Ports of Auckland

Statement of Corporate Intent

For the period from 1 July 2023 to 30 June 2026

Contents

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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 2023 to 30 June 2026, and has been prepared in accordance with the terms under Section 9 of the Port Companies Act 1988.

2. Objectives

Our strategy spans across nine years and spilt into three horizon periods. The first horizon period is titled ‘Regaining our Mana’, and covers FY23 to FY25, as we rebuild our business. FY26 marks the first year of the second time horizon titled “Build to Grow”.

Our purpose is to “Safely facilitate the sustainable growth of trade for Auckland & the upper North Island.”

Our vision is for “Ports of Auckland Limited to be a port that is sustainably profitable, delivering a fair return to Auckland Council, whilst remaining the preferred port of our customers and our people.”

Our purpose and vision is underpinned by three focus areas. These are:

Whanaungatanga:

We will build relationships at POAL through shared experiences, working as one team where everyone feels they belong and can contribute to building a stronger POAL whanau together. We will achieve this through:

- Operating safely and sustainably
- Developing a high-performance culture with safety at its core
- Attracting and retaining great people
- Leveraging the power of our people working together

Customers at the Core:

We must return POAL’s focus on the needs of our customers. We will:

- Focus on what our customers value
- Deliver seamless customer experiences
- Optimise our revenue streams

Execute the Plan:

We must single-mindedly focus on delivering only what we need to succeed. We will:

- Grow the right business areas
- Deliver our 10-year precinct plan
- Upgrade our core digital systems

- Build our reputation (social licence)
- Maintain operational integrity

Our objectives and focus areas are supported by our five sustainability pillars

- Caring for Aucklanders
- Driving towards a circular economy
- Genuine harbour health
- Meaningful climate action
- Sustainable business in Auckland

3. Nature and Scope of Activities

POAL provides the following services:

a) container handling services through both the container terminal and general wharves.

b) breakbulk and bulk cargo handling services;

c) services and facilities to support the cruise ship industry

d) 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;

e) other port-related activities required to manage and operate an efficient and competitive port – both directly and through its half ownership of PortConnect Ltd;

f) intermodal freight hubs in South Auckland and Waikato – both directly and through its ownership of Waikato Freight Hub Ltd; and

g) supply chain management services – both directly and through its ownership of Nexus Logistics Ltd.

4. 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.

5. Key Performance Targets

Please refer to **section 11** for commentary on the proposed financial measures. Note that as requested by the Shareholder POAL has brought forward preparation of the draft SCI ahead of its annual budget preparation in April / May, so these metrics are subject to confirmation through that process.

Objectives	Key Performance Measures	Forecast	Targets		
		FY23	FY24	FY25	FY26
Safety	Number of fatalities and serious work-related illnesses or injuries*	0	0	0	0
Financials	Return on Assets (EBIT / Total Assets)	5.0%	5.2%	5.7%	6.5%
	Sales Growth (year on year revenue % growth)	22%	8%	4%	4%
	Operating Margin (EBIT / Revenue)	24.7%	24.1%	25.5%	26.9%
	Leverage (Net Debt / EBITDA)	3.62	3.22x	2.91x	2.54x
	Free Cash Flow to Sales ((EBITDA-Capex) / Revenue %)	27.0%	23.1%	24.5%	25.9%
	Capital Expenditure	$30m	$44m	$44m	$42m
	Return on Equity (NPAT / average Equity)	4.3%	5.1%	5.8%	6.6%
	Return on Investment (Underlying NPAT / Average Assets)	2.4%	3.0%	3.5%	4.2%
	Net Profit After Tax	$42m to $45m	$52m	$60m	$70m
	Dividend (subject to trading and solvency requirements)	$30m	$35m	$42m	$50m
	Interest coverage ratio (EBIT / Interest)	3.4x	3.6x	4.2x	5.0x
	Ratio of consolidated shareholders' funds to total assets	63.4%	64.6%	66.0%	67.6%

* Serious work-related illnesses or injuries as defined by WorkSafe – injuries or illnesses that require (or would usually require) a person to be admitted to hospital for immediate treatment and therefore require notification to WorkSafe.

6. Dividend Policy

Dividends will be based on a percentage range of free cash flows to allow POAL to sustain an optimal capital structure as determined by POAL's Board. Each year the Board will review its ability to pay dividends after giving consideration to the ongoing needs of the business, the risk 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.

For the purposes of calculating the dividend amount:

- Free Cash Flow is Net Cash Flow from operations less Capital Expenditure
- the target range for dividends will be between 40-60% of Free Cash Flow.

7. Information to be provided to the Shareholder

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. POALs approach will be to provide to the Shareholder all information and data requested in a transparent and timely manner on a no surprises basis.

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
- Auditor's Report, and
- Climate Adaptation Report.

Other Information Requirements

Quarterly Reports for Quarter 1, Quarter 2 and Quarter 3

Within five weeks after the end of quarter 1 and quarter 3, 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;
- Performance against the SCI Key Performance Targets;
- Performance of Key Safety and Operational Measures
- Progress on other initiatives such Māori Outcomes Framework, Genuine Harbour Health and Sustainability Pillars.
- Commentary on key issues affecting or likely to affect the business; and
- Any significant events that have arisen in the quarter.
- Quarter 2 POAL will also provide Financial and Other reporting information required by the shareholder to meet it's interim reporting obligations.

Annual Shareholder Meeting

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

One-off public and ‘no surprises’ issues

The Company will 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.

The information is to be provided to the Mayoral Office and Auckland Council’s CEO.

Material financial changes

The Company will confer with the Shareholder’s CEO on any material acquisitions, capital expenditure, disposals or other changes which affect the Shareholder’s accounting or financial reporting treatment or obligations before contractual commitments are entered into.

POAL will inform the Shareholder’s Group CFO immediately of any issues that may require disclosure to the NZX.

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. The Company will also have a direct line of communication to the Mayor of Auckland (via the POAL Board Chair) and to the Auckland Council Chief Executive Officer (via the POAL CEO).

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.

POAL will report twice a year to the council’s Audit and Risk Committee

POAL will engage with the Shareholder on compliance with Task Force on Climate-related

Financial Disclosures (TCFD).

8. 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.

POAL recognises the importance of the Shareholder being informed and involved in any of POAL’s major capital expenditure decisions.

9. Compensatory Activities

If required by the local authority to perform non-commercial activities, the Company will seek compensation for these.

10. Value of Shareholders Investment

The assessed market equity value of Ports of Auckland Limited based on an external review undertaken effective 30 September 2020 is $1.57b to $1.91b, with a mid-point of $1.74b. Each

30th June year end an internal valuation model is updated and is subject to review as part of the annual audit process.

11. Commentary on Shareholder's Letter of Expectation

The following matters were requested by the Shareholder in the Letter of Expectations (LoE) received in December 2022. Ports of Auckland commits to work toward achievement of all matters:

Continue to actively focus on improvement in worker health, safety and wellbeing

Safety is built into our strategy and is our priority in everything we do. Our staff are empowered to speak up and act if they see anything unsafe or feel unsafe when they are working.

Every quarter POAL will brief the CCO Direction and Oversight Committee on progress with executing our safety strategic plan.

Improve financial performance against specified financial measures

Note that all of the below financial metrics are predicated on an **"existing activities, existing footprint"** basis. If there were material change to activities or footprint then POAL would need to revise the metrics. The financial metrics requested in the LoE are incorporated into this SCI in section 5, along with other financial metrics which POAL intends to measure its performance by, or are required by the Port Companies Act 1988.

POAL has brought forward the SCI preparation as requested by the Shareholder, to ahead of POAL's usual annual budget cycle in April / May. Accordingly these metrics are subject to confirmation through the POAL budget process.

POAL are on track to deliver a sustained improvement in Net Profit After Tax for the forthcoming financial year and beyond:

- Return on Assets (ROA) – LoE request for EBIT / Total Assets of 10%: POAL see 6.5% EBIT ROA being a realistic target to achieve by FY26. This FY26 target is above recent historic performance of other major NZ ports, and materially better than recent POAL performance, although is below the 10% requested in the LoE. A review is underway on POAL assets held within all Trades and Subsidiaries in scope to ensure alignment with POAL aspirations.
- Sales Growth (Year on year sales increase as a percentage, LoE request 10%+ consistently): FY23 shows a strong uplift in revenue due to recovery from COVID and supply chain disruption, significant repricing and introduction of new revenue sources. POAL's focus will be on growing pricing and margins, and continuing to diversify our revenue streams as a way of improving resilience, rather than revenue growth per se (which might be achieved via pursuit of marginal volume).
- Operating Margins (EBIT/Revenue) – LoE request for 40%+: POAL achieved an operating margin of 19% in FY22, and are forecasting increasing to 27% by FY26. The LoE request for 40%+ is very challenging, and other NZ ports achieving margins at that level have done so via outsourced stevedoring labour and/or a higher proportion of bulk cargos.
- Leverage (Net Debt/EBITDA) – LoE request for 2-3x: POAL intends to achieve this measure within the SCI period, via a combination of debt reduction and EBITDA improvement.
- Free Cash Flow to Sales ((EBIT-CAPEX)/Revenue) – LoE request for 30%: POAL will make significant progress towards this target by FY26, provided there are no material changes to existing activities or footprint, or significant investments during the period. If there were significant change to trades or subsidiaries there could be further investment required, or capital freed up, which could materially change this metric. Note that the FY23 forecast is

higher than SCI targets due to lower capex than usual (delays due to Covid, sourcing materials, and focus on back to basics under Regaining our Mana strategy. SCI period capex is aligned with depreciation, providing for renewal of assets as they wear out.

- Dividends – LoE request for $30m+ in annual dividend to the Shareholder: POAL intends to exceed this level, committing to $50m in FY26 subject to solvency requirements and trading performance. We note that planned dividends will be paid alongside ongoing POAL debt reduction.

Deliver free cash flows and dividends to Auckland Council as shareholder

The target dividends of >$30m in FY24 is achievable with further expected dividend increases to the shareholder in future periods.

Support Council-led process to provide certainty on future of Port land, including a plan to return waterfront land to people of Auckland

POAL are committed to supporting the Council-led process and inform the Ports masterplan on future requirements for all Port stakeholders and activities on Port land.

This process seeks to identify realistic opportunities to return some land to the people of Auckland in the short to medium term via consolidation of existing port activities on a smaller footprint, balanced with the Shareholder's request to deliver increased profitability and dividends.

Move container freight to rail

We are committed to working with KiwiRail and other supply chain participants to maximise percentage via rail, as long as it is a commercially viable option. Within the SCI period KiwiRail advice is that the percentage of containers able to be moved on rail would be unlikely to exceed 20% of the forecast Twenty-foot Equivalent Units (TEU) of containers.