

PORTS OF AUCKLAND LIMITED

STATEMENT OF CORPORATE INTENT

For the period from 1 July 2018 to 30 June 2021

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STATEMENT OF CORPORATE INTENT

For the Period from 1 July 2018 to 30 June 2021

1. Introduction

This Statement of Corporate Intent (SCI) is for Ports of Auckland Limited and its subsidiaries (referred to singularly or collectively as “POAL” or “the Company”).

POAL’s ownership changed from Auckland Council Investments Limited to Auckland Council effective 2 July 2018. POAL’s owner is referred to as “the Shareholder”.

This SCI covers the period from 1 July 2018 to 30 June 2021, and has been prepared in accordance with the terms under Section 9 of the Port Companies Act 1988.

2. Purpose

The purpose of this Statement of Corporate Intent (SCI) is to:

- State publicly the activities and intentions of POAL and the objectives to which those activities will contribute; and
- Provide a basis for the accountability of the Board of Directors of POAL to the Shareholder for the performance of the Company and its subsidiaries.

3. Nature and Scope of Activities

POAL provides the following services:

- (a) container terminal handling services which includes receipt, delivery, transit storage and shipment of a wide range of import and export cargos;
- (b) breakbulk and bulk cargo handling services;
- (c) marine services which include pilotage, towage, hydrography and bunkering services – both directly and through its ownership of SeaFuels Ltd and Bunker Shipz Ltd and its half ownership of North Tugz Ltd;
- (d) intermodal freight hubs in South Auckland, Waikato, Bay of Plenty and Manuwatu – both directly and through its ownership of Waikato Freight Hub Ltd and its one third ownership of Longburn Intermodal Freight Hub Ltd;
- (e) supply chain management services – both directly and through its ownership of Nexus Logistics Ltd and CONLINXX Ltd;
- (f) other port-related activities required to manage and operate an efficient and competitive port – both directly and through its half ownership of PortConnect Ltd; and
- (g) services and facilities to support the cruise ship industry.

4. Vision

**Working for Auckland and serving New Zealand, today and tomorrow.
Kaitiakitanga.**

Ports of Auckland works hard bringing in goods that support Aucklanders’ lifestyle and city’s growth. We also serve New Zealand’s national freight needs by working in collaboration with other regional ports and using our inland hubs to deliver and export goods efficiently and sustainably.

Our aspiration is to be a world-class port company known for our innovation and sustainable practices, and the way we operate openly and responsibly with our skilled people and stakeholders. These underpin our ability to work for Auckland and serve New Zealand, today and tomorrow.

5. Objectives

5.1 Principal Objective

The principal objective of POAL is to operate as a successful business, ie to be as profitable and efficient as comparable businesses that are privately owned, and sustainable over the long term.

5.2 Working for Auckland and serving New Zealand

POAL recognise the important impact the achievement of our goals to facilitate trade for the region's and nation's exporters and importers and the cruise ship industry has on the economic wellbeing of Auckland City, the Auckland region and New Zealand.

POAL recognise the place POAL plays in the Auckland community and are committed to ongoing consultation with Auckland Council and its related entities, our community and local iwi.

POAL will maintain a stakeholder engagement plan and act as a good neighbour and as a good corporate citizen and will report progress against the plan to the shareholder on a quarterly basis.

POAL will strive to achieve the targets it has set to improve profitability and provide a sustainable level of financial returns to its shareholder.

POAL will act in an environmentally and socially responsible manner.

POAL will act as a good employer.

POAL will work co-operatively with Auckland Council and CCOs to assist in the delivery of outcomes related to the Waterfront Development Masterplan and the Auckland Plan/Unitary Plan.

POAL will contribute to Auckland Council's targets for reducing greenhouse gas emissions through POAL's Emission Reduction Roadmap.

POAL will strengthen its relationships with Mana Whenua to enable it to contribute to Auckland Council's targets of increasing Maori economic and social wellbeing.

POAL will ensure that the Shareholder is kept fully and promptly informed of any issues that may generate public and/or media interest or comment.

5.3 Outcomes and Strategic Objectives

POAL will provide value to our stakeholders by:

- Delivering Aucklanders with goods to support our growth and way of life
- Serving New Zealand's national freight needs in the most efficient and sustainable way
- To be a world-class port company known for our skilled people, innovation and sustainable practices.

POAL has 9 outcomes and related strategic objectives as follows:

Safe and empowered people

- Safety and wellbeing embedded into our culture
- Structures and systems for an engaged and well-skilled workforce
- Diversity and inclusion leveraged for competitive advantage

Innovation leader

- Foresight and innovation in our culture and operations

Delighted customers

- Productive and efficient operations.
- Effective engagement with customers.

Future-fit NZ port structure

- Strong relationships partnerships with aligned New Zealand ports
- Actively engage in port sector structure change
- Ensure we have the optimal structure to take advantage of port sector structure changes

Supportive community and iwi

- Constructive relationships with community and iwi
- Increased public engagement with open and transparent communications, as far as practical with respect to commercial objectives

Improved environment

- Protection of our natural environment
- Responsible use of natural resources
- Leader in Auckland's transition to a low carbon economy

Volume growth through sustainable supply chain solutions

- Integrated supply chain network – hubs and transport with a focus on rail
- Gain high volume cargo owners with supply chain solutions
- Supply chain successfully contributes to volume growth

Keeping ahead of trade needs

- Step-change in container terminal capacity through straddle automation
- Step-change in car handling capability
- Appropriate capacity to meet growing volumes and larger ships
- Improved performance and productivity through innovation
- Optimising our resources

Commercially successful

- Sustainable shareholder returns
- Maintain sufficient financial capacity to respond to market change risks

- Rapidly adapt and respond to internal / external change and continue operations with limited impact
- New sustainable revenue streams through innovation and partnerships

6. Key Performance Targets

Outcomes	Key Performance Measures	Targets		
		2019	2020	2021
Safe and empowered people	Number of lost time injuries	0	0	0
	Achieve the target of becoming a zero harm workplace			
Delighted customers	Crane rate (as measured by MOT)	35.75	35.75	35.75
	Ship rate (as measured by MOT)	83	83	83
	Truck turnaround time	90% at < 30 min	90% at < 30 min	90% at < 30 min
	Truck average turn time	20	20	20
	Customer Survey Score	At least 8/10	At least 8/10	At least 8/10
Supportive community and iwi	Hold quarterly community reference group meetings to provide a forum for community feedback and dialogue re POAL's operations and development plans.			
	Attend all relevant Auckland local Board meetings where invited and strengthen relationships with the Orakei, Waitemata and Devonport-Takapuna local boards.			
Improved environment	Number of harbour spills caused by POAL	0	0	0
	All public environmental complaints acknowledged within 24 hours			
	Target detailed response timeframe for complaints (where required): 90% within 7 working days and 100% within 10 working days			
	Container volume % on rail v road	15%	18%	20%
Commercially successful	Increase in revenue	6.6%	8.6%	21.7%
	Interest coverage ratio	4.1x	3.8x	4.8x
	Net Profit after Tax (NPAT)	\$54.2m	\$52.6m	\$78.2m
	Dividend declared (includes group tax offset)	\$47.8m	\$46.0m	\$67.5m
	Return on Equity (NPAT / average Equity)	7.6%	7.3%	10.7%
	Return on Equity (excluding asset revaluations)	10.4%	10.0%	14.4%
	Ratio of consolidated shareholders' funds to total assets	52.3%	50.8%	51.5%

The near-term objectives and associated targets represent POAL's concerted efforts to develop and implement its long-term strategy to improve the profitability and sustainability of its operations.

7. Dividend Policy

POAL wishes to maintain an optimal capital structure and will every three years review that structure to determine whether additional capital can be released and whether changes need to be made to the dividend policy. POAL notes the Shareholder's desire to receive dividends representing 80% of after-tax profits (excluding the tax-adjusted effect of investment property revaluations, unrealised capital gains and losses, unrealised treasury gains and losses) and

will use its best endeavours to accommodate that desire within the constraints imposed by the Directors' obligations to act in accordance with their statutory duties and in the best interests of the Company. Dividends will be paid in two instalments in February and August.

8. Accounting Policies

POAL has adopted accounting policies that are consistent with the New Zealand International Financial Reporting Standards (NZ IFRS) and other standards issued in accordance with the Companies Act 1993 and the Financial Reporting Act 1993 and any amendments thereto.

A full statement of the Company's accounting policies is set out in the audited annual Financial Statements.

A register of accounting policies will be provided to the Shareholder's Financial Planning Team in accordance with the Shareholder's timetable.

9. Information to be provided to the Shareholder

Statutory Information Requirements

Annual Statement of Corporate Intent (SCI)

POAL will provide the Shareholder with a draft SCI for discussion and a final SCI as required by the Port Companies Act, working with the shareholder to meet its timetable.

Half Yearly Report

Within seven weeks after the end of the first half of each financial year, the Company will deliver to the Shareholder and the Minister of Transport its Half Yearly Report prepared in accordance with the NZ IFRS and the Financial Reporting Act 1993, including the unaudited group consolidated financial statements and performance commentary, together with such other information as the Board consider appropriate.

The report will include:

- Performance Commentary,
- Income Statement,
- Balance Sheet,
- Cash Flow Statement,
- Statement of Changes in Equity,
- Notes to the Financial Statements,
- Performance against the SCI Key Performance Targets and other measures.

Annual Report

Within three months after the end of each financial year POAL will deliver to the Shareholder and the Minister of Transport its Annual Report prepared in accordance with the reporting requirements of the NZ IFRS and the Financial Reporting Act 1993 and will include the audited annual group consolidated financial statements and performance commentary, together with such other information as the Board consider appropriate.

The report will include:

- Performance Commentary,
- Income Statement,

- Balance Sheet,
- Cash Flow Statement,
- Statement of Changes in Equity,
- Notes to the Financial Statements,
- Performance against the SCI Key Performance Targets and other measures, and
- Auditor's Report.

Other Information Requirements

Quarterly Reports

Within five weeks after the end of each quarter, the Company will deliver to the Shareholder a report on the preceding quarter, consisting of the following:

- Financial update as at the end of the quarter showing progress against budget, including the return on equity (ROE);
- Progress against the SCI Key Performance Targets;
- Commentary on progress on key issues affecting or likely to affect the business; and
- Any significant events that have arisen in the quarter.

Annual Shareholder Meeting

At a time to be agreed with the Shareholder, POAL officers will present to the Shareholder on the performance of the Company as well as progress on key issues affecting or likely to affect the business, and any significant events that have arisen.

One-off public and 'no surprises' issues, including media releases

The Company will endeavour to:

- inform the Shareholder prior to any significant decisions being made public or the occurrence of any event that could reasonably be anticipated to have a high level of public interest
- provide the Shareholder with copy of any media releases prior to publication.

The information is to be provided to the Mayoral Office and Shareholder's Communications Team.

Material financial changes

The Company will confer with the Shareholder on any material acquisitions, disposals or other changes which affect the Shareholder's accounting or financial reporting treatment or obligations before contractual commitments are entered into. The information is to be provided to the Shareholder's Financial Planning Team.

Primary line of communication

The Company's primary line of communication, for all formal reports and ad hoc business matters, is direct to the CCO Governance team of the Shareholder.

Financial reporting requirements

POAL will provide all public benefit entity reporting requirements to the Shareholder as required by the Shareholder's timetable. The information will be provided to the Shareholder's Financial Planning Team.

10. Investments

The Company's ability to subscribe for, purchase or otherwise acquire shares in any company or other organisation is governed by the provisions in the POAL Constitution and the Companies Act 1993.

11. Capital Expenditure

The Company will confer with the Shareholder in respect of any significant proposed capital expenditure which is not included within, or is inconsistent with, the 5 year strategic plan, or which impacts the Port's footprint and its connection to Auckland before contractual commitments are entered into.

12. Asset or investment disposals

The company will confer with the Shareholder in respect of any significant asset or investment disposal before contractual commitments are entered into.

13. Compensatory Activities

The Company will seek compensation for all non-commercial activities performed by it on behalf of local authorities.

14. Value of Shareholder's Investment

The assessed market equity value of Ports of Auckland Limited based on an external review undertaken at 31 December 2013 was \$1.1b.