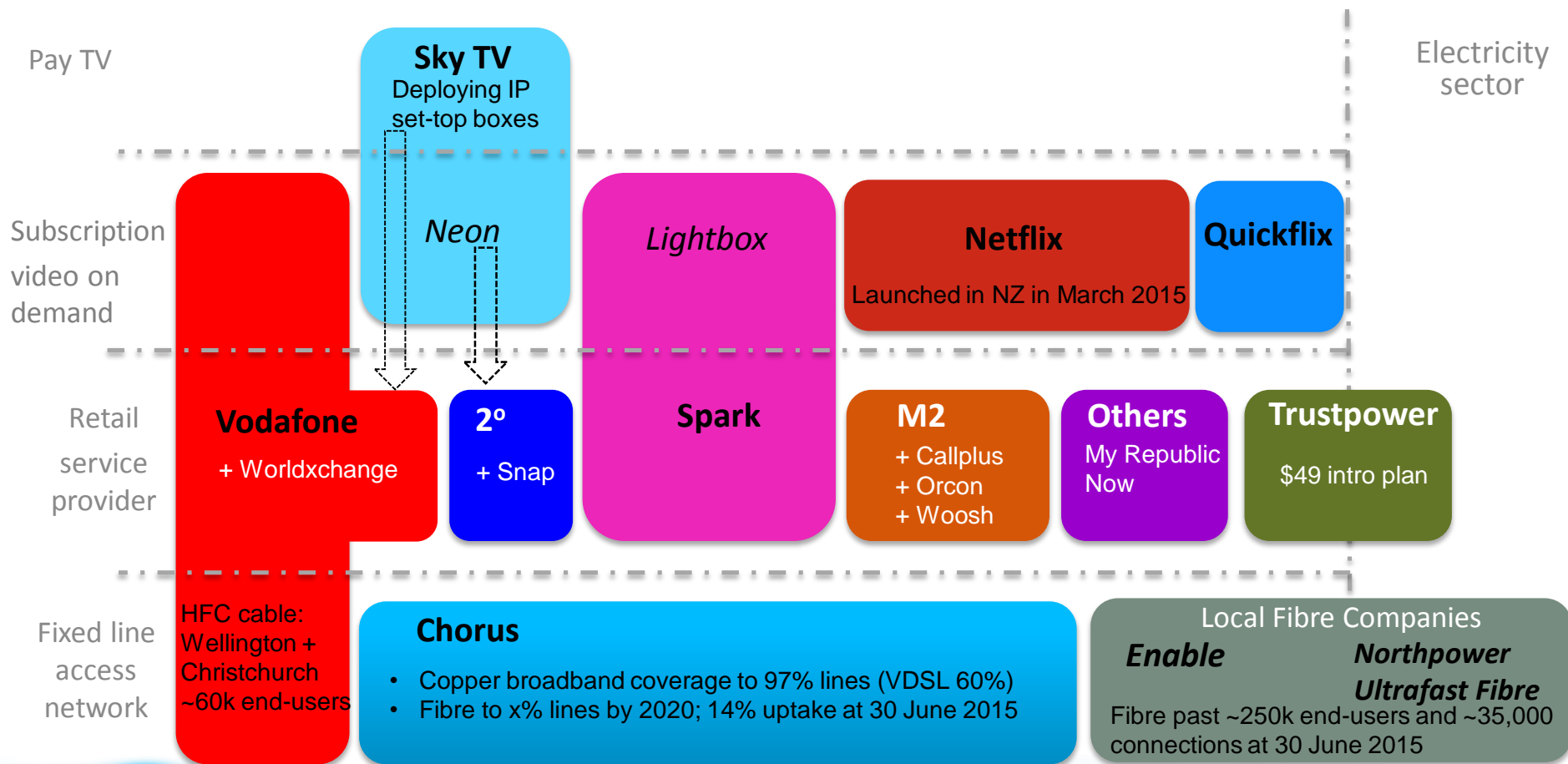
CNU demerger

Trends for new dwellings consented
By region
Monthly



NZ fixed line market

> Significant changes in FY15: video content, RSP consolidation and new entrants

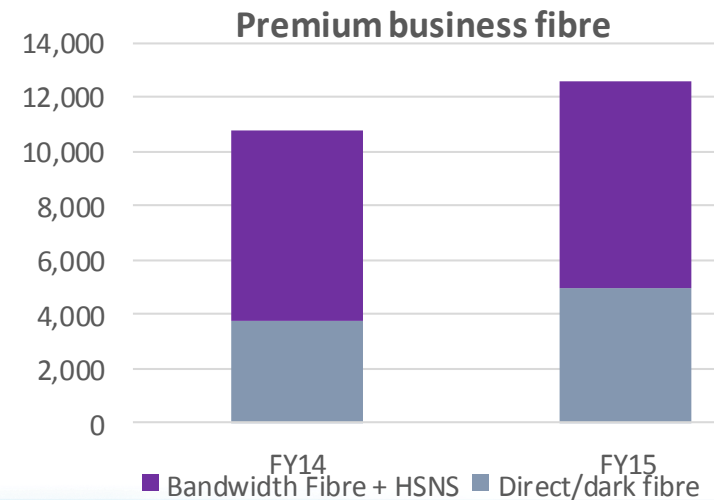
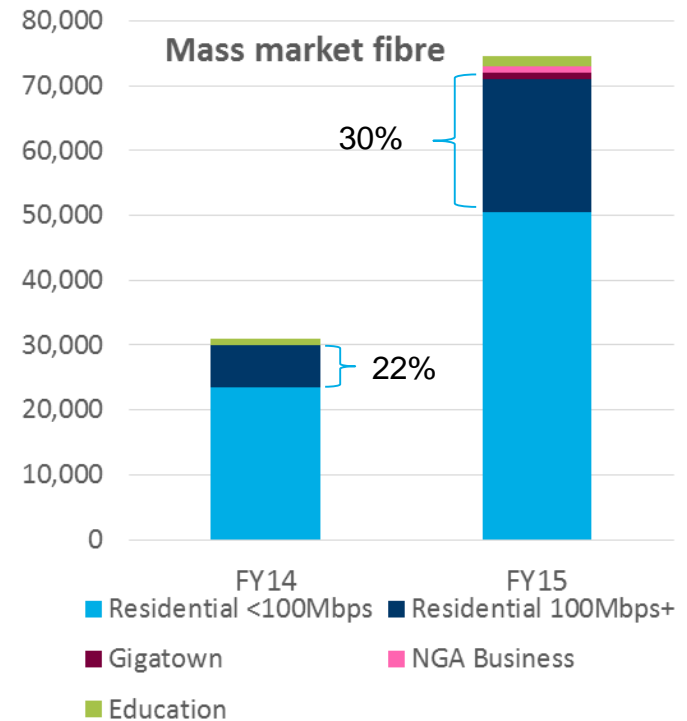


Fibre market

- > 88,000 fibre connections nationwide (FY14: 42,000)
 - 68,000 fibre connections within UFB deployed footprint (FY14: 27,000)
 - ~2,000 mass market connections added outside Chorus planned UFB
 - smaller RSPs continue to gain greater proportion of fibre market

- > More RSPs promoting 100Mbps as standard fibre plan
 - July 2015: ~75% of net adds and changes 100Mbps+
 - 100/20Mbps fibre (*Accelerate*) now \$41 per month
 - 30/10Mbps fibre now \$38.50 per month

- > Demand for premium business fibre continues

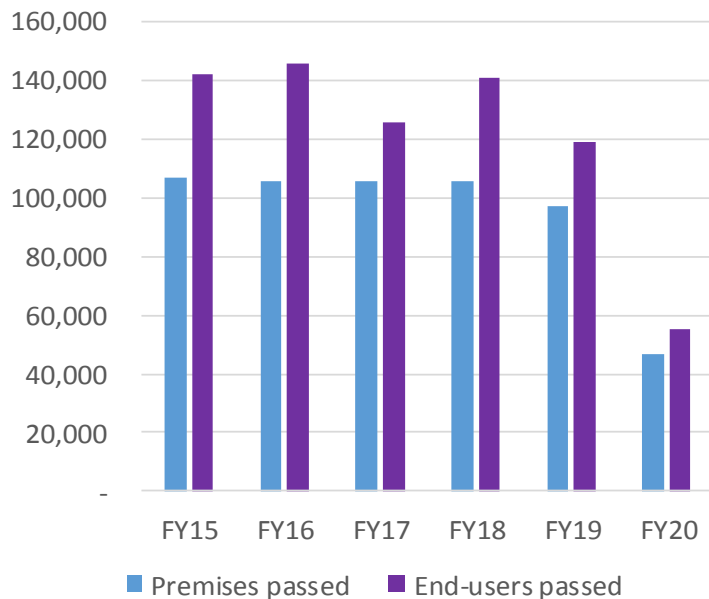


UFB build on track

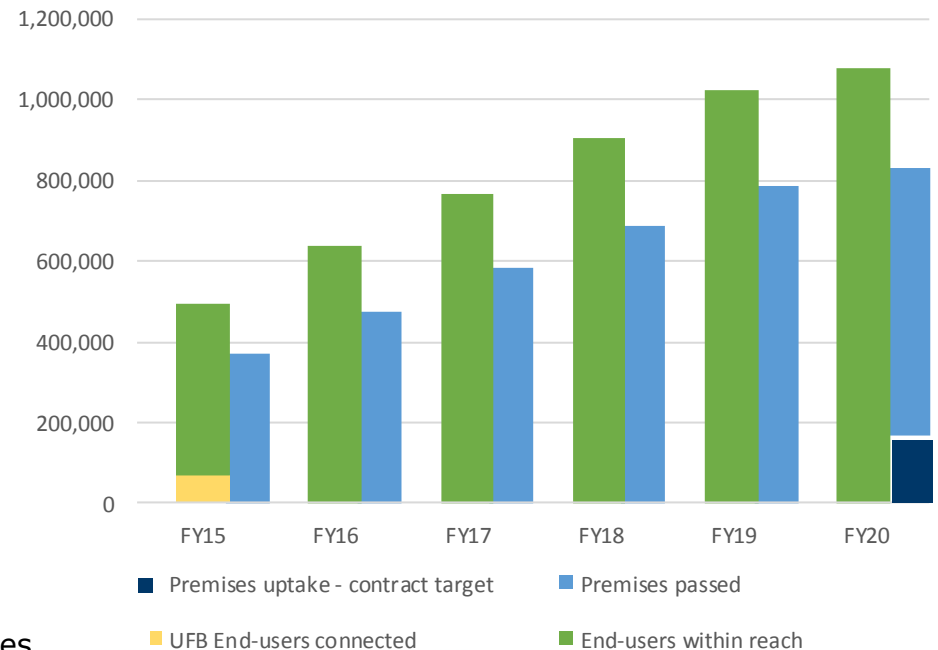
> **44%** of way through rollout

- **495,000** end-users now within reach of Chorus UFB
- total build complete for **368,000 premises**
- FY15 build complete for **107,000 premises** vs target 106,000

Annual rollout plan FY15-FY20

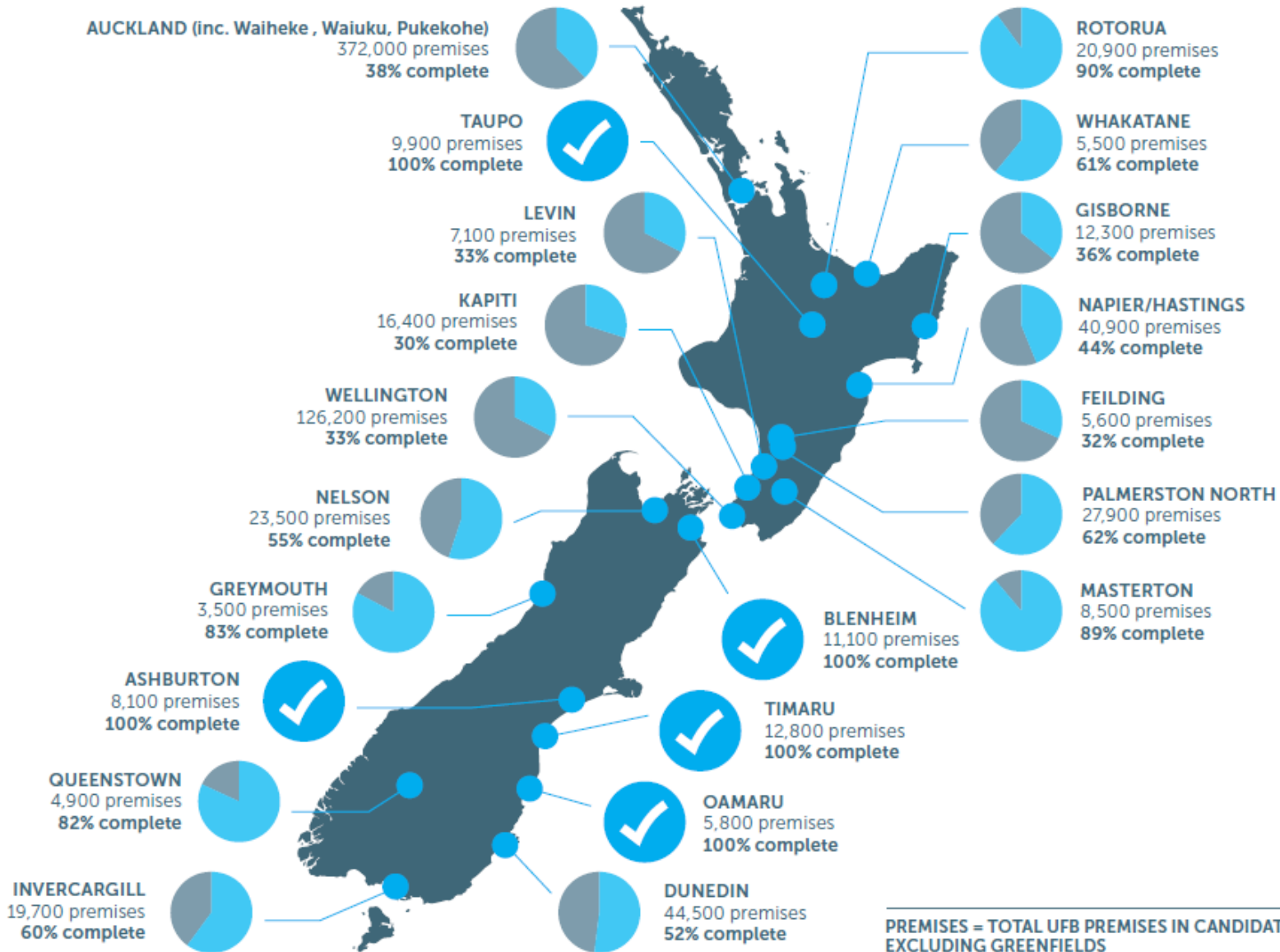


Cumulative rollout plan FY15-FY20



Note: Indicative plan only. Includes 45k greenfields premises

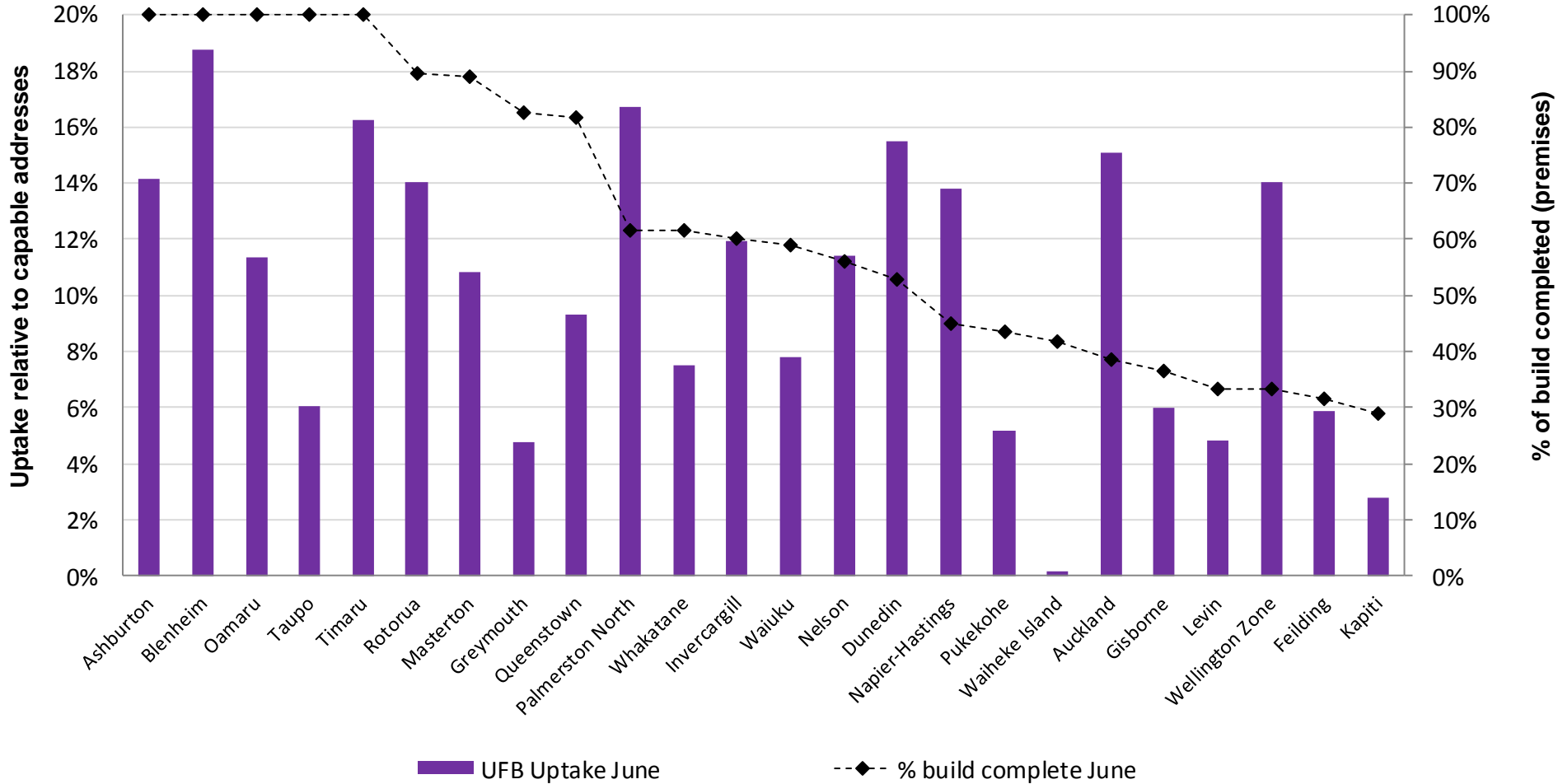
UFB rollout progress



PREMISES = TOTAL UFB PREMISES IN CANDIDATE AREA, EXCLUDING GREENFIELDS

Regional fibre uptake vs build

Chorus UFB Uptake by Candidate Area – June 2015



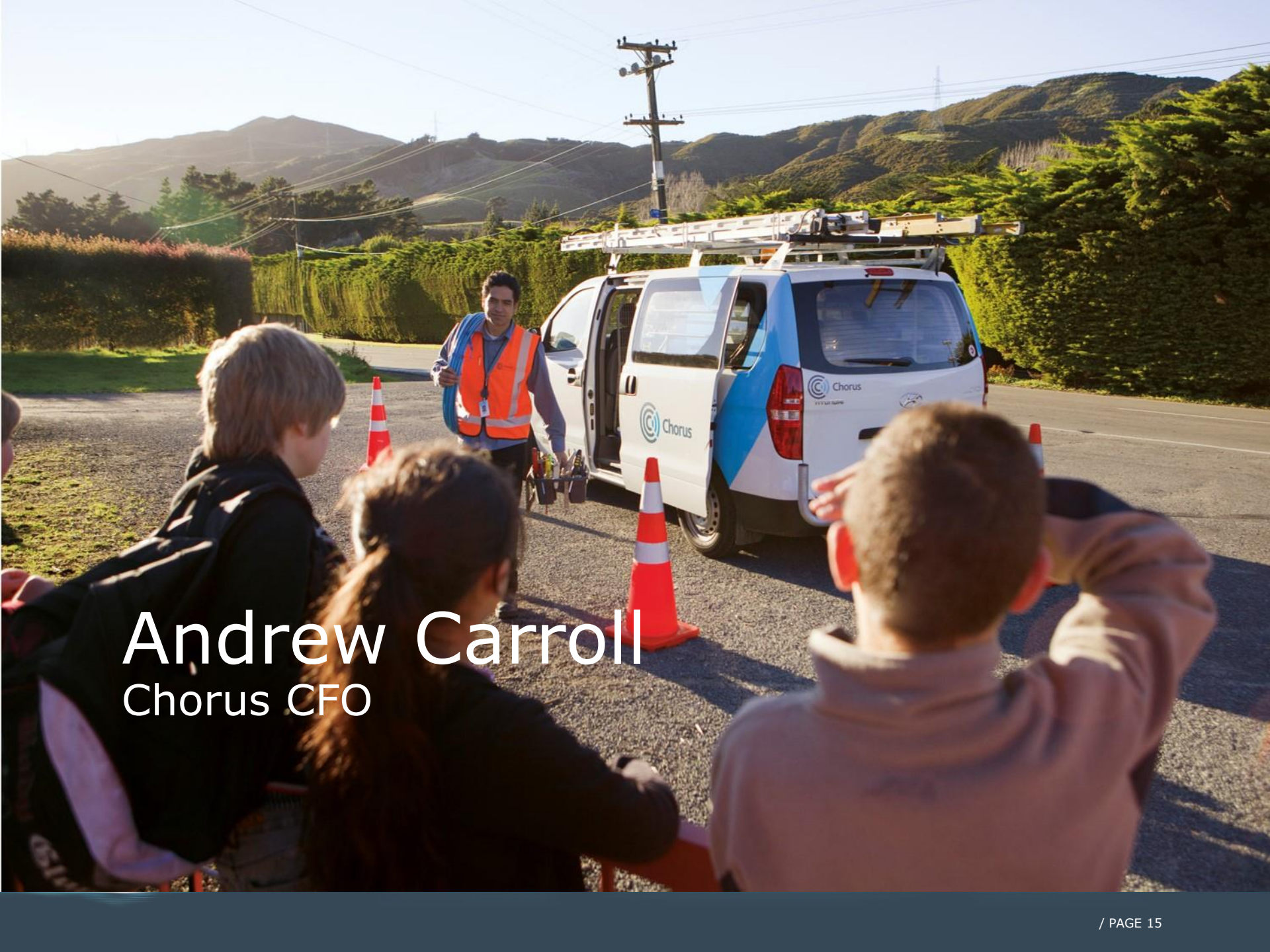
- Chart shows end-user uptake as a proportion of UFB capable addresses (i.e. network is commissioned for service) ranked according to proportion of build complete premises in each area

Rural Broadband rollout

Highly successful programme, tracking to lower end of expected range of \$280-\$295 million

- > \$257m invested to 30 June
- > 1,015 schools and 39 hospitals passed by fibre
- > 93,000 lines within reach of better broadband; ~85% uptake
- > Average synch speed increased from less than 6Mbps to 9.3 Mbps





Andrew Carroll

Chorus CFO

Income statement

	FY15 \$m	FY14 \$m
Operating revenue	1,006	1,058
Operating expenses	404	409
Earnings before interest, tax, depreciation and amortisation (EBITDA)	602	649
Depreciation and amortisation	324	322
Earnings before interest and income tax	278	327
Net interest expense	151	121
Net earnings before income tax	127	206
Income tax expense	36	58
Net earnings for the period	91	148

Non-statutory measure: FY15 adjusted EBITDA \$546m relative to FY14 adjusted EBITDA of \$518m (see *Appendix 1 management commentary*)

Revenue

	FY15 \$m	FY14 \$m
Basic copper	491*	543
Enhanced copper	268*	293
Fibre	98	75
Value Added Network Services	36	38
Field Services	84	75
Infrastructure	21	19
Other	8	15
Total	1,006	1,058

* reflects 7 months impact of the final benchmarked price for UBA

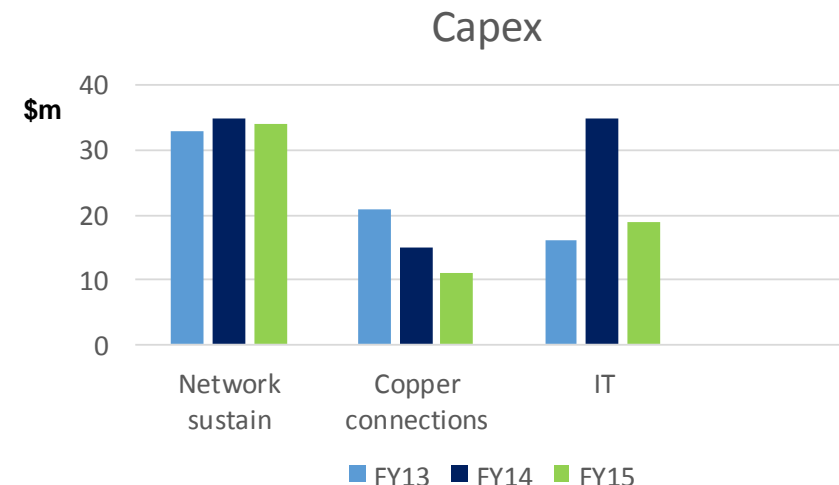
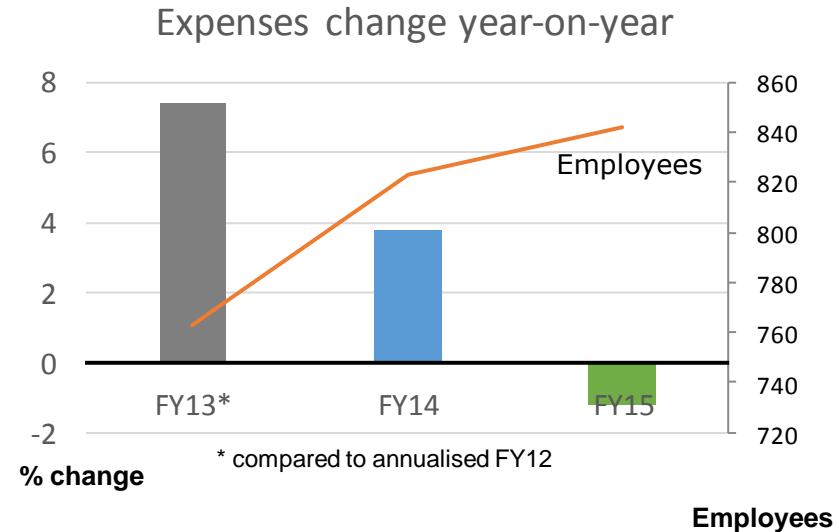
Expenses

	FY15 \$m	FY14 \$m
Labour costs	73	72
Provisioning	58	58
Network maintenance	91	99
Other network costs	34	38
IT costs	65	55
Rents, rates and property maintenance	25	24
Regulatory levies	15	10
Electricity	14	13
Consultants	3	4
Insurance	4	4
Other	22	32
Total	404	409

Note: prior period reclassifications disclosed at H1 have re-presented some FY14 expense lines – see Appendix B

Reshaping business

- > Initiatives ahead of target in FY15
 - Focus on cash rather than value
 - capex savings greater than anticipated: proactive maintenance and IT separation capex deferred
 - FY15 revenue and cost benefits ahead of plan (above ~\$30m); costs declined relative to FY15
 - still no dividend possible
- Capex savings creating expected EBITDA pressures
 - deferred IT capex = higher opex
 - reduced maintenance = more faults
 - cost recovery on copper = reduced demand
- > Longer term programme initiatives on track overall
 - must continue to operate consistent with IPP financial constraints until final FPP determination
 - limited incremental reshaping cost benefits
 - some initiatives would be reviewed subject to FPP outcomes



FY16 EBITDA outlook

- > Unable to provide traditional earnings guidance as FPP decision expected in December and outcome uncertain.
- > Chorus continues to believe FPP modelling does not support pricing below demerger levels

FY15 EBITDA (actual)	FY15 EBITDA (adjusted)	FY16 EBITDA outlook (for the period that IPP pricing prevails)
\$602m	\$546m	Modest decline relative to adjusted FY15 EBITDA of \$546 million

- > Factors affecting EBITDA outlook:
 - cost inflation due to incremental costs of growth in VDSL, baseband IP and fibre connections
 - second order cost impact of cash management initiatives
 - ongoing customer migration from legacy services potentially offsetting other revenue growth

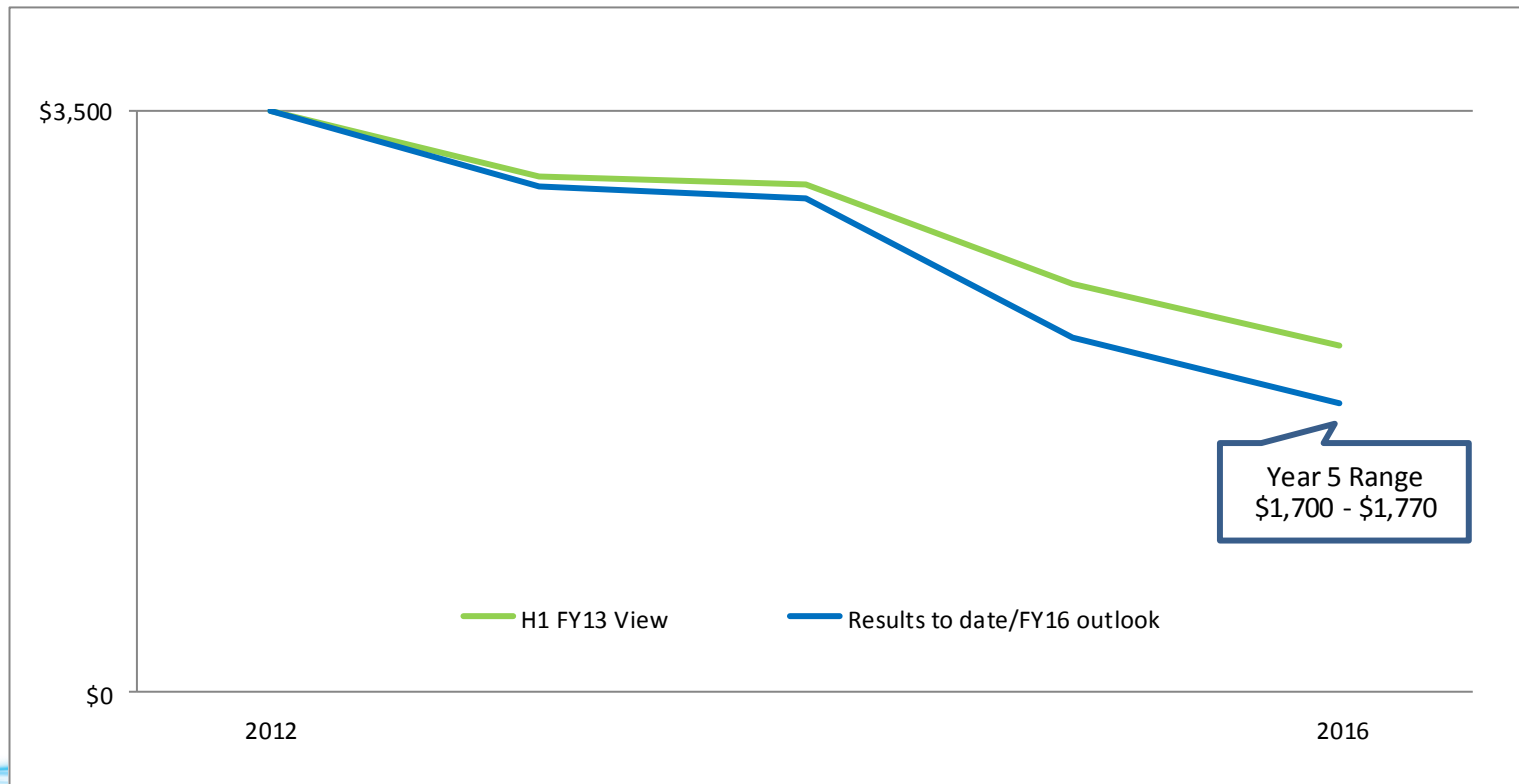
FY15 gross capex summary

- > Total gross capex of **\$597m**
(FY14: \$679m)
- > Capex spend below FY15 guidance of \$625m - 650m due to:
 - less MDU/RoW build (timing)
 - RBI delivery (timing)
 - fibre growth spend below forecast
 - continued deferral of all discretionary/non-critical investment

Fibre capex	FY15	FY14
UFB communal	236	338
UFB connections & fibre layer 2	140	74
Fibre products & systems	26	38
Other fibre connections & growth	63	63
RBI	39	53
Subtotal	504	566
Copper capex		
Network sustain	34	35
Copper connections	11	15
Copper layer 2	11	10
Product	4	1
Subtotal	60	61
Common capex		
Information technology	19	35
Building & engineering services	13	12
Other	1	5
Subtotal	33	52
TOTAL GROSS CAPEX	\$597m	\$679m

FY15 UFB communal capex

- > Communal deployment progressing well; transition in build mix as move from CBDs into more suburban areas
 - \$236m with build complete for 107,000 premises
 - **\$2,134 average cost per premises passed** (CPPP) below \$2,150-\$2,400 target
 - FY16 CPPP guidance range of \$1,700 - \$1,770
 - No change to UFB communal guidance of \$1.75 - \$1.80bn



FY15 UFB connection capex

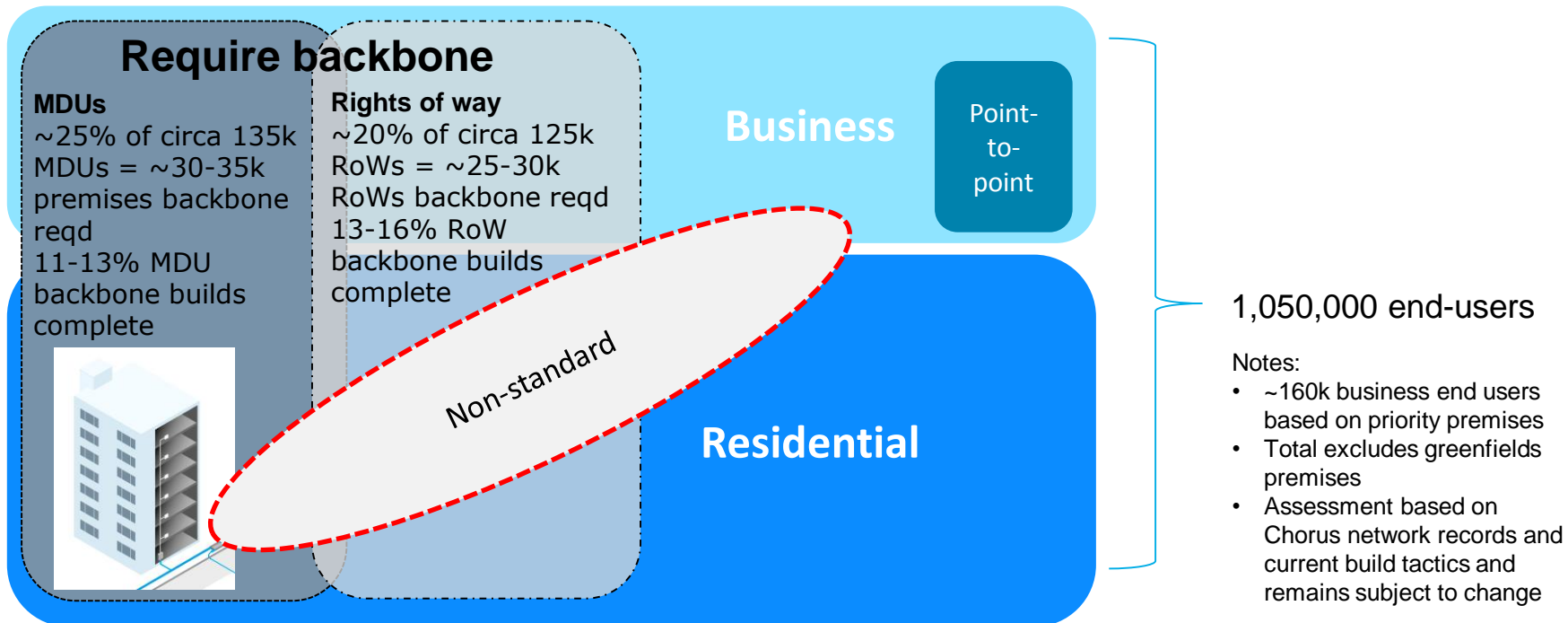
- > \$140m total spend below guidance as a result of demand mix in H2
 - 49k connections built (all NZ) and ~6% of ultimate UFB footprint now connected
 - 4,700 backbone builds vs ~6,400 forecast (2,300 MDU; 2,400 Rights of way)
 - MDU build mix included more large MDUs implying annual average backbone cost (both MDUs and RoWs) ~\$11,000 vs ~\$10k in H1

UFB connections & layer 2 capex	FY15 \$140m	FY14 \$74m
Layer 2 (long run programme average of \$100 per connection)	\$16m	\$9m
Schools wiring (Crown funded)	-	\$4m
Connections: single dwelling units, apartments	\$61m	\$40m
Backbone build: multi-dwelling units and rights of way	\$63m	\$21m

- > Average CPPC of **\$1,233** excluding layer 2 (includes standard installations **and** some non-standard single dwelling unit installations) vs FY15 guidance of **\$1,150 to \$1,350**

Backbone and non-standard capex

- > Growing volumes and evolving build tactics are helping inform estimates of the proportion of MDUs and RoWs that may require backbone build to connect
- > In Chorus' assessment, with growing fibre uptake plus increasing deployment in rights of way and multi-dwelling units, Chorus' non-standard installation fund is likely to expire at some point in 2016.
- > Chorus and CFH are currently discussing opportunities to potentially extend the fund's life as well as its optimal future scope.



FY16 fibre connections capex

- > FY16 CPPC guidance: **\$1,050 to \$1,250** (excluding layer 2)
 - No change to total programme view of \$900 to \$1,100 real (circa \$1,000 to \$1,200 in FY15 dollars) average cost to connect standard residential premises

- > Current estimate is **FY16 Fibre connections & layer 2 capex \$195m - \$225m** based on:
 - 80,000 mass market connections
 - 8,750 backbone build (MDUs and RoWs) with backbone build mix anticipated to be less expensive than FY15
 - 3,500 premium business fibre connections*
 - *Note: these were previously included in *Growth fibre* capex (~\$30m in FY15)

- > Forecasting annual volume and mix remains challenging
 - connections grew significantly in FY15
 - demand influenced by RSP marketing and online content
 - FY16 backbone capex highly dependent on mix. Average estimated cost of ~\$8,000 based on new code pricing and similar mix to FY15.

FY16 capex guidance

	FY16 guidance \$m	FY15 actuals \$m
Copper capex	60-80	60
Common capex	35-45	33
Fibre capex	480-510	504
Gross capex	580-630	597

Note: The individual ranges presented above are not necessarily additive

- > Fibre capex reflects earlier assumptions around CPPP and CPPC, connection mix, and mass market and premium business fibre volumes

Guidance summary

	FY16 guidance	FY15 guidance
Cost Per Premises Connected (CPPC)	\$1,050 - \$1,250 (excluding layer 2 and including standard installations and some non-standard single dwellings)	\$1,150 - \$1,350 (excluding layer 2 and including standard installations and some non-standard single dwellings)
Cost Per Premises Passed (CPPP)	\$1,700-\$1,770	\$2,150-\$2,400
UFB communal guidance	No change	\$1.75 - \$1.80bn The bottom of the range reflects fixed price plus a limited number of variations; the top of the range allows for a greater range of build variations (mix of aerial, replacement of poles, access to Chorus infrastructure etc).
UFB connections & layer 2 capex	\$195 - \$225m (based on mass market 80,000 NGA connections and 8,750 backbone builds (FY16 backbone build mix anticipated to be less expensive than FY15 for the same mix); ~3,500 premium business fibre connections).	\$145 - \$155m (based on 50,000 connections and 6,400 backbone builds; FY15 backbone build mix anticipated to be more expensive than FY14)
Copper capex	\$60 - 80m	\$60 - 75m
Common capex	\$35 - 45m	\$30 - 40m
Fibre capex	\$480 - 510m	\$530 - 550m
Gross capex	\$580 - 630m	\$625 - \$650m
EBITDA	For the period that IPP pricing prevails, Chorus expects a modest decline in EBITDA relative to adjusted FY15 EBITDA of \$546 million.	\$590-\$605m

Note: The individual capex ranges presented above are not necessarily additive

Net Debt / EBITDA

- > Key financial covenants require senior debt ratio to be no greater than the applicable senior debt ratio, which is currently 3.75 times

	As at 30 June 2015 \$m
Borrowings	1,742
+ PV of CFH debt securities (senior)	53
+ Net Finance leases	<u>127</u>
Sub total	1,922
- Cash	(80)
Total net debt	1,842
Net debt/EBITDA	3.1 times

Note: Standard & Poor's treatment includes Operating leases

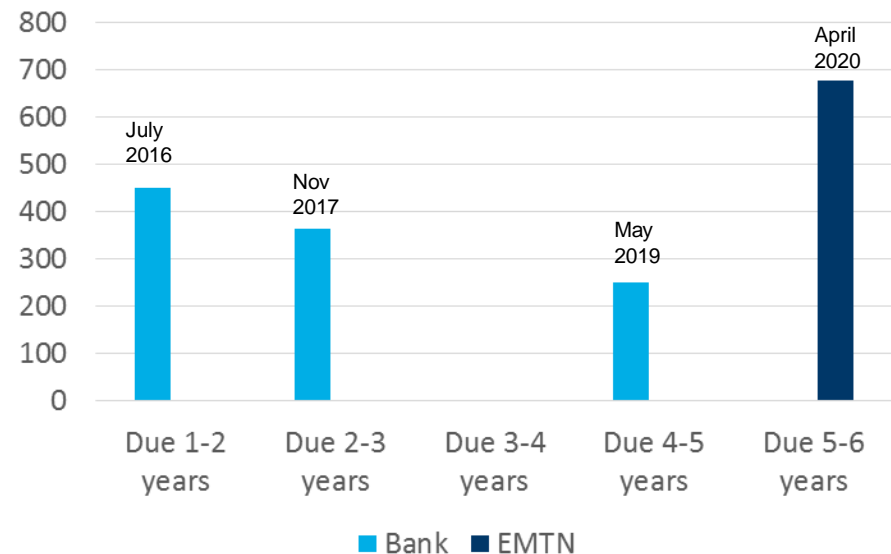
Capital management

- > Chorus will address July 2016 debt tranche post FPP outcome
- > Consistent with previous advice, Chorus will update investors on dividend policy once the Commission's final pricing review is complete.
 - Commerce Commission has indicated December for final determination

> At 30 June, debt of \$1,742m comprised:

- \$1,065m long term bank facilities
- \$677m (NZ\$ equivalent at hedged rates) Euro Medium Term Note

Debt maturity profile



Final Pricing Principle – July draft

- > Chorus' view remains that the draft pricing significantly undervalues the true cost of network investment in New Zealand and the TSLRIC price should be at or above 2011 levels. For example:

Monthly charges	Commission July draft position	Chorus assessment	Chorus view
Trenching costs	Reduced cost of digging by ~20% \$38 average trenching cost Key network components (e.g. laterals) excluded	50% below actual cost and impossible to achieve. Model assumes Auckland costs less than Arthur's Pass!	Use actual costs – Chorus' UFB + RBI costs are the same costs any hypothetical operator would face in building a network today. Include all network components (e.g. laterals)
Operating expenditure	40% efficiency adjustment	40% fibre efficiency adjustment not appropriate, nor should it be applied to non-technology costs	40% efficiency factor at odds with real world data and regulatory precedent.
WACC	Reduced by 44 basis points since December, 50 th percentile	Lowest WACC estimate produced by Commission. Doesn't reflect risks. Methodology also means Chorus receives lower monthly rental after Commission delays	Take a longer-term approach to reduce volatility Electricity set at 67 th percentile - future investment incentives or risk not accounted for

July draft (cont.)

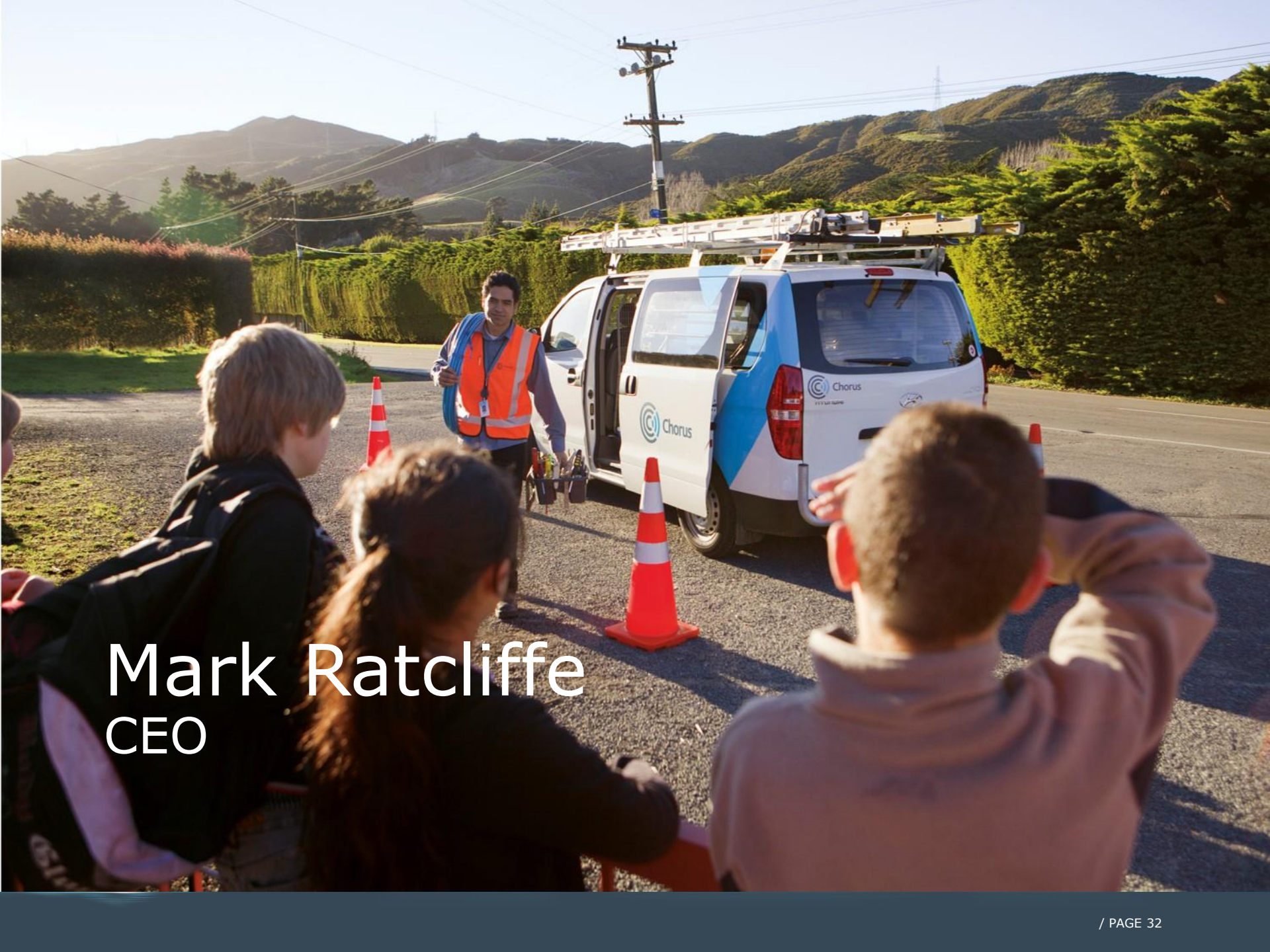
	Commission draft position	Chorus assessment	Chorus view
Transaction charges	Adopted lowest observation of benchmark set: 30% overall reduction	30% efficiency factor impossible to achieve and at odds with actual service company costs secured via competitive tender	Use Chorus' 3 rd party tendered costs
Replacement price	No backdating (split decision)	Opposite position to that argued by the Commission in the Court of Appeal	Inconsistent and unpredictable Commission approaches do not provide incentives to invest
UBA+UCLL network valuation	TSLRIC draft of \$6.6 billion	At a 1/3 rd discount to Commission valuation of electricity lines businesses and 50% discount to Chorus' own valuation based on real world data	Inconsistent and unpredictable Commission approaches do not provide incentives to invest
Copper vs fibre pricing	Draft FPP urban UCLL price of \$18.72 + UBA \$10.84 = implied aggregate urban price of \$29.56	35% below mainstream 100Mbps product in 2020. Entry level UFB pricing set below cost to encourage uptake and also reflects subsidy effect of government funding	Draft copper pricing inconsistent with real world data established via a competitive process. Draft pricing undermines fibre uptake

Correcting the initial price

- > The Commission has acknowledged benchmarking is flawed:
"...New Zealand's local loop network is unique when compared to overseas benchmarks...Simplistic comparisons of international wholesale broadband prices do not tell the true story." (Commerce Commission media release 2 July 2015)
- > The Commission submitted to the Court of Appeal in 2006 that:
"...the s18 aim of promoting competition for the long term benefit of end-users will be advanced if the efficient price is actually imposed, at a minimum, for the period of the initial determination."

"...a wind fall from the non application of a reviewed price is a situation that would clearly offend against the purposes of this part of the act, set out in s18. The converse also applies if benchmarking has set the initial price too low..."

The principle is simple. If the original price was wrong, it should be corrected.



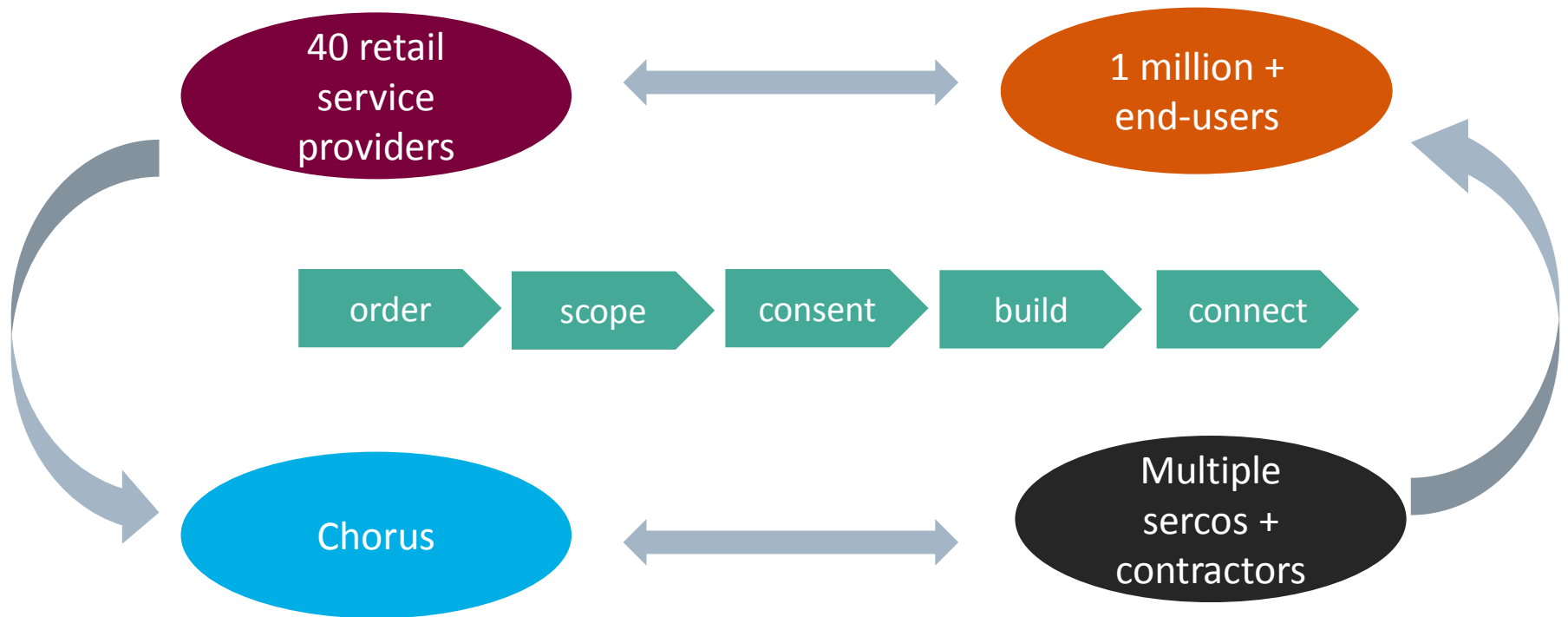
Mark Ratcliffe
CEO

Bringing NZ better broadband

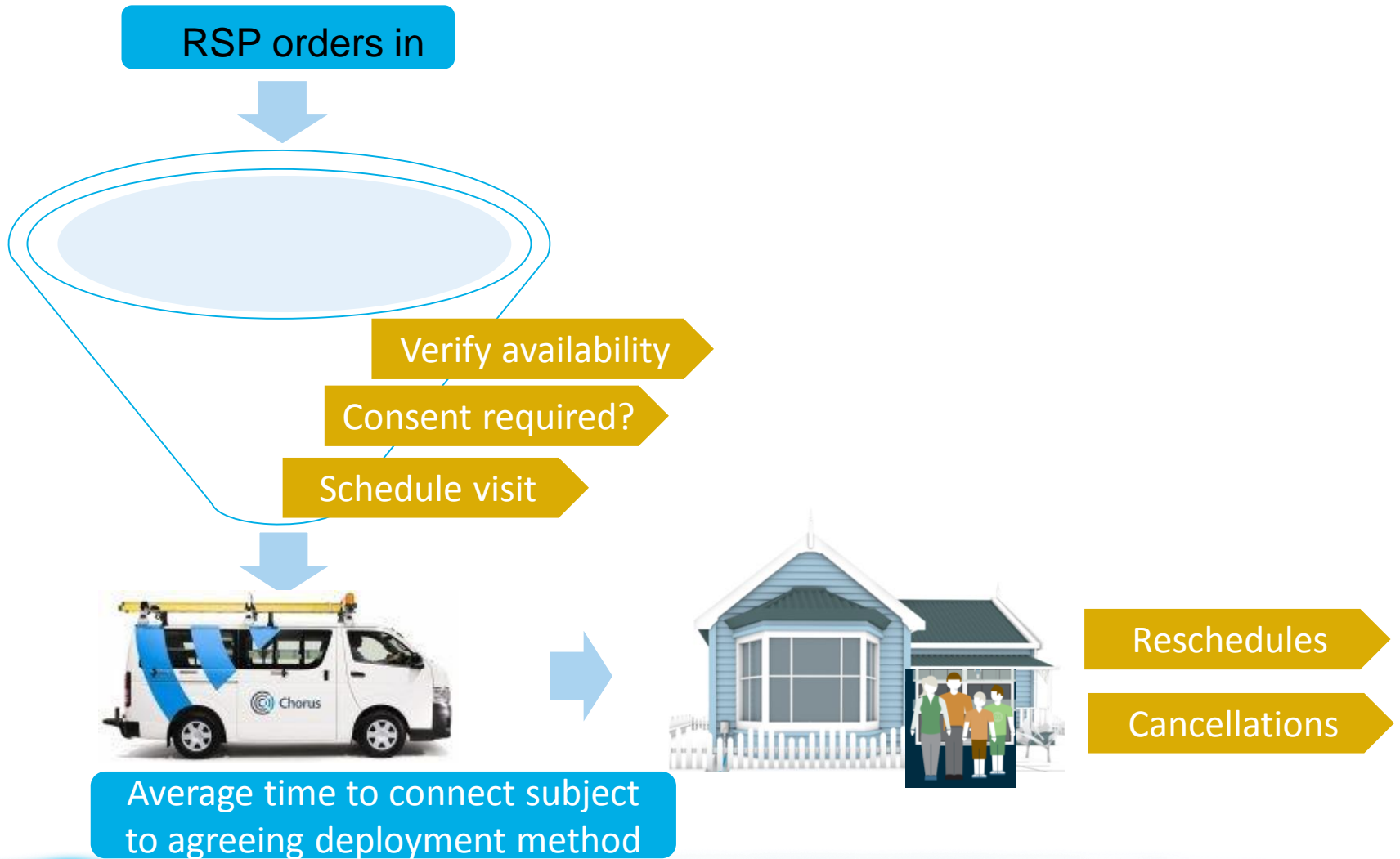


- > **\$1.9 billion** invested in fibre networks and capability since demerger
 - **588,000** end-users able to benefit from UFB/RBI
 - **60%** able to access better broadband than they use today
 - fibre available at **~2,000** schools across New Zealand
 - FY16: expect to complete Waiuku, Rotorua, Masterton, Greymouth, Queenstown
 - NZ 1st in OECD for fibre growth

Improving the fibre process

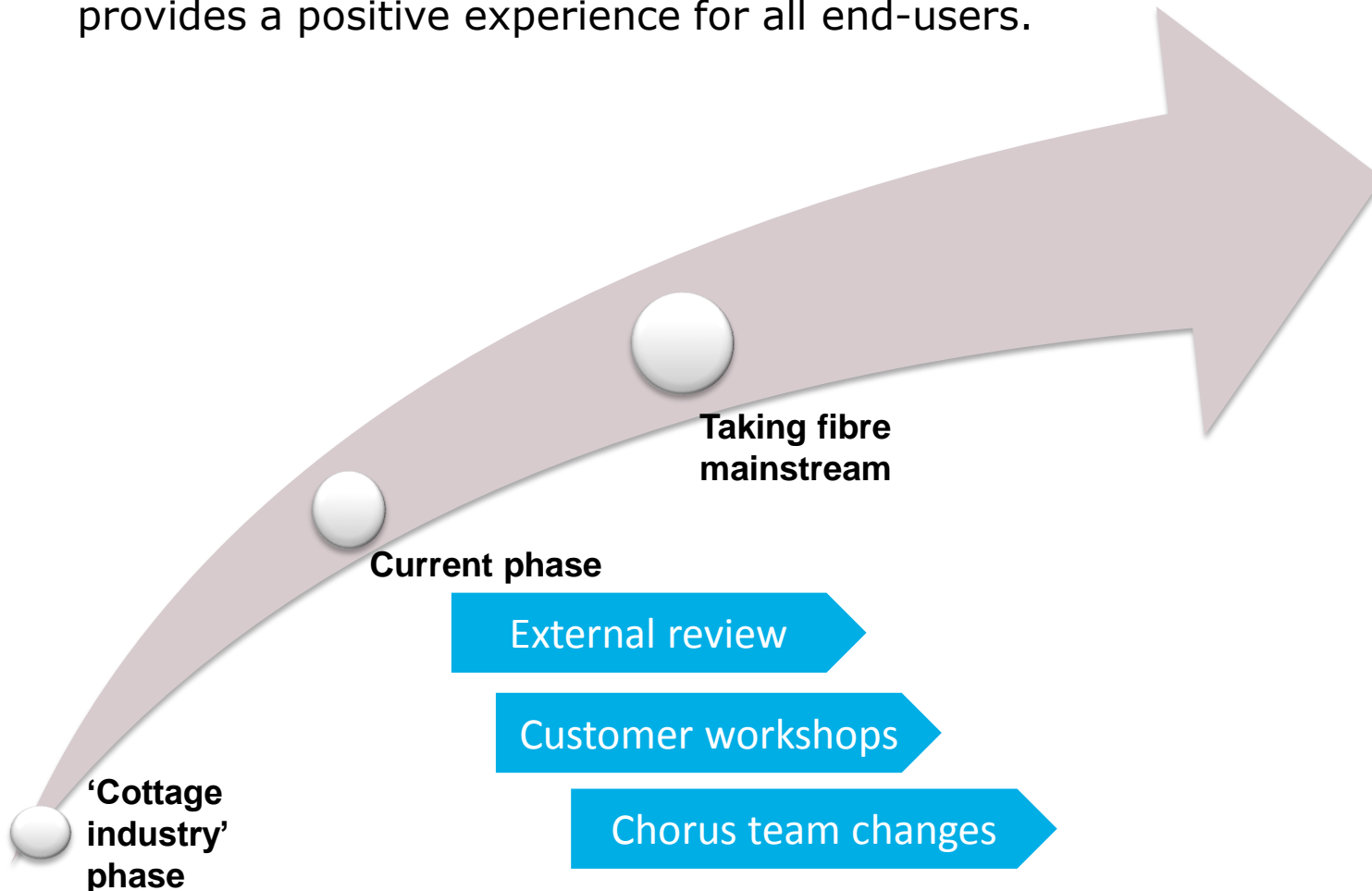


Current challenges



Chorus taking on larger role

- > We need to make installations a sustainable and scalable production line that provides a positive experience for all end-users.



FY16 Outlook

Improve end-user
fibre connections

Leverage open
access network

Final price review

Government
framework
review

Focus on improving returns to shareholders and securing a regulatory environment that enables shareholders to earn a fair return on the investment they are making to bring better broadband to New Zealand

Any questions?



Appendices

	Pages
A: Adjusted EBITDA	40
B: Revised FY14 expenses re-presentation	41
C: Capex, expenses, revenue trends FY13-FY15	42-43
D: Regulatory history vs share price	44
E: Chorus mass market fibre products and pricing	45
F: NZ market and network trends	46-51
G: UFB premises types, installation types and funding	52-53
H: CFH securities summary	54
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K: Contributions to capex	59

Appendix A: Non statutory measure – adjusted EBITDA

This appendix provides a high level summary of adjusted EBITDA. It has been prepared on the basis of prevailing regulatory pricing.

The initial benchmarked pricing changed on 1 December 2014 and for comparative purposes this flows the pricing through both FY14 and FY15 as though the pricing had changed on 1 July 2013.

In addition, FY14 has been adjusted for the non-recurring insurance proceeds and UCLFS backdating.

				Adjusted FY15 \$m	Adjusted FY14 \$m	% change
Adjusted operating revenue				950	927	2.5%
Operating expenses				404	409	-1.2%
Adjusted EBITDA				546	518	5.4%
	Statutory results \$m	Less: UBA and UCLL price change \$m	Less: insurance proceeds \$m	Add: UCLFS \$m	Add UBA transaction charges \$m	Adjusted \$m
FY15 operating revenue	1,006	-60	-	-	4	950
FY14 operating revenue	1,058	-141	-2	3	9	927

* Details of the adjustments to the FY15 numbers can be found in Appendix One to the 30 June 2015 management commentary

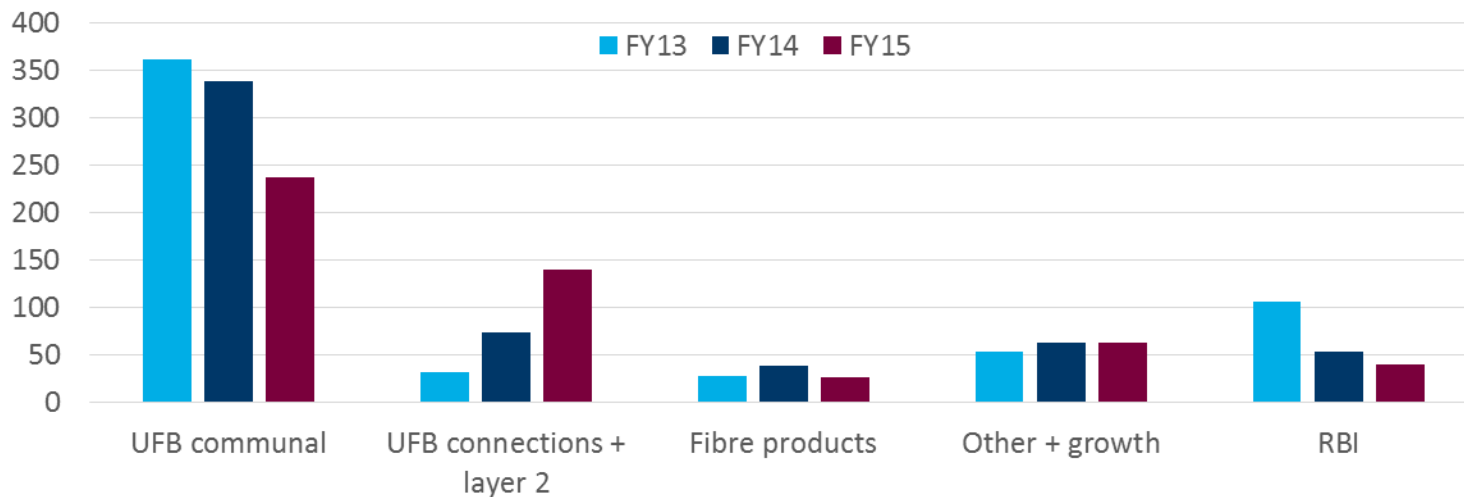
Appendix B: Revised FY14 Expenses re-presentation

This appendix provides a summary of what has been re-presented between FY14 expense categories following Chorus' SAP migration.

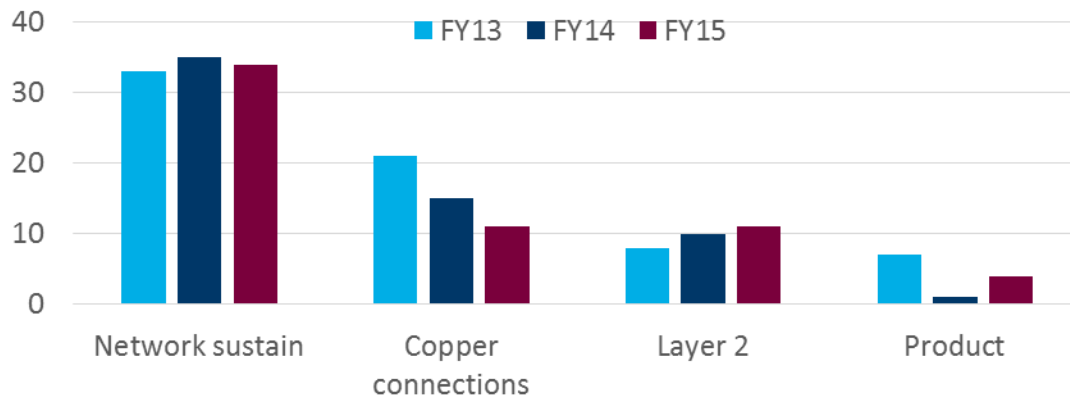
Operating Expenses	Original FY14 presentation	Adjustment	Revised FY14 presentation
	\$m	\$m	\$m
Labour costs	79	-7	72
Provisioning	56	2	58
Network maintenance	99		99
Other network costs	38		38
IT costs	55		55
Rents, rates and property maintenance	24		24
Regulatory levies	0	10	10
Electricity	13		13
Consultants	5	-1	4
Insurance	4		4
Other	36	-4	32
Total	409		409

Appendix C: Capex, Expenses, Revenue trends FY13-FY15

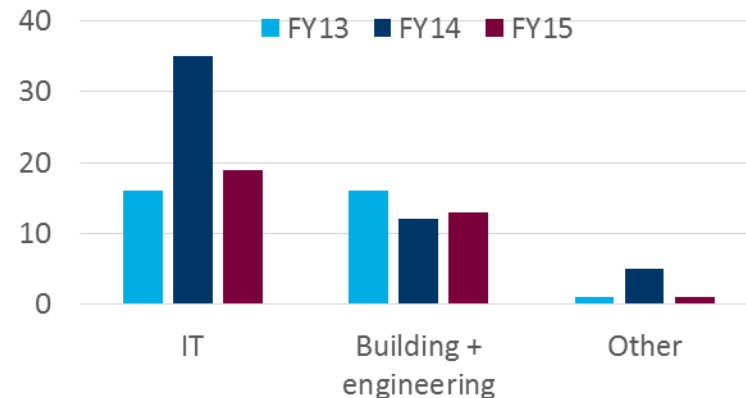
Fibre capex FY13-FY15



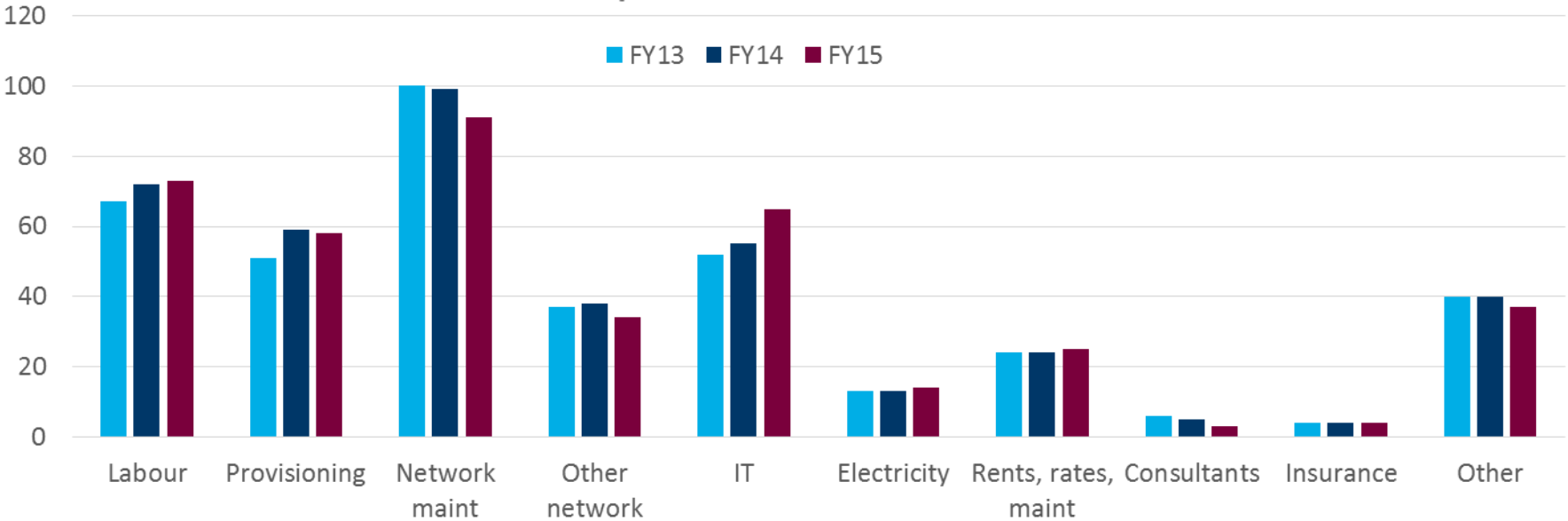
Copper capex FY13-FY15



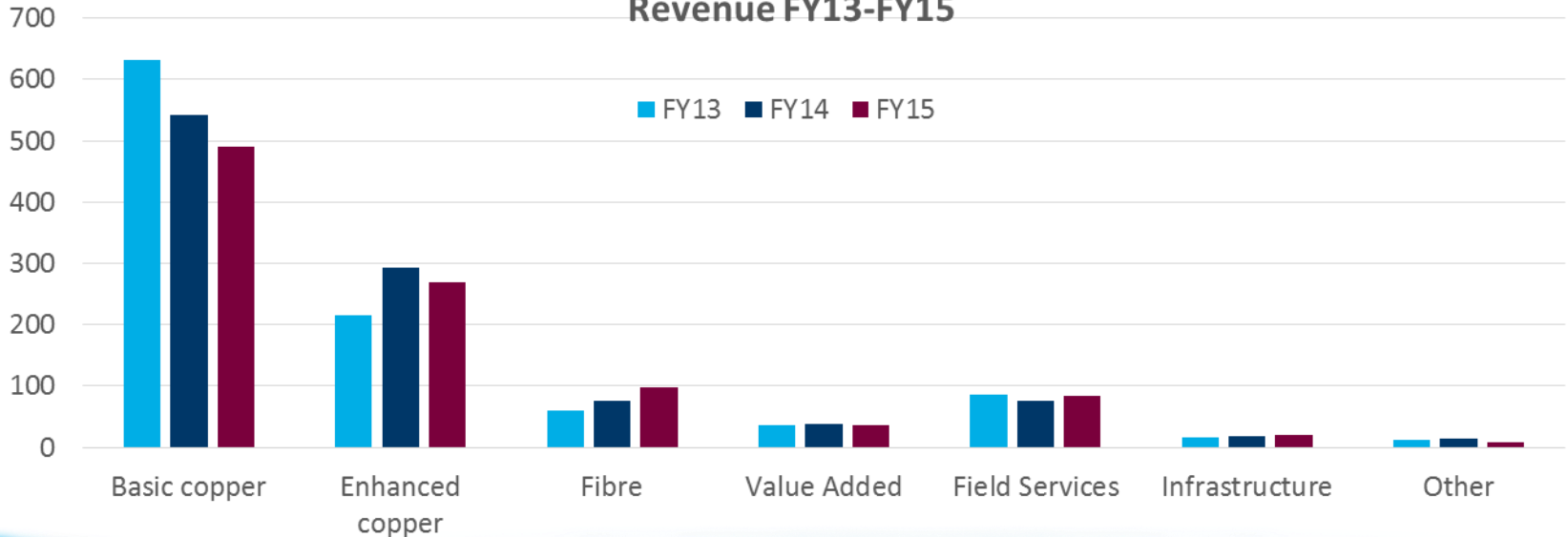
Common capex FY13-FY15



Expenses FY13-FY15

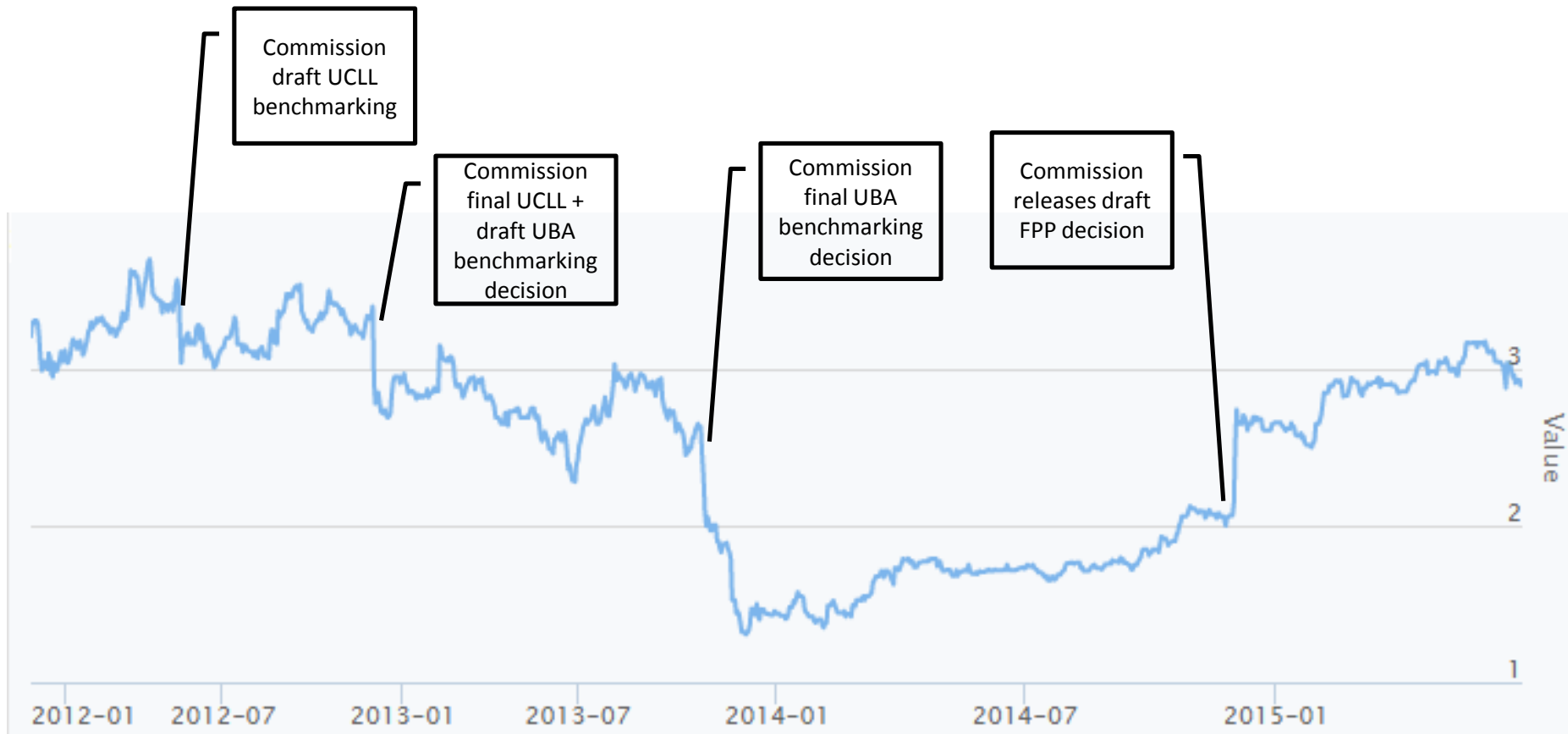


Revenue FY13-FY15



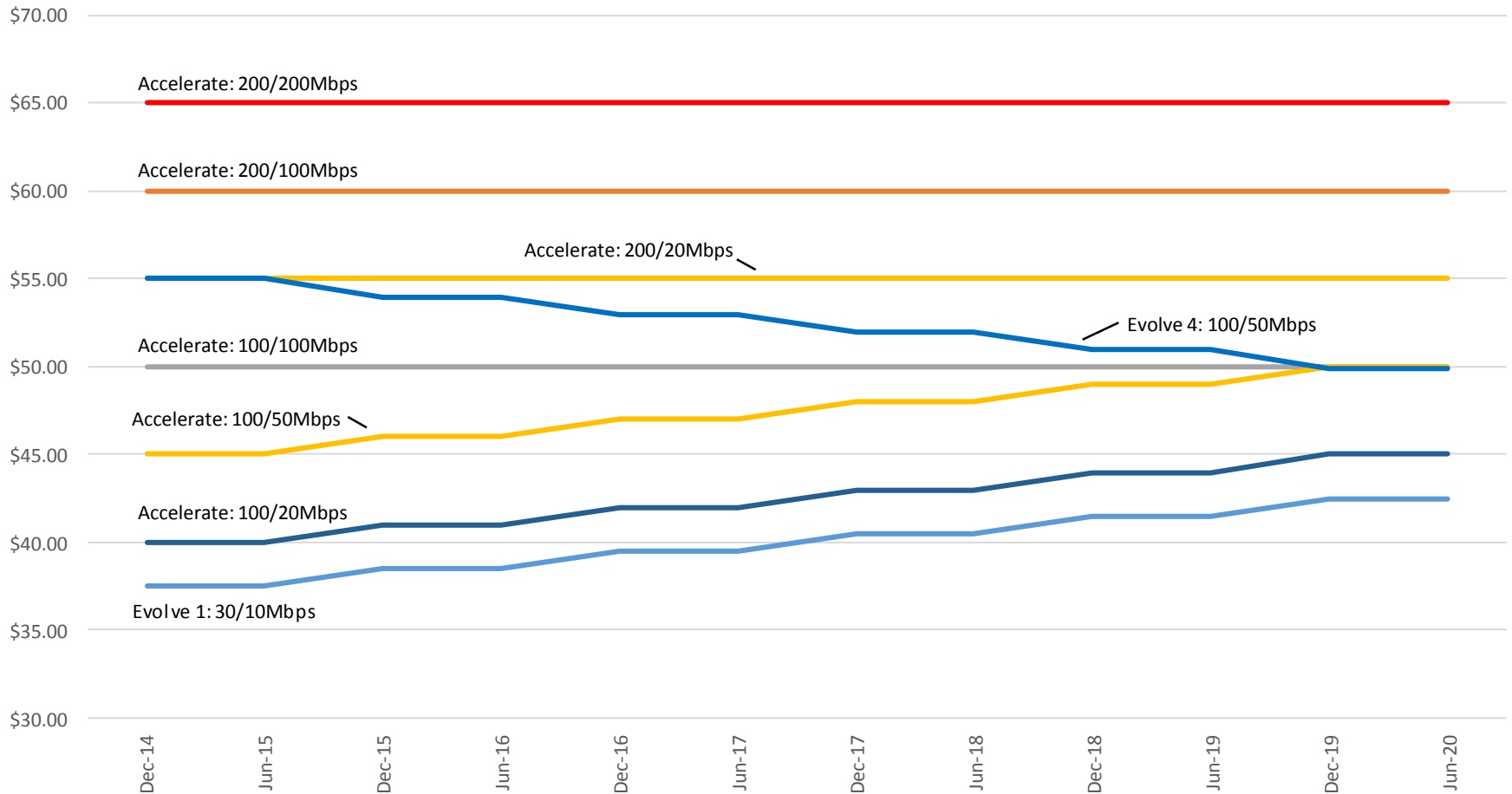
Appendix D: Regulatory history vs share price

- > Chorus' share price performance since demerger in 2011 has been dominated by regulatory decisions and processes



Appendix E: Chorus mass market fibre products and pricing

Mass market fibre product pricing

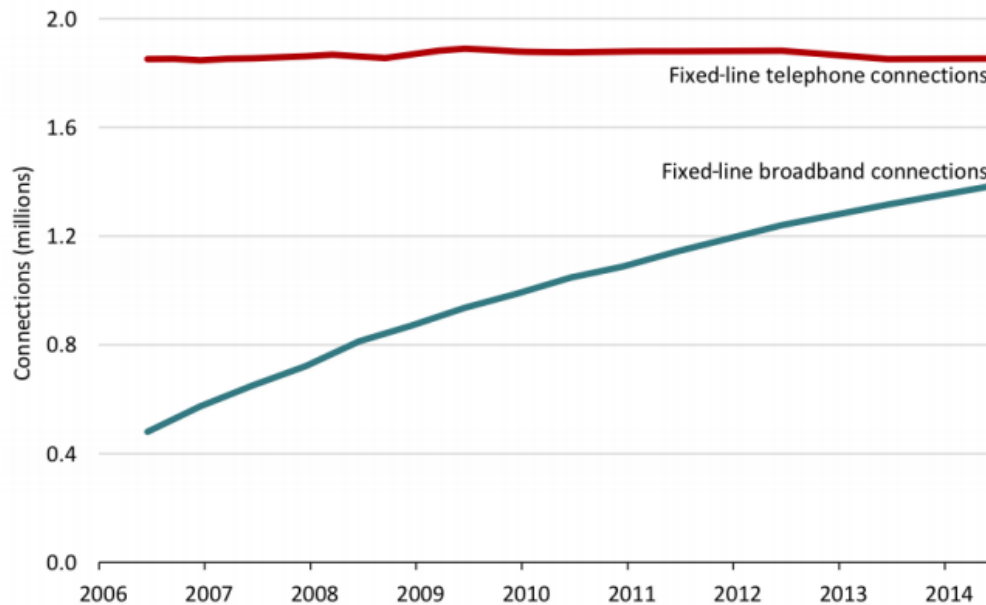


Note: *Evolve* products shown are the core UFB contracted products introduced in 2012. *Accelerate* products are commercial products introduced by Chorus in mid 2014.

Appendix F: NZ market and network trends

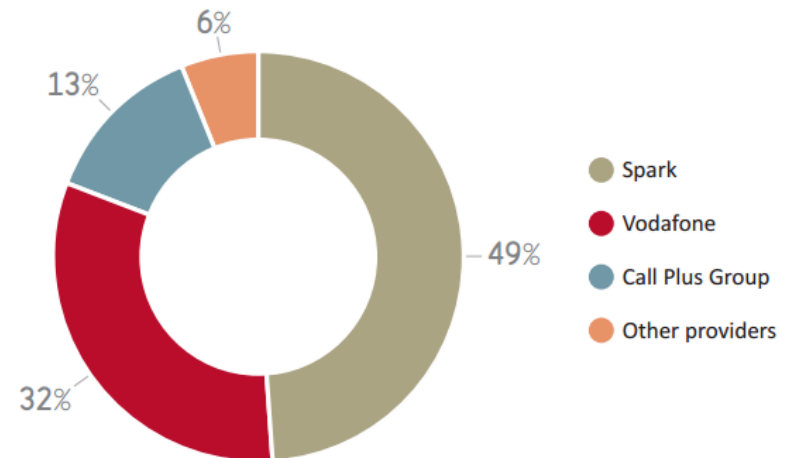
- > Fixed line connections have proved relatively stable, while broadband growth has continued

Figure 3: Fixed-line telephone and broadband connections



- > Market has been dominated by 3 larger internet service providers.

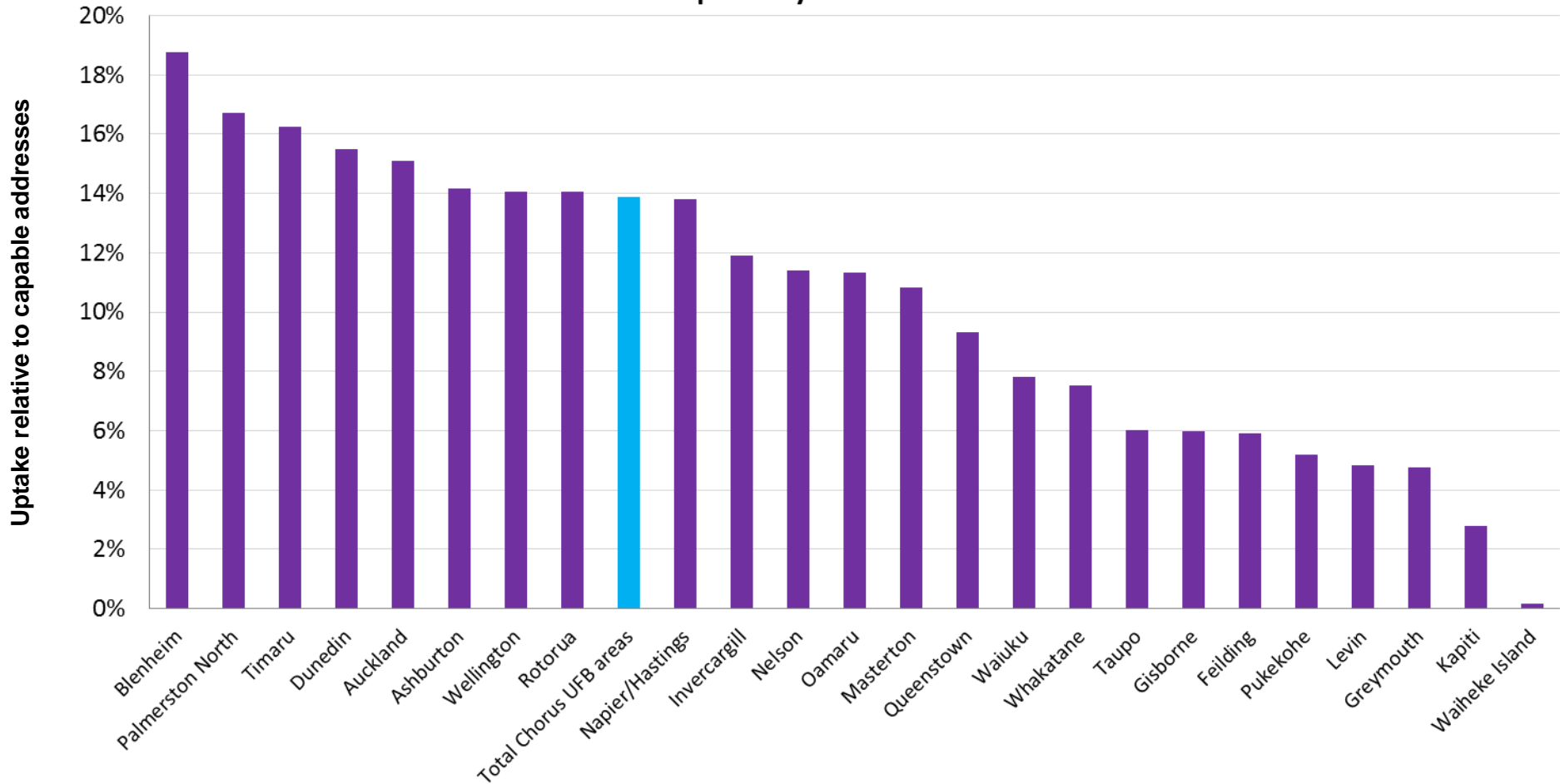
Figure 14: Estimated ISP market share



Source: Commerce Commission Annual Telecommunications Monitoring Report 2014, p10 and p18

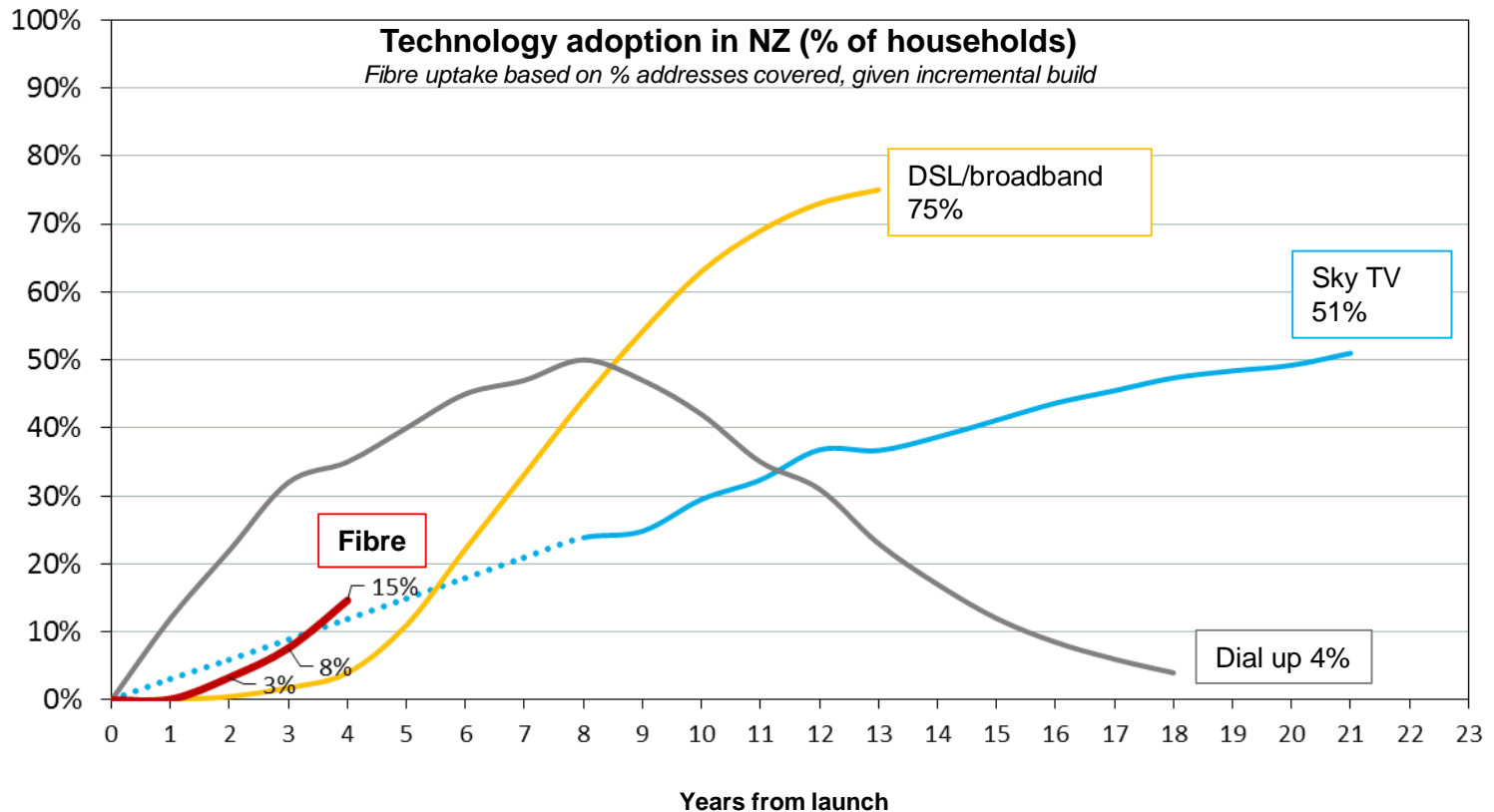
Regional fibre uptake – June 2015

Chorus UFB Uptake by Candidate Area – June 2015



- Chart shows end-user uptake as a proportion of UFB capable addresses (i.e. network is commissioned for service)
- Uptake may decrease from period to period as more network is commissioned in an area

Fibre adoption curve to date



Sources: Statistics NZ Household Use of ICT survey 2009, 2012 (household dial-up/broadband uptake), ISCR estimates of DSL diffusion (DSL/broadband uptake), SKY annual reports (Sky TV uptake), MBIE quarterly reporting (UFB fibre uptake)

Online TV performance

3 minute snapshots of traffic over a 100Mbps fibre connection while streaming online TV

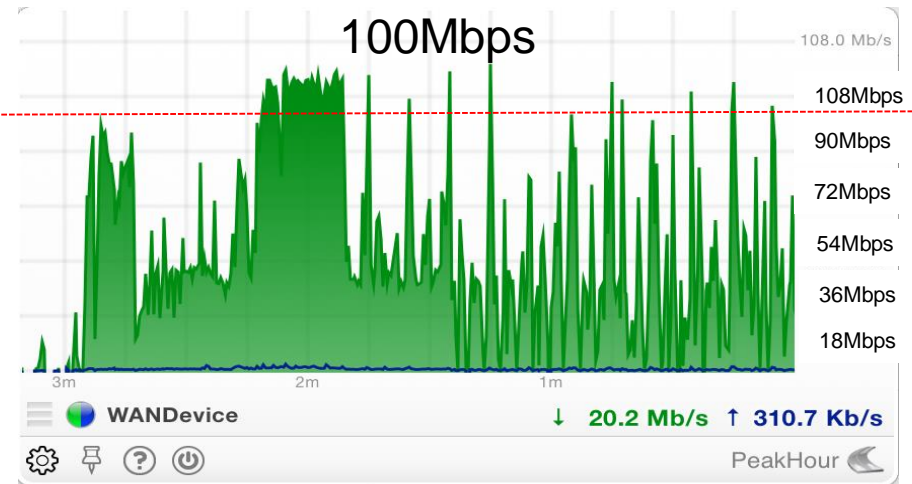
1 Ultra High Definition stream from Netflix

- Data bursting due to adaptive streaming
- Throughput peaking around 50Mbps



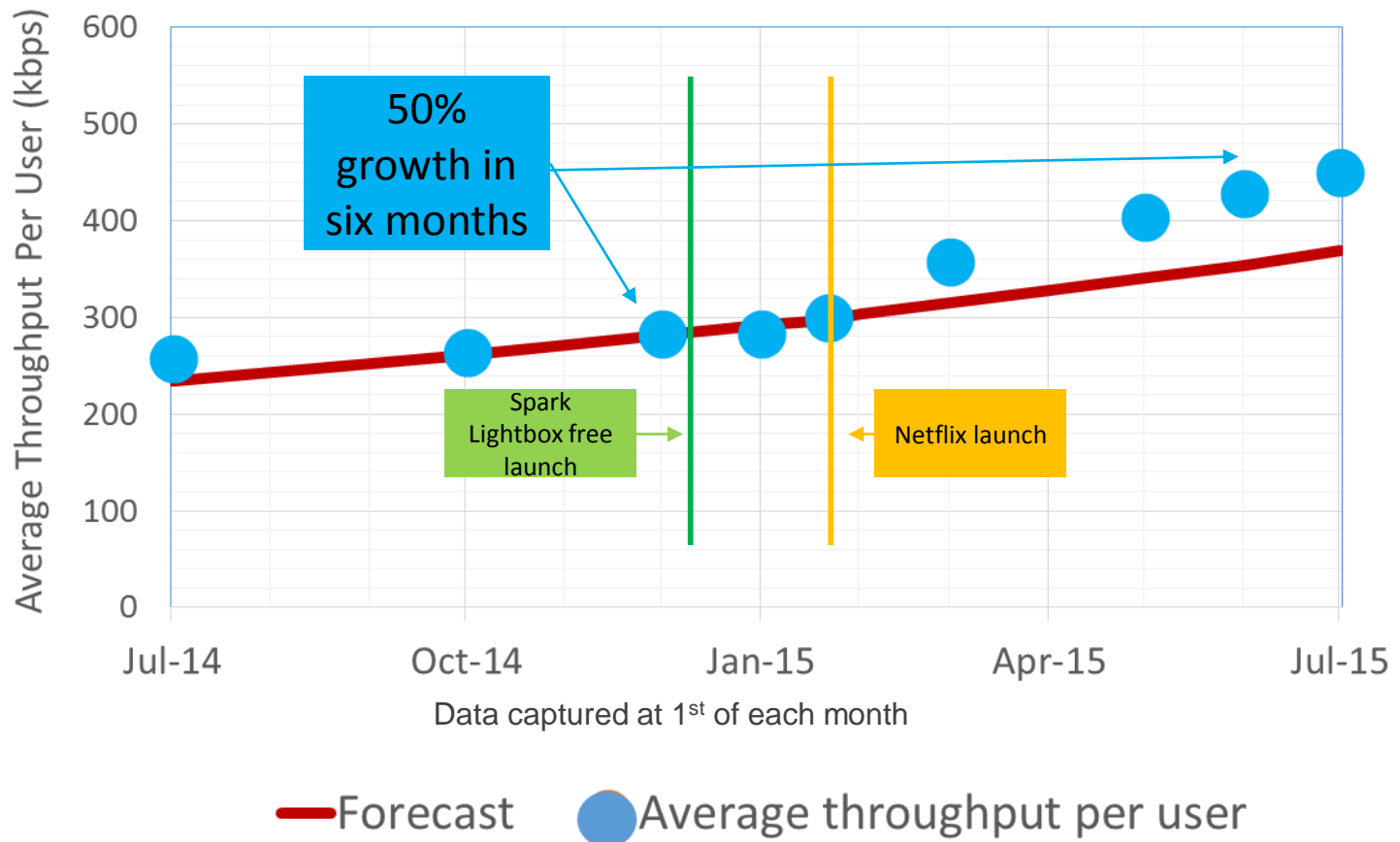
4 simultaneous streams

- 1 x UHD stream (on a 4K Smart TV)
- 3 x HD streams (2 on laptops, 1 on a tablet)



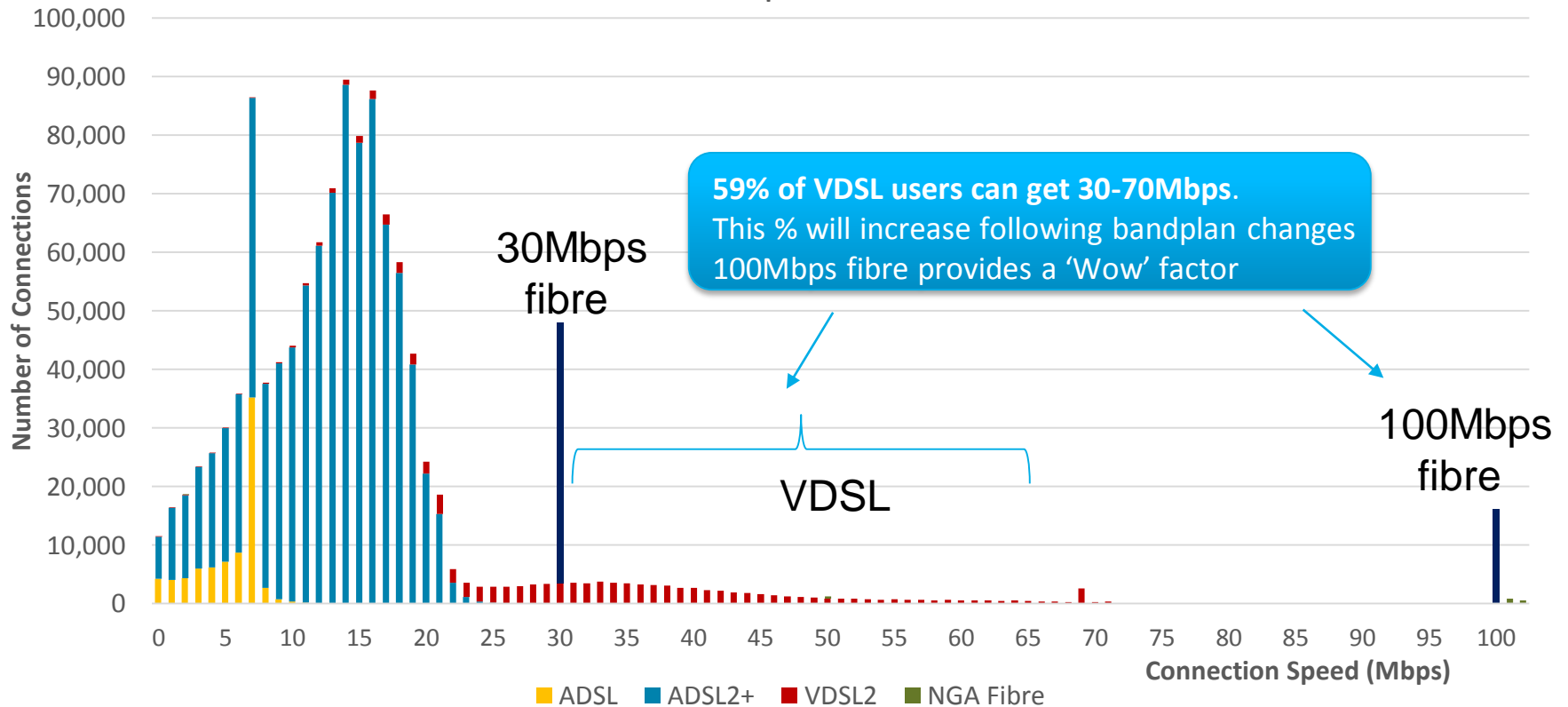
Bandwidth demand

- > Annual bandwidth growth has traditionally been 50%
- > Chorus saw 50% growth in just 6 months



VDSL and fibre redefine broadband experience

Current connection Speed Distribution Chart



Appendix G: UFB premises types, installation types and funding





Premises type estimates from UFB deployment premises count methodology



Premises	649,000	123,000	10,000	4,000	1,000	787,000*
End user connections	649,000	267,000	43,000	34,000	57,000	1,050,000

*Total UFB premises in Candidate Area, excluding greenfields

Note: Rights of way may occur in any of the above premises type categories

	Rights of way 	Single dwelling units 	Simple Multi-dwelling units (up to 3 stories) 	Complex Multi-dwelling units (>3 stories) 	
Chorus funded Note: funding policy will change at end of UFB build contract in 2020	Residential/business standard lead-in from street to building entry point at time of connection: <ol style="list-style-type: none"> 1. New underground – up to 15m 2. Existing conduit or open trench – up to 100m 3. Aerial – 1 span 4. In-home wiring to the ONT* *Internal cabling limited to 5m once NSI fund ends.			Entry point to Apartment ('backbone riser'): Chorus funds up to \$1k per residential/business tenancy	
Non-standard install Fund Note: capped at \$28m funding from Chorus	Residential non-standard RoW installation: <ol style="list-style-type: none"> 1. New underground 15m to 200m 2. Existing Conduit open trench >100m to 200m 3. Aerial > 1 span 	Residential non-standard installation: NSI fund available for: <ol style="list-style-type: none"> 1. New underground 15m to 200m 2. Existing conduit or open trench up to 200m 3. Aerial >1 span 			
Other funding required	Residential >200m charged via RSP		Business non-standard install lead-in: charged via RSP	Simple business install: charged via RSP (or building owner) to fund lead-in and backbone riser costs if exceeds Chorus funding.	Building owner to pay for lead-in and backbone riser costs if exceeds Chorus funding

Note: Installation is different from connection, which may be charged for business plans.

Appendix H: CFH securities summary

- > Government to contribute up to \$929 million for UFB build in Chorus areas: \$1,118 per premises passed
- > 50:50 split between CFH debt and equity securities
- > CFH will also be issued long term warrants per each tranche of equity securities with a strike price based upon cumulative TSR of 16% p.a.

CFH Debt Securities

Unsecured

Non-interest bearing

Redeemed by Chorus in tranches from 30 June 2025 to 30 June 2036 at the latest

If end-user fibre uptake in Chorus candidate areas is less than 20% at 30 June 2020, the repayments from 30 June 2025 will be accelerated

CFH Equity Securities

No right to vote at shareholder meetings

Attract no dividend payments before 2025

From 30 June 2025 onwards, an increasing portion of the CFH Equity Securities will attract dividend payments

If end-user fibre uptake is less than 20% at 30 June 2020, the portion of CFH Equity Securities that attract dividends increases at a faster rate

Appendix I: Revenue categories

Basic Copper

- core regulated products that are earlier technology or products with limited scope for further development e.g Baseband copper (UCLFS), Basic UBA, Naked UBA, UCLL, SLU, SLES

Enhanced Copper

- products enhanced to deliver higher speed capability and better customer experience e.g. Enhanced UBA, VDSL2, Baseband IP, HSNS Lite Copper

Fibre

- existing business fibre and new UFB services. Also includes UFB backhaul and direct, or 'dark', fibre

Value Added Network Services

- products and expertise for higher value or specialist services. Includes carrier network services which provide connectivity across backhaul links

Field Services

- field force in provisioning, maintaining and installing copper or fibre products

Infrastructure

- services that provide access to Chorus' network assets, principally exchange co-location space.

Appendix J: Capex categories

Fibre capex categories

UFB communal

- cost of building UFB network along street to pass premises

Connections & fibre layer 2

- connections are subject to demand via RSPs
- Layer 2 electronics

Fibre products & systems

- Fibre- related product and system development

Other fibre connections & growth

- Demand driven by greenfield growth
- Regional backhaul to enable RSP traffic
- Fibre lifecycle investment

RBI

- Layers 0, 1 - network duct and fibre; Layer 2 cabinet electronics
- Expect total 5 year programme to cost around \$280 - 295 million. Spend weighted to front end of programme

Copper capex categories

Network sustain

- Upgrading or replacing plant (e.g. poles, cabinets, cables) where risk of failure or degraded service
- Proactive network replacement more cost effective than reactive maintenance

Copper connections

- Demand for copper connections for residential / business customers (e.g. infill housing, new buildings)

Copper layer 2

- Demand driven layer 2 investment in broadband capacity and growth. Expected to reduce slowly as customers migrate to fibre

Product fixed

- Largely RSP driven investment in copper-related products

Common capex categories

Information technology

- Investment in future Chorus IT platforms, in part to meet June 2014 deadline to move from Telecom enterprise systems

Building and engineering services

- Spend for growth and plant replacement (e.g. power, air conditioning) at Chorus exchange, building and remote sites

Other

- Items such as office accommodation and equipment

Appendix K: Contributions to capex

UFB

- CFH funds up to \$929 million over course of programme, at a rate of \$1,118 per premises

RBI

- Government grant funding of ~\$236 million over 5 years to cover most layer 0 and 1 capex spend
- Layer 2 is not covered by the grant
- Grant is payable on completion of build work
- Annual grant around 80 - 85% of annual RBI capex spend

Other

- Central & local government contribute to cost (often 100%) when requesting Chorus to relocate or rebuild existing network.

Chorus Limited	
Results for announcement to the market	
Reporting Period	Year ended 30 June 2015
Previous Reporting Period	Year ended 30 June 2014

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$1,006,000	Down 4.9%
Profit (loss) from ordinary activities after tax attributable to security holders.	\$91,000	Down 38.5%
Net profit (loss) attributable to security holders.	\$91,000	Down 38.5%

Interim/Final Dividend	Amount per security	Imputed amount per security
No dividends will be paid in respect of the year ended 30 June 2015.		

Record Date	N/A
Dividend Payment Date	N/A

Comments:	This announcement should be read in conjunction with the attached annual report for the year ended 30 June 2015, media release and investor presentation. In particular refer to appendix one of the management commentary which identifies non-recurring items incurred in the ordinary course of business.
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PRELIMINARY ANNOUNCEMENT - FULL YEAR RESULTS
For the year ended 30 June 2015

- 1.1 Reporting Period and Previous Reporting Period**
The reporting period is the year ended 30 June 2015 and the previous corresponding period the year ended 30 June 2014.
- 1.3 (a) Statement of Financial Performance**
Refer to the financial statements included in the attached annual report.
- 1.3 (b) Statement of Financial Position**
Refer to the financial statements included in the attached annual report.
- 1.3 (c) Statement of Cash Flows**
Refer to the financial statements included in the attached annual report.
- 1.3 (d) Dividends**

No dividends have been paid or declared in respect of the year ended 30 June 2015.

No dividends have been paid or declared in respect of the year ended 30 June 2014.
- 1.3 (e) Dividend Reinvestment Plan**
Chorus' dividend reinvestment plan was suspended on 11 April 2014.
- 1.3 (f) Statement of Movements in Equity**
Refer to the financial statements included in the attached annual report.
- 1.3 (g) Net tangible assets per security**
There are \$1.62 net tangible assets per security (30 June 2014: \$1.43).
- 1.3(h) Control of Entities gained or lost during year**
Chorus LTI Trustee Limited was incorporated on 11 December 2014 and has undertaken no transactions since incorporation. Chorus Limited is its sole shareholder.
- 1.3(i) Details of associates or joint ventures**
N/A
- 1.3 (j) Any other significant information**
Refer to attached annual report, investor presentation and media release. In particular refer to appendix one of the

management commentary which identifies non-recurring items incurred in the ordinary course of business.

- 1.3 (k) Commentary on the results of the period**
Refer to the management commentary included in the annual report, investor presentation and media release. In particular refer to appendix one of the management commentary which identifies non-recurring items incurred in the ordinary course of business.
- 1.3 (l) Audit**
This report is based on financial statements which have been audited. Chorus' auditors have issued an unqualified audit opinion which includes the following emphasis of matter: "We draw your attention to pages 36 – 37 of the financial statements which explain that significant uncertainties exist in relation to future regulatory, legal and political outcomes that may impact the assessment of the carrying value of Chorus' assets. Our opinion is not qualified in respect of this matter".
- 1.3 (m) Subsequent events**
Refer to the financial statements included in the attached annual report.
- 1.3 (n) Revaluation of Assets and unrealised gains from net changes in values or development margins of investment assets**
N/A
- 3.1 Accounting Standards**
The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the Financial Reporting Act 2013. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities and with International Financial Reporting Standards.
- 3.2 Critical accounting policies**
Refer to the financial statements included in the attached annual report.
- 3.3 Changes in accounting policies**
There have been no changes in accounting policies. All policies have been consistently applied throughout the period.
- 3.4 Audit Report**
Refer to the financial statements included in the attached annual report.



Chorus Corporate Governance Statement



This statement outlines the key aspects of Chorus' corporate governance framework, has been approved by the Chorus Board and is current as at 23 August 2015.

Chorus is incorporated in New Zealand and listed on the New Zealand and Australian stock exchanges.

Chorus' governance practices and policies therefore reflect and are consistent with the:

- NZX Main Board Listing Rules and NZX Corporate Governance Best Practice Code;
- ASX Listing Rules and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Corporate Governance Code); and
- Financial Markets Authority's Corporate Governance Principles and Guidelines (FMA Corporate Governance Code).

The Board regularly reviews and assesses Chorus' governance policies, processes and practices to identify opportunities for enhancement and to ensure they reflect Chorus' operations and culture.

Compliance with corporate governance codes

Chorus considers that during the year ended 30 June 2015:

- It followed each of the recommendations set out in the ASX Corporate Governance Code;
- The corporate governance principles adopted and followed by it did not materially differ from NZX's Corporate Governance Best Practice Code; and
- It met the principles set out in the FMA Corporate Governance Code.

The Chorus Board

The Board is appointed by shareholders and has overall responsibility for Chorus' strategy, culture, governance and performance.

Role of the Board & management

The Board's roles and responsibilities are set out in its charter available at www.chorus.co.nz/governance. Those roles and responsibilities include:

- Approving, and monitoring performance against, Chorus' corporate business strategy, plan and budget.
- Approving major capital expenditure and business activities outside the limits delegated to management.
- Ensuring an appropriate risk management framework has been established, setting Chorus' risk appetite, reviewing principal risks regularly and overseeing the management of material business risks.
- Monitoring the integrity of, and where appropriate approving, Chorus' financial and corporate reporting (including external audit).
- Overseeing Chorus' corporate governance, including reviewing its key governance documents at least annually.
- Reviewing and evaluating the performance of the Board, Board Committees and individual directors.
- Reviewing and approving Chorus' remuneration and people strategies, structures and policies.
- Assessing the measurable objectives set for, and Chorus' progress towards achieving, its diversity and inclusiveness goals.
- Appointing and removing the CEO, CFO and General Counsel & Company Secretary.
- Monitoring compliance with Chorus' continuous disclosure obligations.
- Appointing members to Board Committees.
- Carrying out the functions specifically reserved to the Board and its Committees under Board approved policies and Committee charters.

Delegation of authority

The Board has delegated authority, in part, to the CEO through the Delegated Authority (DA) Policy to allow for the effective day to day management and leadership of Chorus, including the implementation of its strategic objectives, within the risk appetite set by the Board.

In accordance with the DA Policy, the CEO has sub-delegated authority to other members of management, and certain other Chorus people, within specified financial and non-financial limits.

This DA Policy is designed to:

- Ensure decision making is controlled, accountable, transparent and informed; and
- Empower employees to create shareholder value in a legal, efficient, clear and auditable manner.

The Board reviews Chorus' DA Policy at least annually.

The Board has also appointed three standing Board Committees to assist it in carrying out its responsibilities and has delegated some of its responsibilities, powers and authorities to those Committees. More information on those Committees is set out below.

The Board may also establish other ad-hoc or standing committees and delegate specific responsibilities, powers and authorities to those committees and to particular directors.

Chorus' management are responsible for providing accurate, timely and clear information to the Board to enable it to discharge its obligations and responsibilities.

Board membership

Chorus' constitution provides for a minimum of five, and maximum of 12, directors.

The Board currently has seven directors (six independent directors and a managing director)¹ with a broad range of skills and experience. More information on the skills and experience of Chorus' directors is set out below, in Chorus' annual report and on its website at www.chorus.co.nz/governance/our-board/directors.

No person who is an 'associated person' of a telecommunication services provider in New Zealand may be appointed or hold office as a director.

Chairman

Chorus' interim chairman is an independent director.

The chairman's role is to provide leadership and manage the Board effectively. The chairman is separate from the CEO. The chairman and CEO must have a strong and effective working relationship as it facilitates effective working relationships between the Board and management.

¹ Murray Jordan will join the Chorus Board from 1 September 2015.

Appointment

Subject to the limits on Board size noted above, the Board may appoint additional directors to the Board or to fill a casual vacancy.

Candidates are recommended by the Nominations and Corporate Governance Committee (NCGC) based on a range of factors including the independence, qualification, skills and experience needs of the Board at the time.

To be eligible for selection, candidates must demonstrate appropriate qualities and satisfy the Board that they will commit the time needed to be fully effective in their role.

The Board reviews the skills and competency needs of Chorus and those of existing Board members before appointing a new director.

External advisors are also engaged to identify a wide range of potential candidates.

Shareholders may also nominate candidates for appointment to the Board. In addition, under the agreement entered into with Crown Fibre Holdings (CFH) relating to Chorus' new fibre network, CFH is entitled to nominate one person as an independent director. The Board must consider this nomination in good faith, but the appointment (and removal) of any such person as a director is to be made by Chorus' shareholders in the same way as other directors.

Appropriate checks are undertaken before a candidate is appointed by the Board or recommended for election as a director, including as to the person's character, experience, education, criminal record and bankruptcy history.

Chorus has a written agreement with each director setting out the terms of their appointment, including obligations and responsibilities, compliance with Chorus policies (including codes of ethics and share trading), continuing education, and commitment.

Chorus also has written agreements with each of its senior executives setting out the terms and conditions of their employment.

Term & tenure

Chorus directors are not appointed for specified terms. However, Chorus' constitution and the NZX Main Board and ASX Listing Rules require:

- At least one third of Chorus' directors to retire at each annual shareholders' meeting (ASM) (those holding office the longest since last standing for election/re-election being those required to retire);² and
- Each director to stand for re-election at least once every three years.

Mark Ratcliffe, as managing director, is exempt from the above requirements but must stand for re-election at least once every five years.

A director appointed by the Board as an additional Board member, or to fill a casual vacancy, must stand for election at the following ASM.

Chorus includes, in its notices of meeting for each ASM, all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

DIRECTOR	APPOINTED	LAST ELECTED AT ASM
Jon Hartley	2011	2012
Prue Flacks	2011	2012
Mark Ratcliffe	2011	2012
Clayton Wakefield	2011	2013
Anne Urlwin	2011	2014
Keith Turner	2011	2014
Patrick Strange	2015	-

Murray Jordan will be appointed by the Board as an additional director from 1 September 2015.

Jon Hartley and Prue Flacks, having last stood in 2012, will stand for re-election at Chorus' 2015 ASM. Having been appointed by the Board since Chorus' last ASM, Patrick Strange and Murray Jordan will also stand for election at Chorus' 2015 ASM.

Director induction and education

Chorus' induction programme for new directors is designed to introduce management and the Chorus business, acquaint directors with relevant industry knowledge and economics and familiarise them with key governance documents and stakeholder relationships.

All directors are expected to continuously educate themselves to ensure they maintain appropriate expertise to effectively perform their duties.

In addition, visits to Chorus operations, briefings from key management, industry experts and key advisers to Chorus, together with educational and stakeholder visits, briefings or meetings are arranged for the Board.

Director skills and experience

The skills, experience and qualifications of current directors are set out in Chorus' annual report and on its website at www.chorus.co.nz/governance/our-board/directors.

The directors have a broad range of accounting, finance, engineering, construction, technology, legal and governance skills and experience. Patrick Strange joined the Chorus Board on 6 April 2015 strengthening the Board's engineering, health and safety and regulated industry skill set. Murray Jordan will further strengthen this skill set bringing deep customer and stakeholder management experience on his appointment on 1 September 2015.

² Retiring directors may stand for re-election.

The Board currently comprises directors with primary skills in each of the following areas:

- Accounting
- Audit
- CEO experience
- Engineering
- Finance
- Governance (including non-executive director experience on other listed entities)
- Health and safety
- Infrastructure build, operations and investment
- Innovation and partnering
- Legal and regulation
- Regulated infrastructure utilities and their economics
- Risk management
- Securities and capital markets
- Service excellence
- Strategy
- Stakeholder relations
- Technology
- Telecommunications.

In a number of areas skills and experience is across Australasia.

Board performance

The chairman meets with directors to discuss individual performance.

The Board has carried out, in the reporting period, a review of the Board's performance, that of individual directors and Board Committees utilising evaluation processes developed and overseen by the NCGC.

The Board also formally engages in annual:

- Reviews of the chairman of the Board and chairmen of Board Committees; and
- Performance discussions of individual directors standing for re-election each year.

The Board has used either externally facilitated or internally facilitated performance processes and will continue to evolve its approach over time utilising annual board evaluation processes overseen by the NCGC.

Independence

To be considered independent, the Board must affirmatively determine that a director does not have a disqualifying relationship as set out in the Board Charter (other than solely as a consequence of being a director).

The Board has not set financial materiality thresholds for determining independence but considers the materiality basis of all relationships having regard to the materiality to Chorus, the director and the relevant person or organisation (e.g. customer, supplier or adviser) with which the director is related. Materiality is assessed in the context of each relationship and from the perspective of both parties to that relationship.

Independent advice

A director may, with the chairman's prior approval, take independent professional advice (including legal advice) and request the attendance of such an adviser at a Board or Board Committee meeting where this is necessary to fulfil their role and responsibilities for Chorus. The costs of any such adviser is paid for by Chorus.

Board Committees

Each standing Board Committee has a Board approved charter and chairman. Board Committees assist the Board by focusing on specific responsibilities in greater detail than is possible for the Board as a whole. Committee recommendations are reported to the Board by Committee chairmen.

Committee members are appointed by the Board.

Each standing Board Committee comprised three independent directors in the year ended 30 June 2015.

Audit and Risk Management Committee (ARMC)

Role	The ARMC assists the Board in ensuring oversight of all matters relating to risk management, financial management and controls and the financial accounting, audit and reporting of Chorus.
Members	Anne Urlwin (chairman), Jon Hartley, Patrick Strange.
Independence	All Committee members are independent directors.
Responsibilities	<ul style="list-style-type: none"> • Overseeing the quality and integrity of Chorus' external financial reporting. • Considering the adequacy of Chorus' internal controls. • Regularly reviewing Chorus' principal risks and risk, compliance and fraud reporting. • Recommending to the Board the appointment, and if necessary removal, of the external auditor. • Assessing the adequacy of the external audit and independence of the external auditor. • Reviewing and monitoring the internal audit plan and reporting. • Overseeing the independence and objectivity of the internal audit function. • Reviewing Chorus' compliance with applicable laws, regulations and standards.

Human Resources and Compensation Committee (HRCC)

Role	The HRCC assists the Board in overseeing people policies and strategies, including: <ul style="list-style-type: none"> • Chorus' remuneration frameworks; and • Reviewing candidates for, and the performance and remuneration of, the CEO.
Members	Clayton Wakefield (chairman), Prue Flacks, Keith Turner.
Independence	All Committee members are independent directors.
Responsibilities	<ul style="list-style-type: none"> • Reviewing Chorus' remuneration and human resources strategy, structure and policies. • Approving annual remuneration increase guides and budgets. • Approving the employment terms of the CEO's executive direct reports. • Approving, on the recommendation of the CEO, the appointment of the CEO's executive direct reports (except the CFO and General Counsel & Company Secretary whose appointment is approved by the Board). • Reviewing candidates for, and the performance and remuneration of, the CEO. • Developing and annually reviewing and assessing diversity within Chorus and its reporting. • Reviewing the CEO's performance evaluation of the CEO's executive direct reports. • Overseeing recruitment, retention and termination policies and procedures for senior management. • Making recommendations (including proposing amendments) to the Board with respect to senior executive (including CEO) incentive remuneration plans.

Nominations and Corporate Governance Committee (NCGC)

Role	The NCGC assists the Board in promoting and overseeing continuous improvement of good corporate governance.
Members	Jon Hartley (chairman), Prue Flacks, Keith Turner.
Independence	All Committee members are independent directors.
Responsibilities	<ul style="list-style-type: none"> • Identifying and recommending suitable candidates for appointment to the Board and Board Committees. • Considering the size, skills mix and composition of the Board. • Developing, reviewing and making recommendations to the Board on corporate governance principles. • Establishing, developing and overseeing a process for the annual review and evaluation of Board, Board Committee, and individual director performance. • Developing and reviewing Board succession planning (including for the chairman). • Monitoring compliance with Chorus' codes of ethics. • Reviewing and overseeing the induction of new directors and the continuous education of the Board.

Managing Risk

Chorus has a Managing Risk Policy that mandates one framework for the management of risk in Chorus to:

- Ensure the Board sets the risk appetite and reviews principal risks annually;
- Integrate risk management in line with the Board's risk appetite into structures, policies, processes and procedures; and
- Deliver regular principal risk reviews and monitoring.

A copy of Chorus' Managing Risk Policy is available at www.chorus.co.nz/governance.

Chorus' Board also sets, and annually reviews, Chorus' risk management framework. The Board undertook such a review in the year to 30 June 2015.

As part of its role, the ARMC is responsible for overseeing and monitoring risk and ensuring compliance with Chorus' risk management framework. The ARMC receives regular reporting on risk management, including the management of material business risks and the effectiveness of Chorus' internal controls.

Before it approves Chorus' financial statements, the Board requires the CEO and CFO to declare that:

- In their opinion Chorus':
 - Financial records have been properly maintained;
 - Financial statements comply with the appropriate accounting standards and give a true and fair view of Chorus' financial position and performance; and
- Their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Internal audit

Chorus operates a co-sourced internal audit model with a Manager Risk & Business Assurance supported by external advisors (principally PricewaterhouseCoopers) to provide additional resource and specialist expertise as required.

The responsibilities of Chorus' internal audit function include:

- Assisting the ARMC and Board in their assessment of Chorus' internal controls and risk management;
- Developing an audit plan for review and approval by the ARMC each year;
- Undertaking the plan and reporting progress against it, significant changes, results and issues identified; and
- Escalating issues as appropriate (including to the ARMC and/or Board chairmen).

Chorus' Manager Risk & Business Assurance has a management reporting line to the General Counsel & Company Secretary and a direct reporting line to the ARMC. The ARMC reviews the remuneration and incentive arrangements, and reviews and approves the performance objectives and measures, of the Manager Risk & Business Assurance each year.

External auditor

The Board and ARMC monitor the ongoing independence and quality of Chorus' external auditor. The ARMC also meets with the external auditor without management present prior to Chorus' half year and annual financial statements being finalised.

Chorus' ARMC Charter and External Auditor Independence Policy amongst other things:

- Prohibit the provision of certain non-audit services by the external auditor;
- Require ARMC pre-approval of all audit and permitted non-audit services;
- Require the external auditor lead/engagement partner to be rotated every five years (with a five year cooling off period) and other audit partners to be rotated every seven years (with a two year cooling off period);
- Require the ARMC to review the external auditor's fees half yearly (including the ratio of fees for audit vs. non-audit services); and
- Impose restrictions on the employment of former external audit personnel.

The non-audit services undertaken by Chorus' external auditor KPMG in the year to 30 June 2015 are set out in Chorus' annual report. Those services were provided in accordance with Chorus' ARMC Charter and External Auditor Independence Policy and did not affect KPMG's independence, including because:

- They were approved only where Chorus was satisfied they would not have a material bearing on KPMG's external audit procedures;
- They did not involve KPMG acting in a managerial or decision-making capacity; and
- KPMG provide Chorus with independence declarations every six months.

Chorus' external auditors attend its ASM each year.

Economic, environmental and social sustainability risks

The risks set out below are provided in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) and should be viewed in that context. They do not purport to identify all risks relevant to Chorus.

Regulatory environment

The Commerce Commission (the Commission) is responsible for regulating the price and non-price terms of key services offered over Chorus' copper network. Around 75% of Chorus' revenues currently come from those regulated services. The prices set by the Commission apply until 2020. Accordingly, there is no certainty regarding prices for Chorus' regulated copper services from 2020.

The Government is, however, required to commence a review of the broader regulatory framework by 2016 (with a best endeavours obligation to complete it by the end of 2019) which is expected to establish the framework in which prices are set from 2020. This review was initiated in 2013 and is expected to commence in earnest this year.

The prices Chorus can charge for two key services (UCLL and UBA) are currently being reviewed by the Commission. Under the Commission's reviews the price Chorus can currently charge for those services has dropped significantly since Chorus demerged from Telecom (as it then was) in 2011. The Commission is expected to release its final determination in respect of those prices in December 2015. Chorus' view is that those prices should be at or above the prices prevailing at the time of demerger. However, there is a risk that the Commission's final prices will be below those prices and below the prices Chorus can currently charge, which could have a material adverse effect on Chorus. As Chorus does not know what the final prices will be it cannot quantify the impact.

Refer to Chorus' annual reports and market announcements for more information.

Fibre

Fibre services are currently unregulated. The prices Chorus can charge for UFB are, however, set by contract with the Crown and apply until 2020. Prices that Chorus can charge for its fibre services may be regulated from 2020 under a framework considered by the Government review noted above. Those prices may be lower than the current contractually agreed prices, and there is a risk that the prices will be set at levels that do not provide Chorus with an adequate return on its investment. It is also uncertain whether, and if so how, fibre unbundling may be regulated after 2020, how it may be priced or what uptake might be.

TSO

Chorus is subject to a universal service obligation (the TSO) requiring it to maintain lines and provide voice input services in residential and local access areas across New Zealand. The Government commenced a review of the TSO in 2013. The timing for completion, and outcome, of that review are not known.

UBA review

In addition to the price review noted above, the Commission has also commenced a review of the regulated terms (including service specifications) of Chorus' UBA service. Details of the scope of the review, and interim steps are not known.

Chorus response

Chorus' involvement in these regulatory processes is a key business priority. Chorus is actively engaged in making submissions (which are available on the Commission's website) and has engaged leading international experts to assist it in this regard.

UFB build, fibre demand & network substitution

Chorus is a cornerstone partner in the New Zealand Government's Ultra-fast Broadband (UFB) initiative building a new fibre network in approximately 70% of the Government's first stage programme to 75% of New Zealanders. This is a substantial infrastructure project over an eight-year build period and is subject to a number of risks typical to large scale, long duration infrastructure and construction projects, including unforeseen costs, and delay.

There are also remedies available to CFH under the agreements relating to the UFB build in the event that Chorus breaches its design, build, delivery or UFB operation obligations, including:

- Default payments;
- Financial penalties;
- Liquidated damages; and
- Management step in and termination rights.

More information on these risks is available in the scheme booklet relating to the demerger of Chorus from Telecom (as it then was) available on Chorus' website at www.chorus.co.nz/investor-information/annual-reports/annual-reports.

Local fibre companies, fibre demand & network substitution

Other "local fibre companies" (LFCs) are building fibre networks in the other 30% of the Government's first stage UFB programme. This will expose Chorus to increased fixed line competition in those areas as LFCs seek to migrate end-users from Chorus' copper lines to LFC fibre lines.

Connection demand for fibre is also unpredictable. Growth in fibre connections may drive additional capital expenditure. Conversely, other factors, such as the regulated prices set for Chorus' copper services, or reduced demand for online content, may also adversely impact demand for fibre services (e.g. if the price of copper lines is set significantly below fibre pricing).

End-users substituting mobile or other fixed line networks for Chorus' copper and fibre networks could result in a decline in the total number of Chorus' fixed access lines. This could adversely impact Chorus' revenues and profitability, as could customers shifting to lower cost Chorus services.

To manage these risks Chorus continues to enhance both its copper and fibre services and forecast connection demand with retail service providers (RSPs).

Third party contractors

Chorus engages a number of external suppliers to build, operate and maintain its copper and fibre networks and to supply services, equipment and materials. Failure by these parties to perform at acceptable levels could result in additional costs, delays and possibly penalties. While agreements with the third parties generally contain binding service level requirements, and provide for remedies for failure, those remedies may not adequately compensate Chorus.

Network assets and IT

Rapid growth in network traffic could constrain parts of Chorus' network necessitating further investment to provide additional capacity³.

Chorus' network infrastructure is vulnerable to damage or interruption from a range of risks, including equipment failure, cable cuts, power failures, weather, earthquake, fire and intentional damage.

Interruption to the operations of Chorus' network could result in lost revenue, capital expenditure, higher operating costs, reputational damage and liability to customers.

Chorus' own IT systems, and those third party systems on which it relies, are also subject to failure.

Chorus has incident, continuity and emergency management capability to address business disruption events and mitigate associated risks.

The carrying value of Chorus' network assets are also subject to uncertainty in relation to future regulatory, legal and political outcomes. Refer to the notes to Chorus' financial statements in its annual report for more information.

Chorus' IT systems are subject to cyber threats. Chorus has security controls in place to counter known threats and improve data protection. Those controls are reviewed to ensure they remain appropriate. Chorus also has internal security policies in place covering use of its systems by employees.

Financing risk

Chorus has large funding requirements related to its UFB build. Chorus' ability to maintain an appropriate capital structure for its financial profile going forward, either by refinancing debt on favourable terms or by raising new debt, may be adversely affected if financial market conditions are volatile, if it experiences a decline in its operating performance or if it is unable to operate within the credit metric thresholds applicable to its credit rating.

Credit rating

Chorus currently has an investment grade credit rating. If Chorus' rating falls below investment grade it will be unable to pay a dividend on its ordinary shares without CFH approval.

A rating downgrade may also increase Chorus' borrowing costs.

People

Chorus may lose experienced and skilled people and institutional knowledge.

Chorus mitigates this risk by continuing to invest in development and in programmes designed to create a diverse and inclusive, safe, transparent and rewarding workplace.

Chorus' people remain highly engaged with Chorus being recognised as the "Best of the Best" employer in the 2015 Aon Hewitt Best Employer accreditation involving almost 150 companies across Australia and New Zealand. This is Chorus' fourth consecutive year as an accredited Aon Hewitt Best Employer, and first as "Best of the Best".

Other risks

Other risks are noted in Chorus' annual report.

Acting Ethically & Responsibly

Codes of ethics

Chorus expects its directors and employees to conduct themselves in accordance with the highest ethical standards. Chorus has codes of ethics for its directors and employees that set the expected standards for their professional conduct. These codes are intended to facilitate decisions that are consistent with Chorus' values, business goals and legal and policy obligations, setting out the standards required in respect of:

- Conflicts of interest;
- Acceptance of gifts and personal benefits;
- Use of Chorus' property and corporate opportunities;
- Confidentiality;
- Compliance with laws and policies; and

- Reporting unethical behaviour.

Chorus' director Code of Ethics is available at www.chorus.co.nz/governance.

Chorus has communicated its codes of ethics to directors and employees and has provided training to its employees. Chorus encourages its people to report any unethical behaviour through a compliance function that investigates any such reports.

A whistle blowing policy allows for confidential reporting of serious misconduct or wrongdoing and a fraud policy for the reporting of suspected fraud or corruption. Chorus did not receive any reports of serious instances of unethical behaviour in the year to 30 June 2015.

Chorus' codes of ethics are reviewed at least annually.

³ The Commission's UFB and UCLL pricing reviews will be a key determinant of ongoing investment for bandwidth demand growth, particularly as Chorus already delivers network capacity well above the regulated minimum for the broadband service.

Trading in Chorus shares

All non-executive directors are encouraged to hold Chorus shares.

Directors and Chorus employees are subject to limitations on their ability to deal in Chorus shares and other relevant Chorus securities (Chorus Securities) by Chorus' Insider Trading Policy, the New Zealand Financial Markets Conduct Act 2013 and the Australian Corporations Act 2001.

These limitations prohibit directors and employees from dealing in Chorus Securities while in possession of inside information.

All trading in Chorus Securities must be in accordance with Chorus' Insider Trading Policy which requires, amongst other things:

- Directors to notify, and obtain consent from, the chairman (or in the chairman's case, the chair of the ARMC) before dealing in Chorus Securities; and
- Employees Chorus has identified as coming across, or potentially coming across, information which may be market sensitive, to obtain consent from the General Counsel & Company Secretary (or in the General Counsel & Company Secretary's case, the Board chairman) before dealing in Chorus Securities.

All changes in interests in Chorus shares held by directors are required to be disclosed to the Board, NZX and ASX. All changes in interests by Chorus' "senior managers" are required to be disclosed to the NZX.

Timely and Balanced Disclosures

Chorus is committed to providing timely, consistent and credible information to promote orderly market behaviour and investor confidence. Chorus believes it is imperative that disclosure be evenly balanced during good times and bad and that all parties in the investment community have fair access to this information.

Chorus has a Board approved Disclosure Policy which is reviewed at least annually and which is available on Chorus' website at www.chorus.co.nz/governance/key-documents/principal-governance-documents.

Chorus also has a CEO approved Market Disclosure Policy setting out its disclosure responsibilities and processes in more detail.

Chorus' market disclosure policies are designed to ensure:

- The roles of directors, executives and employees are clearly set out.

- Appropriate reporting and escalation mechanisms are established to ensure potentially material matters are escalated appropriately.
- There are robust and documented confidentiality protocols in place where appropriate.
- Only authorised spokespersons comment publicly, within the bounds of information which is either already publicly known or non-material.
- Only publicly available or non-material information is disclosed in analyst briefings and in response to investor questions.

Chorus' Disclosure Officer is responsible for authorising the release of information to the market, monitoring Chorus' share register, price and media and promoting awareness of Chorus' disclosure obligations.

Shareholder Communications & Meetings

Chorus is committed to fostering constructive relationships with shareholders that encourage them to engage with Chorus, including by:

- Communicating clearly and effectively with them;
- Giving ready access to balanced and understandable information about Chorus;
- Making it easy for shareholders to participate in Chorus' general meetings; and
- Maintaining an up to date website providing information about Chorus, its business and affairs.

Chorus' investor relations programme is designed to further facilitate two-way communication with shareholders, provide them and other market participants with an understanding of Chorus' business, governance and performance and an opportunity to express their views. As part of this programme Chorus enables investors and other interested parties to ask

questions and obtain information, meets with investors and analysts and undertakes formal investor presentations.

Chorus' annual meetings are held in main centres and webcast to enable shareholders to view and hear proceedings online. Major investor presentations are also webcast.

Chorus enables shareholders to vote by proxy ahead of meetings without having to physically attend or participate in those meetings.

Shareholders are also, prior to and at, annual meetings, able to ask questions of, and express their views in respect of, the Board, management and Chorus' auditors (including via appointed proxies).

Chorus encourages shareholders to communicate with it and its share registrar electronically, including by providing email communication channels and online contact details and instructions on its website.

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

Chorus Limited

ABN / ARBN:

152 485 848

Financial year ended:

30 June 2015

Our corporate governance statement² for the above period above can be found at:³

This URL on our website: <https://www.chorus.co.nz/governance/key-documents/principal-governance-documents>

The Corporate Governance Statement is accurate and up to date as at 23 August 2015 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date:	23 August 2015
Name of Director or Secretary authorising lodgement:	Vanessa Oakley General Counsel & Company Secretary

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> in our Corporate Governance Statement AND <input checked="" type="checkbox"/> in our Board Charter at https://www.chorus.co.nz/governance/key-documents/principal-governance-documents
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> paragraph 22 of our Board Charter at https://www.chorus.co.nz/governance/key-documents/principal-governance-documents

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> refer to our Diversity and Inclusiveness Policy available at https://www.chorus.co.nz/governance/key-documents/principal-governance-documents</p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at https://www.chorus.co.nz/governance/key-documents/principal-governance-documents</p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> pages 64-65 of our annual report available at https://www.chorus.co.nz/investor-information/annual-reports/annual-reports</p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> page 65 of our annual report available at https://www.chorus.co.nz/investor-information/annual-reports/annual-reports</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> page 66 of our annual report available at https://www.chorus.co.nz/investor-information/annual-reports/annual-reports</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> page 66 of our annual report available at https://www.chorus.co.nz/investor-information/annual-reports/annual-reports</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE	
<p>2.1 The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at https://www.chorus.co.nz/governance/key-documents/principal-governance-documents</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> pages 62-63 of our annual report available at https://www.chorus.co.nz/investor-information/annual-reports/annual-reports</p>
<p>2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>
<p>2.3 A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>... the names of the directors considered by the board to be independent directors:</p> <p><input checked="" type="checkbox"/> page 10 of our annual report available at https://www.chorus.co.nz/investor-information/annual-reports/annual-reports</p> <p>... and, where applicable, the information referred to in paragraph (b):</p> <p><input type="checkbox"/> (not applicable)</p> <p>... and the length of service of each director:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>
<p>2.4 A majority of the board of a listed entity should be independent directors.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>
<p>2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY		
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement AND <input checked="" type="checkbox"/> our Director Code of Ethics at https://www.chorus.co.nz/governance/key-documents/principal-governance-documents

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING		
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at https://www.chorus.co.nz/governance/key-documents/principal-governance-documents</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> pages 10 and 63 of our annual report available at https://www.chorus.co.nz/investor-information/annual-reports/annual-reports</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>
4.3	<p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE		
5.1	<p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our continuous disclosure compliance policy or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> our Board approved Disclosure Policy at https://www.chorus.co.nz/governance/key-documents/principal-governance-documents</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at https://www.chorus.co.nz/investor-centre and https://www.chorus.co.nz/home
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK		
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	[If the entity complies with paragraph (a):] ... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2): <input checked="" type="checkbox"/> in our Corporate Governance Statement ... and a copy of the charter of the committee: <input checked="" type="checkbox"/> at https://www.chorus.co.nz/governance/key-documents/principal-governance-documents ... and the information referred to in paragraphs (4) and (5): <input checked="" type="checkbox"/> pages 62-63 of our annual report available at https://www.chorus.co.nz/investor-information/annual-reports/annual-reports
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound: <input checked="" type="checkbox"/> in our Corporate Governance Statement ... and that such a review has taken place in the reporting period covered by this Appendix 4G: <input checked="" type="checkbox"/> in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... how our internal audit function is structured and what role it performs:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY	
<p>8.1 The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at https://www.chorus.co.nz/governance/key-documents/principal-governance-documents</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> pages 62-63 of our annual report available at https://www.chorus.co.nz/investor-information/annual-reports/annual-reports</p>
<p>8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> pages 65-68 of our annual report available at https://www.chorus.co.nz/investor-information/annual-reports/annual-reports</p>
<p>8.3 A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> In our Insider Trading Policy at https://www.chorus.co.nz/governance/key-documents/principal-governance-documents</p>



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Chorus Limited annual report 2015 (section 209 notice)

Dear Shareholder

We are pleased to advise that our annual report for the period 1 July 2014 to 30 June 2015 is now available on our website at www.chorus.co.nz/annual-report. We have chosen not to produce a concise annual report for the period.

Companies are no longer required to automatically mail printed copies of annual and half year reports to all shareholders. However, if you would prefer to receive a printed copy of these reports (when available) please tick the box below and return this form to Computershare within 15 working days of receiving it.

Yes, I'd like to receive, free of charge, a printed copy of Chorus' annual and half year reports.

Keeping in touch online

If you have not already done so, you may also wish to sign up to receive shareholder communications from Chorus via email by ticking the box below. This helps us to reduce costs and limit our environmental footprint.

Yes, I'd like to receive all Chorus shareholder communications via email. These communications may include annual and half year reports, transaction statements, payment advices and any other company related information that Chorus chooses to send

Provide your email address here

Alternatively, you can elect your preferences for shareholder communications by logging into www.investorcentre.com/nz. You will need your CSN or Holder Number and FIN to initially access the Investor Centre and register your account. Once you have logged in, select 'My profile' and click on the 'update' button on the communication preferences tile.

If you have any further questions about receiving shareholder communications, please contact Computershare using the contact details at the top of this form.