



PORTS OF AUCKLAND LIMITED

STATEMENT OF CORPORATE INTENT

For the period from 1 July 2019 to 30 June 2022

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STATEMENT OF CORPORATE INTENT

For the Period from 1 July 2019 to 30 June 2022

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 is wholly owned by Auckland Council, referred to as “the Shareholder”.

This SCI covers the period from 1 July 2019 to 30 June 2022, 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 Manawatu – 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 to bring in goods a growing Auckland needs. We also serve New Zealand’s national freight needs by using our inland hubs to deliver imports and exports efficiently and sustainably.

We aspire to be a world-class port company known for our skilled people, innovation and sustainable practices. We are committed to working with the community in an open and transparent manner as we develop to meet Auckland and the country's needs.

5. Objectives

5.1 Principal Objective

The principal objective of POAL is to operate as a successful business¹; i.e. 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 is a "Lifeline Utility" as defined under the Civil Defence Emergency Management Act 2002. Lifeline utilities are entities that provide essential infrastructure services to the community, such as water, wastewater, and transport. As such, we have a responsibility to ensure that our operations have the capability and resilience to meet Auckland's maritime transport needs in the event of a civil defence emergency. We take this responsibility very seriously, particularly in the planning and maintenance of our infrastructure and equipment.

POAL recognises that how well we carry out our role in facilitating trade for the regions and nations exporters and importers and the cruise ship industry has a significant impact on the economic wellbeing of Auckland and New Zealand.

POAL recognises that its seaport's location on the Waitematā harbour holds a special significance to the Auckland community. POAL is committed to ongoing engagement with Auckland Council and its related entities, our community, local iwi and other stakeholders with regard to its activities at the seaport.

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 the 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, including Auckland Transport and Panuku Development Auckland, to assist in the delivery of the Council's strategic priorities. Where practicable POAL will align its strategic priorities with the Council's strategic priorities; including those in the Auckland Plan 2050, The Waterfront Plan 2012, City Centre Masterplan 2012, Regional Land Transport Plan 2018-2028, the Central Wharves Strategy and the Low Carbon Strategic Action Plan.

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

POAL will strengthen its relationships with Mana Whenua to enable it to contribute to Auckland Council's targets of increasing Māori 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.

POAL will maintain a good relationship with central government, including contributing to its Upper North Island Supply Chain Strategy.

¹ Port Companies Act 1988, section 5

5.3 Outcomes and Strategic Objectives

POAL will provide value to our stakeholders by serving Auckland and New Zealand's freight needs in an efficient and sustainable way.

POAL developed a 30-year Master Plan that balances Auckland's economic, social and environmental needs. The plan provides certainty about what we need to do to continue delivering for Aucklanders. It creates space for freight and gives Auckland the time it needs to make a sound decision on where, when and how to move the port. Auckland Council's Planning Committee considered the plan and noted that it aligns with the council's City Centre Master Plan, Waterfront Plan and Central Wharves Strategy, and is consistent with the recommendations of the Ports Future Study.

POAL will seek Auckland Council's support when required in regard to POAL's 30 year Master Plan developments and Auckland road and rail infrastructure changes required to support access to the Port.

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 with aligned New Zealand ports
- Actively engage in port sector structure change with government and industry

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
- Work with supply chain partners to improve the efficiency of the Auckland supply chain

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		
		2020	2021	2022
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	36
	Ship rate (as measured by MOT)	83	83	84
	Container Terminal – Truck turnaround time	90% at < 30 min	90% at < 30 min	90% at < 30 min
	Container Terminal – 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.			
	Strengthen relationships with mana whenua.			
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			
	Percentage of land-side moves on rail	18%	20%	20%
	Work towards POAL's long term environmental sustainability goals of being carbon neutral by 2025, emission free by 2040 and zero waste to landfill by 2040.			
Keeping ahead of trade needs	Multi-cargo terminal: average car dwell times (days)	2.9	2.85	2.85
Commercially successful	Increase in revenue	4.9%	18.7%	13.1%
	Interest coverage ratio	2.7x	3.3x	4.6x

Outcomes	Key Performance Measures	Targets		
		2020	2021	2022
	Net Profit after Tax (NPAT)	\$40.1m	\$44.0m	\$77.3m
	Dividend declared (includes group tax offset)	\$8.7m	\$9.4m	\$64.3m
	Return on Equity (NPAT / average Equity)	5.1%	5.3%	9.0%
	Return on Equity (excluding asset revaluations)	7.1%	7.3%	12.0%
	Ratio of consolidated shareholders' funds to total assets	54.6%	55.3%	56.6%

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 has a target to pay out 80% of after-tax profits to the Shareholder (excluding the tax-adjusted effect of investment property revaluations, unrealised capital gains and losses, unrealised treasury gains and losses) providing this policy allows POAL to sustain an optimal capital structure. Each year the Board will review its ability to pay dividends at this level after giving consideration to; the ongoing needs of the business, the riskiness of the market environment, the requirements of the Companies Act and the statutory obligations imposed on Directors. Dividends will be paid in two instalments in February and August.

Due to the high level of capital investment required to meet Auckland's growing freight needs, for the financial years ending 30 June 2020 and 2021 POAL anticipate paying a dividend of 20% of after-tax profits.

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.