

Statement of Intent

Year ending **30 June 2023**

CHRISTCHURCH
AIRPORT 



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INTRODUCTION

This Statement of Intent ("SoI") is prepared by the Board of Directors of Christchurch International Airport Ltd ("CIAL") in accordance with Section 64(1) of the Local Government Act 2002.

CIAL has five wholly owned subsidiaries. These wholly owned subsidiaries are currently non-trading and are not holding any assets or liabilities.

This SoI sets out for CIAL (and subsidiary companies) the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the company may be judged in relation to its objectives.

CIAL's achievements against the objectives outlined in last year's Statement of Intent are referred to in this year's Annual Report.

The SoI is a public and legally required document, reviewed and agreed annually with its shareholders and covers a three-year period. This SoI covers the period from 1 July 2022 to 30 June 2025.

Contact details for both the Chair and Chief Executive are CIAL's registered office:

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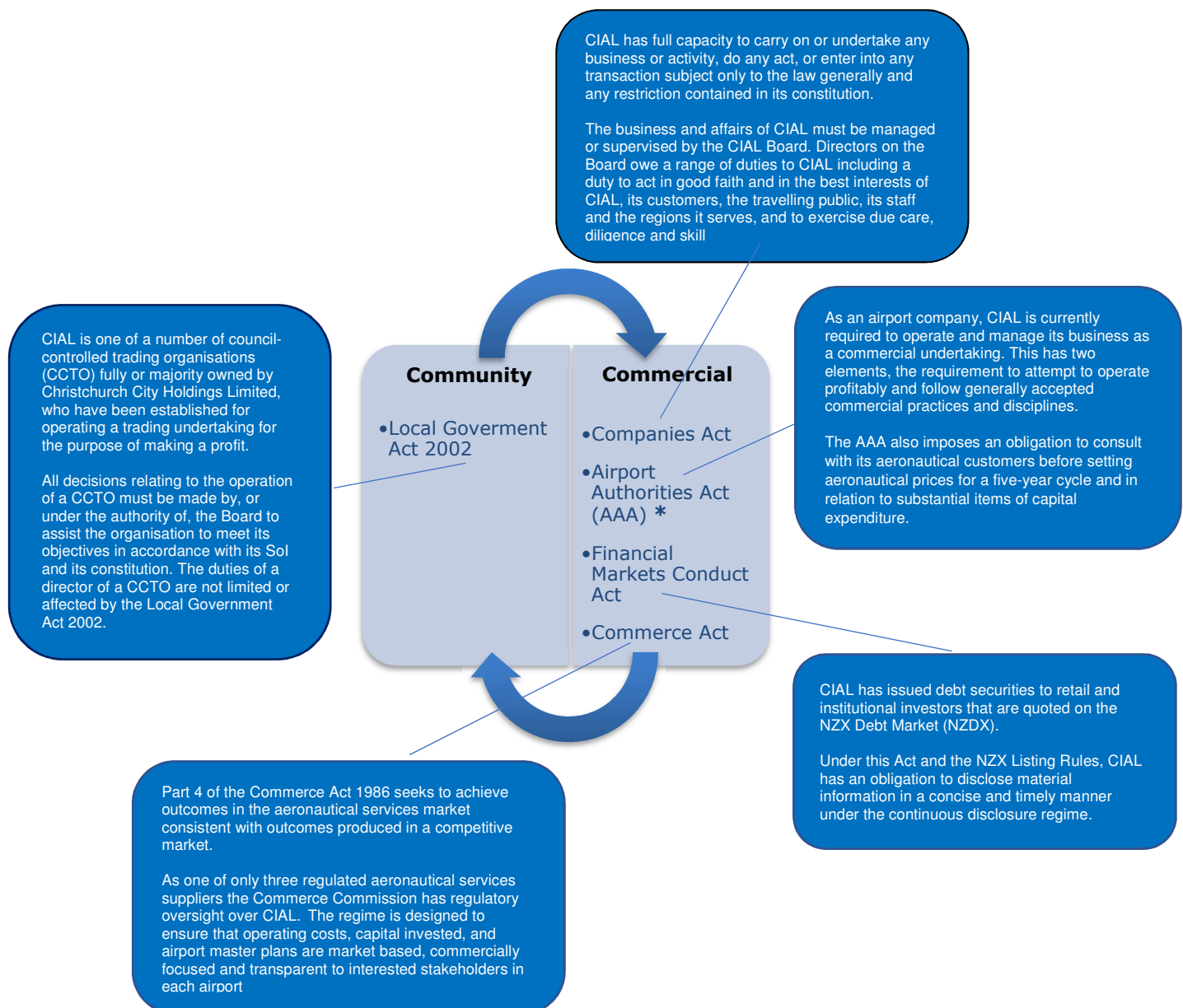
Christchurch International Airport Ltd is a council-controlled trading organisation ("CCTO") for the purposes of the Local Government Act 2002.

COMMERCIAL & REGULATORY CONTEXT

Christchurch International Airport Limited (“CIAL”) is one of three named airports in New Zealand within the Airport Authorities Act 1966 (“AAA”), meaning it is infrastructure of national significance and has economic impacts into regions beyond Christchurch City.

CIAL operates in a commercially competitive environment both domestically and internationally, overlaid by a complex layered legal and regulatory environment with a wide stakeholder group.

The chart below demonstrates various aspects of commercial and non-commercial demands on CIAL, which the Board endeavours to balance.



* The Civil Aviation Bill was introduced into parliament in September 2021 and is currently awaiting its second reading in the House following the Select Committee review. This bill would repeal and replace the Civil Aviation Act 1990 and the Airport Authorities Act 1966 with a single, new statute

CCTO GOVERNANCE MODEL

CIAL is 75% owned by Christchurch City Holdings Limited (“CCHL”) and 25% by the Crown.

CCHL was set up in 1993 to create a confidential, independent, non-political buffer between the Council and the companies it owned and has no direct role in the operations of the subsidiaries.

The holding company structure was adopted to ensure a commercial approach to managing the investments.

The key aspects of the shareholders role in providing the foundations for an effective relationship with CIAL revolve around:

- being clear about CIAL’s purpose;
- appointing Directors with appropriate skills, knowledge and experience; and
- creating an appropriate level of monitoring and accountability.

In turn the role of the independent CIAL Board is to review all the needs on the business from shareholders, customers, regulators, community and statutes (see section above). It is the role of the CIAL Board to strike the best balance of these inputs when developing the SoI and long-term strategy for the business, noting also the requirement to ensure that CIAL’s majority and minority shareholders are treated on an equal footing.

The Office of the Auditor-General has previously reviewed the CCHL holding company model noting several factors which have contributed to the success of the model, including:

- their roles of all parties are clear and well understood by the various participants
- there is a clear focus on skills and capability in Board appointments
- there is respect and confidence between shareholders and the company

NATURE AND SCOPE OF ACTIVITIES

CIAL’s primary activity is to create growth in long-term value for shareholders, customers, staff and the travelling public through the provision of appropriate landside and airside facilities for all airport users, including both commercial and non-commercial aviation users, and pursuing commercial opportunities with wider complementary products, services and business solutions where needed.

CIAL will also look to utilise the culture, skills, knowledge and experience developed since the Christchurch earthquakes, to proactively investigate opportunities to expand our footprint into new geographies and disciplines, and partner our strengths – our knowledge, experience and expertise.

PRINCIPAL OBJECTIVES

CIAL's key objectives are to operate as a successful commercial entity and through that deliver sustainable benefits to customers, the travelling public, the regions it serves and its staff while delivering growth in long-term value and dividends to shareholders.

Consistent with these primary objectives, CIAL will:

- provide well-designed and maintained runways, taxiways, turnouts and aprons in co-operation with the Airways Corporation of New Zealand and other airport users
- provide airfield and terminal infrastructure that delivers the required outcomes for CIAL and existing/potential customers, with an emphasis on resilient and efficient airside activities
- utilise the culture, skills, knowledge and experience developed at the Christchurch campus to proactively investigate opportunities to expand our footprint into new geographies and disciplines and partner our strengths, where they will enhance the provision of aviation services across regional New Zealand to the benefit of all stakeholders
- ensure the company adopts an environmentally sustainable approach to the operation of all its activities (including carbon, land use, water, energy, waste and noise management) and pursue a commitment to protecting the environment, minimising use of natural resources where possible and improving the quality of life for our communities
- pursue initiatives to grow shareholder value and provide a sustainable and diversified revenue stream through continuing an appropriate level of investment in, and development of, the company's property holdings
- focus on the health, safety and wellbeing of our people through a culture of safety leadership, a strategic approach to risk management and a robust safety management system
- champion the economic, social and environmental wellbeing of the South Island and New Zealand
- recognise that disruption in many forms will be a constant over the coming years and hence adopt an open-minded, self-driven creative disruption process to our revenues and operating structures. Partnering and trialling will continue to be important components of how we will approach this
- be a fair employer in providing a work place that values people, celebrates inclusiveness and diversity and supports people leading themselves and developing skills to lead others. Ensures all are fairly rewarded
- exhibit a sense of social responsibility by having regard to the interests of the communities in which it operates
- recognise the importance of maintaining a strong and positive relationship with Iwi and mana whenua in accordance with the principles of Te Tiriti o Waitangi.

STRATEGIC CONTEXT

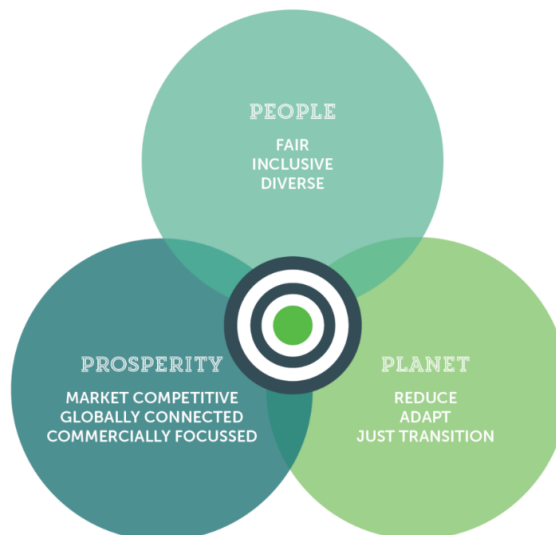
Learning Lessons and Building Resilience

It is clear that the past two years have been defined by Covid-19. For aviation this is particularly true, and as a part of the aviation sector CIAL has been impacted. However, the way the past two years have played out for CIAL has ultimately been defined by the learning organisation CIAL has become following the 2010/11 earthquakes.

As CIAL recovered from the 2010 and 2011 earthquakes, it took the opportunity to build resilience into the business and prepare itself for a future major event should one occur. This involved a focus on diversifying revenue risk, simplifying the price structure of our aeronautical fees, building more flexibility into our operating cost base, building the value of our balance sheet and managing our debt to ensure there was always headroom to navigate a further major event.

The lessons learned from the quakes and preparation for events like a pandemic, has enabled CIAL to navigate Covid-19 in a way that has been supportive of our customers, fair to all our staff, true to our shareholders and funders, and mindful of the 1:50 economic multiplier the airport has on the South Island economy. This has been achieved without the need for any financial support from shareholders, whilst CIAL’s debt has been managed to levels similar to that at the start of the pandemic and maintaining compliance with all financial covenants during that period.

CIAL will continue to pursue its core philosophy of stakeholder equity where People & Planet & Prosperity across key stakeholders must be considered and balanced.



The resilience strategies built from learning the lessons of the earthquakes, and the stakeholder equity approach maintained, has allowed CIAL to purposefully lean into projects including supporting and influencing the rebound of domestic airline seat capacity and passenger numbers; enabling repatriation of foreign nationals and returning New Zealanders into MIQ, making a constructive contribution to smart border development protocols; providing ongoing support to our campus and terminal tenants where required; and assisting with keeping and enhancing of international freight services.

Looking Forward – Macro Shaping Forces of the Next Decade

While we are entering the transition period of Covid-19 (from elimination to living with the virus), it is time to look beyond Covid-19 to the world we will operate and live in over the coming decades. We will enter a new normal beyond Covid-19 and CIAL is focused on embracing the new and optimising the normal for our customers, company, community and country.

When looking ahead and thinking about the 'new' in our future, there are three big macro shaping forces that were present before Covid-19, have been accelerated during Covid-19 and we believe will shape the world over the next decade.

Climate Change

- We know that climate change will be the biggest shaping force of how we live over the next 10-30 years. The world, especially the western world, is now very focused on what companies are doing here and how quickly they are getting on with it. Some of the world's best thinkers now believe that climate change will be 50 times more impactful on businesses and communities over the next 30 years than Covid-19 was. Whilst a challenge, it is one that CIAL has and will embrace using three lenses to view climate change through over the next 30 years:
 - Mitigation: how to get emissions out of your life, business or country. Achieving this is essential for the generations who aren't here yet and don't have a voice in our conversations about mitigation. This is where inter-generational thinking and action is required
 - Adaptation: how we will need to adapt our lives and businesses to the change already baked into the next 30 years. This includes aspects like changing weather, changing sea levels and the impact on people and property from both. Adaptation is going to be the most expensive part of climate change over the next 30 years, because many of the things we use today will need to be changed to things that only use renewable energy
 - Just Transition: is about how we spread the burden of mitigation and adaptation across our lives, communities and businesses. The reality of addressing mitigation and adaptation is that different communities will be impacted differently as we constrain the amount of carbon we are all to emit each year. The balance that society is going to have to tackle is reducing emissions AND maintaining our standard of living
- CIAL has embraced sustainability as one of our post-quake culture platforms and is now genuinely world class at this – especially climate change and CO² emissions. Not only has CIAL worked to remove 85% of our Scope 1 emissions out of our business, but we have launched a plan to get the same out of our Scope 2 emissions (mainly electricity). CIAL will be able to use what we're doing here in Canterbury to do it in other parts of the country. Climate Change is an area we are already leading our country in and playing a global leadership role and will continue to do so over coming decades.

Digital Transformation

- Digital Transformation is the context for change we see over the next decade and has three aspects to it in our view. The three dimensions are the digitisation of the existing world, the addition of the digital world (mixed reality, digital real estate, assets etc.) and the impact of digital on identity. We see the digitisation of the existing world as the most impactful over the next three-year period of this SoI
- Over the next decade we expect to see an acceleration of digital transformation and this will be the biggest driver of change in the way we do things
- For CIAL, we have been engaged in Digital Transformation since 2014 and it has been a key part of our post-quake strategy. Because of this, CIAL is in a very good space to embrace and use Digital Transformation as an opportunity to accelerate post-Covid-19

Future of Work

- Covid-19 has structurally changed the way people work across much of the western world, and we are no different here in New Zealand and at CIAL. People will work differently post-Covid-19. Many will structure their lives differently and Digital Transformation will assist them to do that
- The next decade is likely to see the biggest changes we've seen since the industrial revolution in how and where people work. Covid-19 has caused many people to reconsider their priorities and life choices and it is unlikely they will go back to 2019. It's much more likely they will choose to look for companies, projects or groups that let them live their lives the way they want to
- For CIAL this is an area we will need to lean into to accelerate our understanding, and to ultimately bring into our culture the way we have with Digital Transformation and Climate Change
- These changes will also generate many more passengers for airports and airlines, as where people live and work will increasingly differ and this shaping force will be highly relevant to the long-term development of new sustainable aviation infrastructure in Central Otago
- New Zealand businesses will also be able to use technology to scale and reach e-commerce markets in way that it couldn't before, which will ultimately require appropriate freight channels and capacity

HORIZONS 2030

The three macro shaping forces noted above are the big forces CIAL will need to navigate over the next decade, and from FY23 CIAL will begin to activate our post-Covid-19 restart through a new strategy called Horizons 2030 (“H30”).

H30 is an evolution of, and replaces, our post-earthquake strategy Real Growth 2025 (“RG25”) which was developed in 2014.

Belief & Purpose

H30 is founded on our core beliefs, namely:

- New Zealand is the best place in the world and the South Island is the best place in New Zealand
- CIAL wants the South Island specifically and New Zealand generally to prosper, to be improved for everyone lucky enough to live or visit here and for future generations
- CIAL has the skills, knowledge and experience to deliver sustainable, long-term success at our home in Christchurch and to share with others across New Zealand
- Our belief gives us a clear purpose and provides reasons for CIAL to focus on doing things that provide outcomes that are bigger than CIAL and its own financial performance.

Our Purpose

Championing Te Wai Pounamu the South Island and Aotearoa New Zealand, for today and tomorrow

Our Mission

It will achieve an ambitious Mission:



The key being the '+' – it is not 'either-or', it is 'and'.

Horizons 2030 – Extend and Expand

Horizons 2030 acknowledges the strong position of CIAL currently, gives context to the importance of our engine room at our home base of Christchurch, while also recognising that CIAL is an organisation that has opportunities to extend and expand to build further depth and resilience whilst adding value to a wide group of stakeholders.

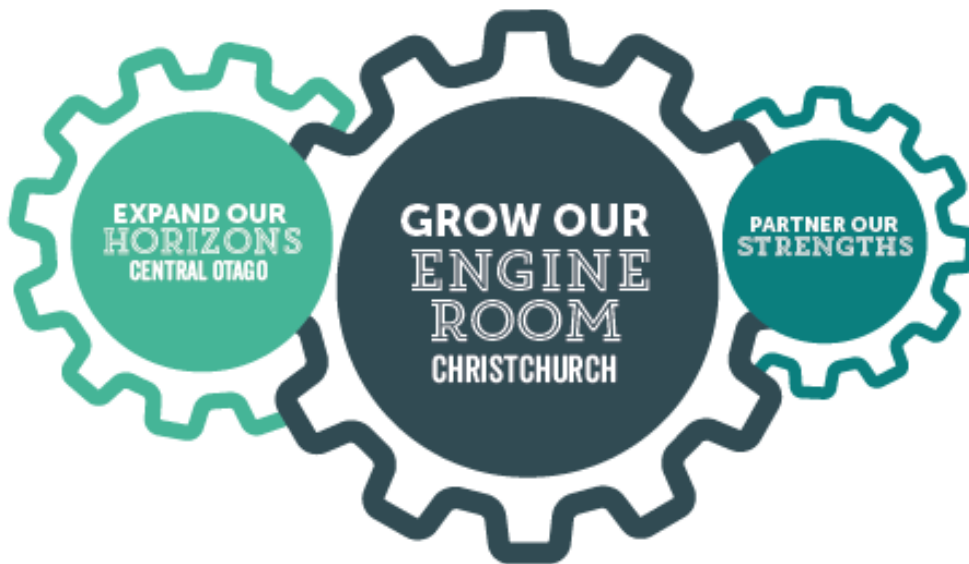
H30 will be built on growing our engine room at our home base here in Christchurch, expanding our horizons into new geographies and disciplines (e.g. Central Otago, Renewable Energy) and partnering our strengths with others.

This last point recognising that CIAL already does a significant amount of partnering activity both domestically and internationally. CIAL has partnered through fire training, our aeronautical team undertaking several aviation development contracts and through leading a number of international initiatives and mentoring of airports, around climate change and sustainability.



STRATEGIC PRIORITIES & ACTIVATION FRAMEWORK

As noted above the main priority under H30 will be on growing our engine room at our home base here in Christchurch.



Our 4P's framework will drive our activation.



CIAL's **PLANES, PASSENGERS, PROPERTY** and **PLANET** framework has proven to be a successful approach to thinking about our core operations and is well understood and embraced across the organisation. It will continue to be used to organise the activity to be undertaken under each strategic priority.

Grow our Engine Room

Planes

- The aeronautical strategy remains focused on 'finding planes' and 'filling planes'. The material impact that Covid-19 continues to have on aviation has meant that there is a required focus on ensuring that we restart what we had before the pandemic, whilst at the same time using the opportunity to seek to improve our position in the New Zealand aviation market

- Christchurch Airport is 90% a short-haul airport, servicing domestic, Tasman and Pacific Islands air services. Looking forward beyond the near-term impact of Covid-19 on travel, the fundamentals of the market remain strong and with targeted interventions, CIAL believes it can build off our 2019 base line. The key opportunity remains in strengthening our position as the gateway into and out of the South Island and our role as a Tasman/domestic hub and spoke airport. We are also likely to see opportunities arising from the impacts of digitisation on airfreight and the emerging trend to people living/working in different locations as the future of work changes traditional ways of working

Passengers

- CIAL's 'Park to Plane' (P2P) strategy is the strategic priority for the passenger portfolio which includes the customer and commercial activity associated with the terminal and ground transport assets. The Christchurch terminal (including ground transport) is our largest centre of business activity
- In the short term, the core focus will continue to be on working with our commercial partners to bring them back to a position where our key partners restart and then thrive
- Opportunity to consider how Christchurch Airport could re-configure the terminal layout to assist with appropriate safe border pathways and future security requirements
- Explore opportunities to widen customer base and offer new goods & services
- Continue to invest in technology solutions across ground transport, terminal offerings and harnessing customer data

Property

- CIAL's commercial portfolio strategy remains to invest in its bare land holdings in order to 'be a Landlord'. CIAL is a long-term investor in land and buildings. As a landlord CIAL enables businesses to transport goods to distant markets and increase commerce in the city and regions of New Zealand
- Short-term focus remains on supporting existing tenants, whilst also focusing on further expansion of our investment property portfolio. Several development opportunities have emerged in the post Covid-19 period that will deliver outcomes that benefit the airport and the region and focus will be on converting these using our well tested and proven approach
- Asset planning and maintenance remains a priority, with the objective being to create a strategic and planned approach to asset management targeting an outcome of productive and resilient assets that are aligned to CIAL's business needs and strategic direction

Planet/Enabling

- Refer to later section on Sustainability (Planet) which discusses our approach
- CIAL's commercial pillars are supported by enabling activity within the business. Refer to later sections in this document for discussion around People and Health, Safety & Wellbeing

Expand our Horizons

Central Otago

Since 2018, CIAL has been investigating opportunities beyond a single site that enhance shareholder value, support regional social and economic development and supports airlines to use their optimal aircraft on routes as well as accessing more emission efficient operating opportunities to transition New Zealand's aviation network to a low carbon future.

The siting of airports has been a topic of discussion over the past 30 years. To date that consideration has focused primarily on serving Queenstown as a destination. The wider Central Otago region is among the fastest growing areas in New Zealand and predicted to continue this trajectory over the next 30 years. That growth over the next two decades will be spread more evenly across the entire region and centred to the North West of Cromwell, approximately 30km from Queenstown, Wanaka and Tarras. Central Otago also has a large migrant population, with 40% of its residents having moved there in the last five years, twice the national average. As noted earlier, the Future of Work is expected to influence where people live and work and the Central Otago region will continue to be an attractive option for future globally-mobile workers. The average Central Otago resident takes around 45% more domestic trips and 20% more international trips each year than the average New Zealander.

Furthermore, aviation is critical to trade, delivering \$23 billion of exports and imports each year. It is currently the only way to get high-value, time-sensitive freight to and from New Zealand and the only practical way for Kiwis to connect to the rest of the world.

Central Otago has prospered through Covid-19, both through high value visitors exploring world class attractions like the Otago Rail Trail but also through the continued production of world class export produce that relies on international air freight and ongoing workforce availability. The reality is Central Otago will outgrow current airport infrastructure which can't meet its communities' medium to long-term connectivity needs.

This project is the first to closely explore a greenfield (new airport) option. To CIAL other airports are not good substitutes being two to three hours' drive from the centre of Central Otago's population and identified as vulnerable to inundation from climate change, and a new airport to serve this area of the South Island makes sense. Retrofitting existing infrastructure can be expensive and, in many cases, will only provide a short-term solution that does not address energy resilience, mitigation or adaptation challenges.

Developing a greenfield airport in Central Otago is an inter-generational project that will play out over a long-term period. It has a vision to fully explore and carefully develop a long-term solution to the aviation capacity needs of the lower South Island for the next 50-plus years, that fits New Zealand's low carbon future.

The project commenced in 2018 and has adopted a phased approach with the requirement the project pass through a series of gateways before the airport development begins. The project is currently in the Validation & Planning phase, focused on engagement, validation and planning.

The priorities for the current phase of the project, that is expected to take up most of the period covered by this Statement of Intent (FY23-FY25), are:

- continued engagement with local communities, iwi mana whenua and stakeholders;
- undertaking the validation and planning work packages that will be required; and
- shaping a proposal so the project can move to its next critical milestone of obtaining the approvals required to enable development

The traditional approach to a project like ours is to design an airport and then consult the community. CIAL has committed to a different approach. CIAL has begun discussions with the community before undertaking the design work so that we can understand their concerns and priorities and factor them into our design. This approach only works if we encourage people to share their views in an ongoing dialogue with us.

Since the public announcement of CIAL's land acquisition in Central Otago, CIAL's project team has spent considerable time meeting with affected neighbours and residents from the wider community, district, region and iwi.

CIAL will continue to engage with affected neighbours and residents from the wider community, district, region and iwi as we look to shape a proposal for the next phase of regulatory approval.

Renewable Energy – Kowhai Park

CIAL is acutely aware of our leadership role in meeting the climate challenge. With Kowhai Park, CIAL is looking beyond our own 'Scope 1' emissions. CIAL can use our advantages to help create and accelerate the renewable, low carbon transport systems and infrastructure that will be required to meet Net Zero 2050, decarbonise our region and have an impact far beyond our site.

Kowhai Park is a 400-hectare block of land to the south-west of the airfield and is ideally situated for renewable energy generation. It is inside the airport campus, adjacent to main transmission infrastructure and accessible to the local lines network. Our plans for the initial phase will deliver a 220-hectare solar array capable of generating 150 megawatts of solar energy. With room to grow, Kowhai Park can deliver a range of renewable energies, including green hydrogen at scale.

In December 2021, CIAL publicly announced the establishment of Kowhai Park. A feasibility study to confirm the requirements for constructing and operating a renewable energy asset on the identified site is now underway.

In conjunction with the completion of this initial feasibility analysis, CIAL has also been engaging with potential consumers and developers across solar generation, battery storage, national transmission and local distribution, future aviation charging and hydrogen production and liquefaction. The objective of this process is to cast the net wide in terms of technology options, development partners and commercial opportunities. It also allows a high level of collaboration with the market.

The completion of the feasibility study, receiving expressions of interest and assessing specific project proposals will be the main focus for the next twelve months. Commencement of project delivery and operations is currently planned for 2023 onwards.

Partner Our Strengths

As noted earlier CIAL already does a significant amount of partnering activity both domestically and internationally and will continue to explore such opportunities to utilise its people talent, operating systems and intellectual property in a way that creates benefit for customers, staff, shareholders and the environment.

Several long-term property development opportunities have emerged in the post Covid-19 period that would deliver outcomes that benefit the airport and the region around freight and e-commerce.

Focus during the period of this SoI will be on further detailed investigation of these opportunities and the identification of where CIAL is best placed to facilitate their conversion, whether through capital, our well tested and proven approach, or our existing relationships. CIAL will remain open minded around this and assess opportunities on their long-term merit.

Also, CIAL is already leading several international initiatives and mentoring of airports, around climate change and sustainability. Kowhai Park and renewables gives us another opportunity to take a leadership role with other airports which could be in the form of knowledge sharing, consulting or even a partnership approach.

BEYOND CIAL

CIAL is aware of and acknowledges that Christchurch City Council has objectives regarding Community Outcomes under its Long-Term Plan and that the Crown also has objectives regarding Regional Economic Development under its national growth agenda.

CIAL's strategy is focused on more than just being an airport in Christchurch. CIAL has previously played a significant role in supporting the post-earthquake tourism recovery of Christchurch, Kaikoura and the Upper South Island (in conjunction with the City and MBIE). CIAL has made significant contributions to the promotion of Christchurch and the South Island through its partnering with ChristchurchNZ, and investment in the South initiative (all 15 regions of the South Island) and New Horizons (small business mentoring program)

In addition, CIAL also recognises the key role it plays in supporting the Christchurch Antarctic Gateway Strategy, and actively supports Antarctic entities at Christchurch Airport, most notably Antarctica New Zealand and the Antarctic Heritage Trust.

Christchurch City

The pandemic has provided a unique window of time for many key pieces of post-quake infrastructure to be completed in Christchurch city including the Te Pae convention centre, the Lyttleton cruise berth, the soon-to-open Metro Sports centre and a renewed and revitalised CBD.

Christchurch city is ready to re-launch itself nationally and globally into many visitor market segments it hasn't been able to since the earthquakes, specifically conference and incentive, cruise and sports events. CIAL considers this to be an essential part of the opportunity to reposition and restart off our pre-pandemic base. This is something CIAL is excited about and, as part of growing our engine room, is committed to supporting ChristchurchNZ and city stakeholders to maximise this one-time opportunity created by the pandemic.

CIAL Objectives

As a commercial entity CIAL will always act and operate as a responsible corporate citizen, noting CIAL must compete for its outcomes, especially in aviation, in a highly competitive environment with several very strong commercial entities that have a purely commercial focus.

CIAL believes that the best way it can support both shareholders' strategies in these areas is by successfully executing its strategy, which will not only deliver wide ranging social and economic benefits to the City and the regions of the South Island, but also grow both the value of CIAL and increase shareholder cash flows which will then be available for each shareholder for investment in specific areas of interest as they see fit.

In addition, CIAL will continue to focus on the pursuit of essential on-going objectives that will be important to the Council's documented Community Outcomes and the wider local community in general.

- Ensure effective stewardship of the City's airport asset, including meeting all relevant statutory obligations
- Create and maintain an attractive and well-designed airport environment.
- To operate Christchurch Airport and its various activities in a way that supports Christchurch's sustainable economic growth
- Ability to operate 24/7 - The ability to operate under a 24/7 operating environment is essential to the financial and economic well-being of both CIAL and the regional economy
- Health, Safety & Wellbeing as a priority with a commitment to a safe and supportive environment for all staff and airport users
- CIAL will continue to ensure staff engagement remains high and CIAL continues to be regarded as an employer of choice
- Minimise any adverse effects of CIAL's activities and facilities on the environment (land, waste, water, energy, noise and emissions), to be a responsible corporate citizen and to maintain strong links and regard for the community

CCHL Group Program

CIAL recognises that both of its shareholders have several non-commercial objectives as outlined in their respective Letters of Expectation.

CIAL is committed to delivering an industry appropriate commercial outcome, building shareholder value and working to deliver on non-commercial objectives within its available resources. CIAL will contribute to shareholder projects and focuses, from within its available resources, using an approach of demonstrable value outcomes and benefits to both shareholders equally.

Group Sustainability Initiative

CIAL is committed to world class outcomes on sustainability, benchmarks itself globally within the airport sector and is committed to ongoing investment in being a world leader in airport decarbonisation and supporting the airline sector to pursue a pathway to net zero. Targets and reporting that contributes to both shareholders objectives in this area will be covered in CIAL's SoI and Annual Report. CIAL believes its outcomes in this area contribute to the objectives of both shareholders equally and will involve itself in activities that helps other companies in this area.

Diversity & Inclusion

CIAL embraces diversity & inclusion in all its forms and has developed a diversity and inclusion approach that will contribute to the objectives of both its shareholders equally. Targets and reporting that contributes to both shareholders objectives in this area will be covered in CIAL's SoI and Annual Report from FY24. CIAL believes its outcomes in this area contribute to the objectives of both shareholders equally and will involve itself in activities that helps other companies in this area.

He Huanui Maori

CIAL recognises the need for and is building cultural competence and is actively engaged with iwi in various ways across a number of areas of its activities. CIAL is focused on ongoing program of work designed to embed Maturanga Maori, Te Ao Maori, Tikanga Maori and Te Reo Maori in ways that are appropriate for our people, iwi, business and visitors. This will be beneficial to both shareholders and supportive of their goals.

CIAL will be a supportive participant in the He Huanui ropu with regard to Te Titiri o Waitangi and enhanced partnerships with mana whenua in line with the aspirations of both of its shareholders. CIAL is appreciative of the leadership role CCHL has played in this area.

INTERNAL GOVERNANCE FRAMEWORK

Commitment

The Board and management are committed to undertaking their governance role in accordance with accepted best practice appropriate to the company's business, as well as taking account of the company's listing on the NZX Debt Market. As with safety and quality, governance includes a set of systems and processes, supported by people with the appropriate competencies and principles.

Governance by its very nature is on-going; it does not have a finite end. Changing commercial circumstances require regular review and continually evolving systems that implement newly developed techniques and industry best practice.

Regulatory Framework

The company operates solely in New Zealand and is governed by a range of New Zealand legislation and regulation including the Civil Aviation Act 1990 and the Airport Authorities Act 1966. The Civil Aviation Act 1990 establishes the framework for civil aviation safety, security and economic regulation in New Zealand and ensures that New Zealand's obligations under international civil aviation agreements are implemented.

CIAL is one of three named airports in New Zealand within the Airport Authorities Act 1966, meaning it is infrastructure of national significance and has economic impacts into regions beyond Christchurch City. The Airport Authorities Act gives a range of functions and powers to airport authorities to establish and operate airports.

The Ministry of Transport continues to progress work on a Civil Aviation Bill. The Bill will replace the Civil Aviation Act 1990 and the Airport Authorities Act 1966 with a single new statute that includes a number of proposals related to the safety, security and efficiency of New Zealand's civil aviation system.

Since 2011, New Zealand's three largest airports including Christchurch have been subject to Information Disclosure regulation under Part 4 of the Commerce Act 1986, administered by the Commerce Commission. Under this framework, the focus is on monitoring airport performance, ensuring there is transparency in pricing decisions, as well as the effectiveness of the information disclosure regime.

See also Regulatory Context section above.

Governance Objectives

The Board has adopted the following governance objectives:

- Approve Corporate Strategy and direction, laying down solid foundations for management and oversight
- Structure itself to utilize the expertise of Directors to add value at a governance level
- Promote ethical and responsible decision-making

- Safeguard the integrity of its financial reporting and make timely and balanced disclosure
- Recognise and manage risk and encourage enhanced performance
- Ensure the occupational health, safety and wellbeing of the company's people and contractors working for CIAL across the Christchurch International Airport campus
- Remunerate fairly and responsibly
- Respect the rights, and recognise the legitimate interests, of all stakeholders.

These objectives are reflected in the Board's management of Board and Committee activities, CIAL's policies and governance practices.

Role of the Board of Directors

The Board is ultimately responsible for approving CIAL's strategic direction; oversight of the management of the company and achievement of its business strategy, with the aim being to increase long term shareholder value while sustaining and ensuring the obligations of the company are properly met.

In carrying out its principal function, the Board's primary governance roles include:

- Working with executive leadership to ensure that the company's strategic goals are clearly established and communicated, and that strategies are in place to achieve them;
- Monitor management performance in strategy implementation;
- Appointing the Chief Executive Officer (CEO), approving his or her contracted terms, monitoring his or her performance and, where necessary, terminating the CEO's employment;
- Approving and monitoring the company's financial statements and other reporting, including reporting to shareholders, and ensuring the company's disclosure obligations are met;
- Adopting appropriate procedures to ensure compliance with all laws, governmental regulations, applicable codes and accounting standards;
- Approving key performance criteria for CIAL and monitoring the performance of the CEO against these;
- Ensuring that the company adheres to high ethical and corporate behaviour standards;
- Establishing procedures and systems to ensure the occupational health, safety and wellbeing of people working at, or visiting the, Christchurch Airport precinct;
- Promoting a company culture and remuneration practice which facilitates the recruitment, professional development and retention of staff, whilst considering ways to achieve a high level of diversity within the business;
- Set specific limits on management's delegated authority for entry into new expenditure, contracts and acquisition of assets and approve commitments outside those limits;
- Ensuring that CIAL has appropriate risk management and regulatory compliance policies in place and monitoring the appropriateness and implementation of these policies.

The Board delegates day-to-day operations of the company to management under the control of the CEO. Such day-to-day operations are required to be conducted in accordance with strategies set by the Board.

All directors are required to comply with a formal code of conduct, which is based on the New Zealand Institute of Directors Code of Proper Practice for Directors.

The Board annually critically evaluates its performance, its processes and procedures to ensure that they are not unduly complex and that they assist the Board in effectively fulfilling its role and performing its duties. The Board and Committees and each director have the right to seek independent professional advice to assist them to carry out their responsibilities.

Responsibility to Shareholders

Shareholders articulate their key focuses to the Board in an annual Letter of Expectation. Having received and considered that Letter of Expectation from shareholders, and in accordance with Section 64 of the Local Government Act 2002, on or before 1 March the company submits a draft SoI for the coming financial year to Shareholders. The SoI sets out the company's overall objectives, intentions and financial and performance targets.

After due consultation and discussion with the Shareholders and completion of the annual business planning and budgeting, the final SoI is approved by the Board of Directors and delivered to the Shareholders at the end of June.

Board Composition and Fees

A fully constituted Board consists of six Directors, four appointed by majority shareholder, Christchurch City Holdings Limited ("CCHL") and two appointed by the Minister of Finance and the Minister for State Owned Enterprises (on behalf of the New Zealand Government). From 1 July 2014, CCHL has also been appointing an intern director for a period of twelve to eighteen months in order to enable prospective directors to gain an insight into good governance practice and to observe the dynamics of sitting on a Board.

Directors' appointments are for such periods determined by the relevant shareholder but shall not exceed three years. Retiring Directors may be reappointed by the relevant shareholder by way of notice prior to the Annual General Meeting. Fees for the Board are reviewed regularly by the shareholders using independent advice.

The Board generally meets approximately nine to ten times during the year and at other times as required. To enhance efficiency, the Board has delegated some of its powers to Board Committees and other powers to the CEO and senior executives. The terms of the delegation by the Board to the CEO are clearly documented. The CEO has, in some cases, formally delegated certain authorities to his direct reports and has established a formal process for his direct reports to sub-delegate certain authorities.

The Board has four formally constituted committees: the Risk, Audit and Finance Committee, the People, Culture and Safety Committee, the Property and Commercial Committee and the Aeronautical Committee. All committees have Board-approved terms of reference outlining the committee's authority, duties and responsibilities, and its relationship with the Board. Additional committees may be established based on need. Each committee must include a representative of each shareholder.

FINANCIAL PERFORMANCE TARGETS

CIAL has continued to formulate our revenue and cash flow outcomes across FY23-25 using a series of assumption-based passenger demand scenarios (across both domestic and international).

For the purposes of the FY23 SoI, CIAL has continued to adopt a mid-point passenger demand scenario for FY23-25. Whilst there is now much greater clarity in respect to the updated government border settings and requirements upon entry into New Zealand, CIAL continues to adopt a balanced approach to forecasting passenger demand to factor in future risk factors including current high fuel prices, the emergence of a new variant and soft economic performance in New Zealand and abroad or an escalation of geo-political conflicts. The current high inflation and rising interest rate environments in New Zealand and globally, also add further risk to growth assumptions, particularly over the next 12-18 months. CIAL will continue to update its forecasts as further clarity is provided.

\$m	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast
Total Revenue	136.1	185.4	210.3	221.4
EBITDAF ¹	67.9	105.5	130.3	141.0
EBITF ²	25.4	61.7	85.2	94.8
Interest Expense	24.2	25.9	26.4	26.7
Net Profit (Loss) After Tax	0.9	25.8	42.3	49.0
EBITDAF as % of Revenue	49.9%	56.9%	62.0%	63.7%
Return on Invested Capital ³	1.5%	3.7%	4.9%	5.2%

Passengers	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast
Domestic	3,046,368	4,723,790	5,031,405	5,185,485
International	141,984	977,211	1,414,070	1,585,715
Total Passengers	3,188,352	5,701,001	6,445,475	6,771,199

N.B. the forecast statement of financial performance outlined above excludes:

- any non-cash investment property revaluation gains/losses (*given amounts are non-cash related*)
- any other asset impairment assessments
- any non-cash deferred tax adjustments

¹ Earnings before interest, tax, depreciation, amortisation and fair value movements.

² Earnings before interest, tax, and fair value movements.

³ Earnings before interest & tax / (debt + equity)

Notes & Assumptions

Revenue

- **Aeronautical:** the updated passenger forecast reflects the current status of the response to the pandemic in New Zealand and the trends that are being seen in domestic demand. Forecast also considers:
 - the current updated government border settings and requirements upon entry into New Zealand
 - domestic and international seat capacity filed by airlines up to October 2022; and
 - latest projections from the industry

Current base case demand forecast represents a recovery that assumes a continuation of the current trend in the pandemic response and recovery of aviation demand, coupled with an overview of several risk factors including:

- high fuel-price impacts on airfares that could dampen demand
 - emergence of a new Covid-19 variant that pauses travel recovery; and
 - soft economic performance in New Zealand and abroad (whether in the form of a hard landing or a recession) or escalation of geo-political conflicts
- **Lease Rental:** Underlying lease rental will continue to grow through FY23-25, predominantly reflecting a market rate rental return from the forecast property development program and ongoing market annual rent review arrangements.

This is overlaid with recognition of some existing rent abatement and deferral agreements which we expect to see continue through into FY23 for those tenants most reliant on the full recovery of international passenger demand.

- **Terminal & Commercial Concessions and Ground Transport:** Intention remains that all operators will be on a pathway to move them back to their pre-Covid-19 commercial arrangements as soon as is commercially viable. Revenue will correlate to passenger growth trajectories (overall and Tasman/International for Duty Free)

Parking taxis and rideshare revenue will follow similar rebound path to domestic and Tasman passenger numbers as key drivers of this.

- **Hotel:**

Novotel Christchurch Airport's contract with MBIE as a MIF facility ceases on 9 June 2022. The FY23 budget assumes that the hotel will re-open in the first quarter of FY23, after a period of refurbishment. Initially will open on a scaled down level with relevant service offering – then scaling up as demand increases which is expected in Q2 of FY23

Operating Costs

CIAL has a relatively fixed operating cost base, particularly in respect to its major terminal and airfield assets even when the level of passenger throughput decreases.

Following the original Covid-19 outbreak in March 2020, CIAL reduced its underlying operating cost base by around 20% of pre-Covid-19 levels and this has remained the case through the majority of FY21 and FY22.

As we move into FY23, expectations are that terminal and airfield operating costs will return to levels reflective of rebounding passenger activity and reflective of likely new focuses on related health and safety requirements, whilst also incorporating efficiencies achieved over the last two years coupled with the need to accelerate any deferred maintenance of other essential activities.

CIAL has forecast the bulk of its operating costs to increase from the current base at the rate of long-term inflation each year. Staff costs are forecast to increase at a rate which matches the current wage market in FY23 and then compound at long-term wage growth levels as assessed by Treasury from FY24 onwards

- Insurance & Rates – these costs are outside of CIAL control and rising at rates much higher than average annual CPI. Insurance and rates are forecast to increase by 5% p.a. on average, over the next three years
- Cleaning – CIAL outsources its cleaning services. Under the current contracted arrangements, it has been agreed that underlying rates will increase in line with living wage increases over the next 12-18 months.

Ratio of Shareholders' Funds to Total Assets

The forecast Capital Structure, ratio of shareholders' funds to total assets and gearing ratios for the next three years are:

\$m	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast
Debt	574.0	569.0	581.0	624.5
Equity	1,336.7	1,351.6	1,360.8	1,375.7
Shareholder Funds/Total Assets %	63.4%	63.7%	63.4%	62.4%
Gearing (debt/(debt + equity)) %	30.0%	29.6%	29.9%	31.2%
EBITDAF Interest Cover x	2.8	4.1	4.9	5.3

CIAL is also considering what other key financial measures are the most appropriate to use beyond FY23. This will be investigated further through the next financial year to assess what additional metrics are the most relevant for CIAL, with a view to start reporting on these measures from FY24 onwards.

DISTRIBUTIONS

CIAL aims to distribute funds surplus to its on-going and forecast investment and operating requirements, subject to meeting the solvency requirements of the Companies Act 1993.

The Directors will review dividend policy annually and recommend such dividend payments as are consistent with CIAL’s earnings, capital expenditure and future investment requirements, subject to targeting a gearing ratio which does not exceed 40% and maintaining CIAL’s targeted stand-alone credit rating of BBB+.

In addition, CIAL notes Shareholders’ expectations regarding dividends and understands that certainty of dividend stream is a key financial component in ensuring Christchurch City’s long-term financial stability.

As part of obtaining financial covenant waivers with our bank funding providers and bond supervisors, CIAL agreed that it will not make or pay any distribution to shareholders until it is in compliance with all financial covenants and has delivered a certificate demonstrating that compliance. These waivers were in place for the 18-month period to 31 December 2021. CIAL was in compliance with all its financial covenants during that period and the waivers have now expired.

Moving forward, subject to trading conditions at the time, it remains the Board’s intention to consider dividend payments in line with existing dividend policy.

On the assumption that CIAL’s dividend policy remains in place, forecast dividend flows would be as follows:

\$m	2022 Forecast	2023 Budget	2024 Budget	2025 Budget
Dividend Forecast	0.8	23.2	38.1	44.1
Dividend Pay-outs (Cash Flows)				
Current Year Interim Dividend	-	11.6	19.1	22.1
Prior Year Final Dividend	6.7	0.8	11.6	19.1
Forecast Dividend Cash Flow	6.7	12.4	30.7	41.2

As has recently been highlighted, it should be cautioned that aviation is an inherently volatile sector. This volatility coupled with other market sector variables means trading conditions can be materially and quickly impacted.

HEALTH, SAFETY AND WELLBEING

The Protection of *Our People* is at the core of our Health, Safety and Wellbeing Strategy and we remain committed to bringing this strategy to life through:

- Fostering and facilitating a culture with strong safety values
- Visible and authentic safety leadership
- Integration and refinement of our safety management systems to enable our mission; and
- Activation of a revised Wellbeing Strategy

Our people are the key to achieving success across all activation frameworks so enabling an environment and work that supports them to thrive is a priority. The past two years have impacted team members wellbeing in many areas and reduced the ability for leaders to directly engage with their team. Re-establishing, restarting and reconnecting our people and teams to reinforce our positive safety culture is an overarching focus.

As we move forward we remain cognisant of the toll Covid-19 and the associated requirements and uncertainty has had on our people and we will continue to deliver health and wellbeing activations to replenish and revitalise our team members.

Performance Measures	Performance Targets	
	2023	2024 & 2025
Culture - continue to develop a positive culture that enables the health, safety and wellbeing of our people	<ul style="list-style-type: none"> ▪ Maintain health, safety and wellbeing score above 85% in our annual culture and engagement survey. ▪ Incremental increase in safety leadership conversations. 	<ul style="list-style-type: none"> ▪ Maintain health, safety and wellbeing score above 85% in our annual culture and engagement survey. ▪ Incremental increase in safety leadership conversations.
Safety Management - continuous improvement in systems to manage safety and wellbeing	<ul style="list-style-type: none"> ▪ CIAL Health, Safety & Wellbeing workplan delivered on schedule. ▪ Annual review of SMS and HSMS 	<ul style="list-style-type: none"> ▪ CIAL Health, Safety & Wellbeing workplan delivered on schedule.
Wellbeing - activation of our Whare Tapa Wha	<ul style="list-style-type: none"> ▪ Incremental improvement in the wellbeing and work/life blend scores in our annual culture and engagement survey. ▪ Deliver resilience workshops 	<ul style="list-style-type: none"> ▪ Incremental improvement in the wellbeing and work/life blend scores in our annual culture and engagement survey. ▪ Deliver resilience workshops

Emergency Response and Resilience

Operational readiness for emergency and business interruption events will continue to be a key focus for CIAL’s operations and people safety teams.

CIAL’s Airport Emergency Plan is regularly updated in partnership with key airport stakeholders (i.e. NZ Police, NZ Fire Service, St John Ambulance etc.). To assist operational readiness for emergency events, CIAL leads and/or is involved various exercises including seismic events, pandemics, acts of terrorism and an aeroplane incident.

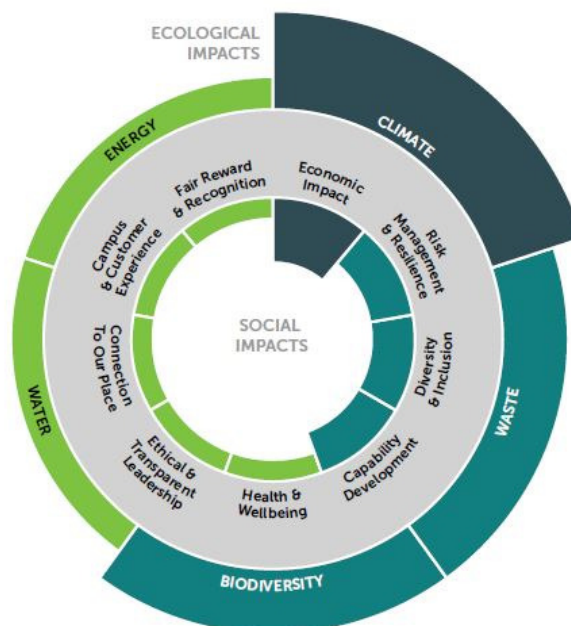
More recently with the emergence of Omicron in our communities, CIAL has been engaging with key operational partners and the Ministry of Transport working through options for maintaining operational resilience in the face of isolation requirements for our essential workers across the whole airport eco-system.

SUSTAINABILITY

Kaitiakitanga and Intergenerational Wellbeing

At the heart of our sustainability approach at CIAL is a dedication to kaitiakitanga, both from an environmental and intergenerational wellbeing approach. As the saying goes ‘Ko ngā pae tawhiti whāia kia tata, ko ngā pae tata whakamaua kia tina; The potential for tomorrow depends upon what we do today.’

As such we challenge ourselves to learn and adopt best practices, understanding this will be an ongoing journey, which will always involve areas to improve. This includes being open to benchmarking ourselves against world leading industry peers, and where frameworks don’t yet exist, helping to shape them to the greatest level of ambition. We have developed an ESG model that represents an integration of donut economics at a business systems level, addressing environmental planetary boundaries, alongside UNSDG social minimums.



Looking ahead, we will be more inclusive of a broader approach towards sustainability that will include targets within the social and governance areas, alongside continuing our work in the environmental sustainability space. This will include a global benchmarking refresh to support the setting of new targets across broader sustainability outcomes.

Our commitment to climate action and accelerating the de-carbonisation of our sector ahead of our science-based targets will remain at the forefront – with the focus moving from scope 1 reductions towards impacting our scope 2 and 3, exploring emerging technology for the remaining scope 1 challenges, and building climate risk resilience into our operational processes.

In April 2022, CIAL became the first airport globally to become climate positive. This is a step beyond carbon neutral, and means we draw down more carbon from the atmosphere than our operations create. It is a huge milestone and the reward for two decades of work reducing our airport emissions.

This also compliments our growing interest in understanding our ability to positively impact biodiversity – initially through our climate positive carbon removals that have the dual benefit of sequestering carbon and regenerating New Zealand native biodiversity. We will work through a similar process to our climate work with biodiversity – including setting science-based targets, developing a biodiversity regeneration plan that will outline the projects we need to undertake to achieve our goals, and then embedding this in practice across the organization.

Addressing Our Climate Challenge

Our Part: Looking ahead we will continue our independently audited long-term emissions reductions aligned with our science-based targets to keep global temperatures within 1.5 degrees. This will reflect the continuation of our fleet transition, energy efficiency improvements and renewable energy development to address our Scope 2 and 3 emissions.

Another important part of this journey will be working with our airline and industry partners and suppliers to collaborate on opportunities to further reduce emissions, and ensure we have the infrastructure ready to support decarbonisation.

Beyond Us: We continue to challenge ourselves to expand our decarbonisation reach beyond CIAL airport operations, to the wider airport and aviation sector, as well as within the business community – locally and regionally. A key aspect of this will be through the renewable energy precinct Kōwhai Park.

Over the next two years, we will also be undertaking a significant climate adaptation piece which will demonstrate best practice with climate risk disclosures, and adaptation planning going forward. This will involve engagement across the entire company, Executive and Board, New Zealand Airports network, and be built into CIAL risk matrix and decision-making processes going forward.

Critical to both reduction and adaptation, is ensuring that we are transitioning in an equitable fashion. This means making space for the interests of future generations and considering the needs of those most vulnerable within our community. We will continue to use the CIAL principled approach to guide our transition work.

Climate Positive Hub for Future Aviation: Our major airline partner Air New Zealand has adopted an emissions reduction pathway known as Flight NZ0 publicly outlining their journey to net zero emissions by 2050; including SAF, zero emissions aircraft, operational efficiency, and carbon offsetting. This includes finalizing their future fleet manufacturing partners, which will then inform airports of the necessary infrastructure required to support the transition.

CIAL is well-placed to be New Zealand’s future aviation hub airport, particularly given the ability for onsite renewable energy generation, notably solar to liquid hydrogen. We are actively encouraging partnerships that share the same decarbonized aviation vision – whether that be airlines, airline manufacturers, or other support ancillary businesses / wider decarbonized eco-system.

The challenge we have set ourselves is to play a positive role in Christchurch Airport becoming the leading centre for net zero aviation in New Zealand.

Climate Related Disclosures

CIAL will fall within the scope of the New Zealand Government’s proposed climate related financial disclosures reporting measures, and although mandatory reporting will not come into effect until 2023, CIAL is eager to engage in this transparent process.

CIAL are cognisant the work of the government’s External Reporting Board (XRB), tasked with developing the reporting standards to support the new climate reporting measures, is evolving. Our reporting will evolve in conjunction with this, and in line with the intent of the disclosures bill.

Performance Measures	Performance Targets	
	2023	2024 & 2025
<p>Carbon</p> <p>We set long-term emissions reduction targets based in science, aligned with keeping global temperatures within 1.5 degrees. Our goals are as follows;</p> <ul style="list-style-type: none"> to be net zero by 2030 to be absolute zero emissions for our Scope 1 and 2 by 2050 to influence reductions in our Scope 3 stakeholder’s emissions where possible. 	<ul style="list-style-type: none"> Maintain trend with our milestone emissions reduction goal of 84% reduction in Scope 1 & 2 by 2035 (using FY2015 carbon baseline) Renew ACA Level 4/4+ or above, and look for opportunities to demonstrate continued climate leadership Demonstrate continued responsibility and leadership in aviation transition Actively seek to influence airport Scope 3 emissions reductions 	<ul style="list-style-type: none"> Achieve or surpass 2024/2025 science-based target for S1 & S2 emissions reductions Look for opportunities to demonstrate continued climate leadership Actively seek to influence airport Scope 3 emissions reductions Demonstrate continued responsibility and leadership in aviation transition

<p>Waste</p> <p>Waste is a by-product of operating a large and diverse organisation. We aim to minimise waste by redesigning our approach to better support a circular economy.</p>	<ul style="list-style-type: none"> ▪ Implement CIAL waste minimisation strategy ▪ Create separated waste streams with known waste stream destinations. ▪ Undertake waste minimisation projects to reduce emissions and minimise waste 	<ul style="list-style-type: none"> ▪ Continued implementation of CIAL waste minimisation strategy ▪ Develop 2-4 key circular waste streams with known life cycle re-purposing ▪ Undertake waste minimisation projects to reduce emissions and minimise waste
<p>Energy</p> <p>Energy efficiency has multiple benefits for CIAL; we reduce our carbon footprint, reduce our operating costs, and minimise our demand on the national grid.</p> <p>Beyond this, we understand the importance of clean renewable electricity generation and resilience, and the role critical infrastructure assets play in supporting the national energy transition.</p>	<ul style="list-style-type: none"> ▪ Actively pursue energy transition from fossil fuel to clean energy sources ▪ Make an impact beyond Christchurch Airport terminal boundaries to create partnerships, and demonstrate leadership to encourage faster energy transition uptake ▪ Undertake energy efficiency projects, including LED lighting upgrades 	<ul style="list-style-type: none"> ▪ Actively pursue energy transition from fossil fuel to clean energy sources ▪ Implement energy transition project ▪ Complete LED lighting upgrade and seek further energy efficiency projects ▪ Undertake further energy efficiency projects
<p>Water</p> <p>Christchurch is unique in using 100% naturally filtered water. Our passion is to maintain its integrity, avoid accidental contamination and minimise use of this precious resource as it passes under the airport.</p>	<ul style="list-style-type: none"> ▪ Measure, understand, and undertake to conserve water around terminal and campus 	<ul style="list-style-type: none"> ▪ Measure, understand, and undertake to conserve water around terminal and campus
<p>Noise</p> <p>Historically, noise has been the environmental issue of greatest focus at airports around the world.</p> <p>Our responsibility and preference are to collaborate with all stakeholders, especially residents and businesses close to Christchurch Airport and its flight paths in relation to noise impacts.</p>	<ul style="list-style-type: none"> ▪ Noise complaints are limited to 10 per 10,000 aircraft movements per annum ▪ Successful delivery of the updated noise compliance contours to Environment Canterbury ▪ Offers of acoustic mitigation to noise impacted properties currently eligible ▪ Long term and ongoing program to protect CIAL from noise reverse sensitivity affects 	<ul style="list-style-type: none"> ▪ Noise complaints are limited to 10 per 10,000 aircraft movements per annum ▪ Successful delivery of the updated noise compliance contours to Environment Canterbury ▪ Offers of acoustic mitigation to noise impacted properties currently eligible ▪ Long term and ongoing program to protect CIAL from noise reverse sensitivity affects

<p>Land</p> <p>Our Place is an area of unique natural beauty. We have a responsibility to protect it, to encourage biodiversity, and our native species. We aim to maintain improve our land and remediate contaminated land.</p> <p>We also have a responsibility to our wider stakeholders to understand climate risks and mitigation, as well as airport hazards such as bird strike.</p>	<ul style="list-style-type: none"> ▪ Understand and enhance our unique dryland habitat ▪ Undertake Campus landscape planning to celebrate native species and include plant succession planning. ▪ Monitor and understand bird migration patterns to mitigate bird strike risk ▪ Insert bird strike management areas in the regional and district planning framework 	<ul style="list-style-type: none"> ▪ Develop and implement protection plan for CIAL dryland habitat ▪ Continue Campus landscape planning to celebrate native species and include plant succession planning. ▪ Monitor and understand bird migration patterns to mitigate bird strike risk ▪ Promote and protect CIAL dryland habitat to broader community
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COMMUNITY ENGAGEMENT

CIAL is a proud member of the Christchurch, Canterbury and South Island community. CIAL will continue to work to broaden and deepen its support and links with its communities.

Performance Measures	Performance Targets	
	2023	2024 & 2025
To make a positive contribution to the social and community outcomes of our City and the South Island	<ul style="list-style-type: none"> ▪ Demonstrate support for the city and the region, its image and activities as pandemic impacts allow. Provision of promotional space at the airport to showcase events and activities across the region. ▪ Re-activate the Community Fund as the pandemic allows. ▪ Engagement and communication with stakeholders led by the Chief Executive and GMs initiating and accepting invitations to meetings, speeches, addresses, panels and workshops. ▪ Senior leaders participate in and address events and functions, sharing expertise and skills. ▪ Support local and national charities by hosting collections within the terminal, and active engagement by staff in charity events. ▪ Respectfully engage with our local communities, iwi mana whenua & stakeholders in respect of CIAL's plans to explore the potential for a new airport in Central Otago. 	<ul style="list-style-type: none"> ▪ Ongoing demonstration of support for the city, its image and activities. Provision of promotional space at the airport to showcase events and activities across the region. ▪ Ongoing support of the Community Fund. ▪ Senior leaders participate in and address events and functions, sharing expertise and skills. ▪ Support local and national charities by hosting collections within the terminal, and active engagement by staff in charity events. ▪ Respectfully engage with our local communities, iwi mana whenua & stakeholders in respect of CIAL's plans to explore the potential for a new airport in Central Otago. ▪ Engagement and communication with stakeholders led by the Chief Executive and GMs initiating and accepting invitations to meetings, speeches, panels, addresses and workshops.

OUR PEOPLE

Our People Strategy is designed to continue building a collaborative, connected and engaged culture that enables every member of our Champion Team to deliver our purpose, mission and strategic priorities both individually and collectively. Our people are at the heart of everything we do and it's their great contributions that underlies all our successes, innovations and reputation.

We offer an environment of continuous learning that encourages our team to express their ideas, empowers them to take reasonable risks and recognises them for their diverse contributions. We will strive to ensure all members of our team have the tools, knowledge and support they need to reach their full potential and achieve their professional and personal goals within an environment that is flexible and supports overall wellbeing. We will continuously develop, support and value our leaders so they have the skills and competencies to inspire and empower others to perform to their best potential.

Flexible Work

Defining what flexible work means for CIAL moving forward is a key piece of work to complete before and implement in FY23. What we know is that our position needs to sit somewhere in between how we operated pre-Covid-19 and then how we operated during Covid-19. Balancing engagement, retention, productivity and culture will be central to our thinking.

Talent & Capability

CIAL was recognised as an 'Employer of Choice' in the HRD (Human Resources Director) Awards in 2021, reflecting the way it had supported its staff during the pandemic. The CIAL Board remains committed to be an employer of choice and will deploy policies to support this ambition in the interests of our staff and both shareholders.

Diversity & Inclusion

We want to be a fair organisation, an inclusive team, one that embraces and reflects diversity and inclusion in all its forms. Diversity & Inclusion has many dimensions, and for CIAL it is important that diversity is embraced. The highest-level aspiration is on having diversity of thought and an organisation that has the capability and understanding to embrace diversity and be inclusive. A focus for FY23 will be the establishment of a Diversity & Inclusion framework, policy and measurements with reporting to commence from FY24.

Performance Measures	Performance Targets	
	2023	2024 & 2025
<p>Retain and develop key talent</p> <p>Review and update of Potential and Performance/areas of strategic value talent mapping exercise</p> <p>Succession plans confirmed, and pathways actioned</p> <p>Pipeline of emerging leaders developed, and competency development pathways activated</p>	<ul style="list-style-type: none"> ▪ Improved retention of critical talent ▪ Design and deliver emerging leaders' program 	<ul style="list-style-type: none"> ▪ Improved retention of critical talent
<p>Develop, support and value leadership</p> <p>All employees and people leaders understand the role and expectations of a 'CIAL Leader'</p> <p>Our leaders are highly effective in coaching for performance, enabling change and are committed to supporting, empowering and developing others</p> <p>All our leaders are accountable and recognised for their successful performance and leadership behaviours</p>	<ul style="list-style-type: none"> ▪ Incremental improvement in leadership performance and personal development and performance reviews ▪ Incremental improvement in leadership measures in culture and engagement survey 	<ul style="list-style-type: none"> ▪ Incremental improvement in leadership performance, in personal development and performance reviews ▪ Incremental improvement in leadership measures in culture and engagement survey
<p>Build a workforce of the future</p> <p>Future oriented talent planning is embedded into operational and strategic planning</p> <p>There is enhanced understanding of the skills we have today and the skills we will need in the future</p> <p>We attract, recruit and develop a diverse and highly skilled workforce</p>	<ul style="list-style-type: none"> ▪ Embedding CIAL Future of Work working party and establishment of key strategic objectives ▪ Internal recognition of the innovation and change being caused by Future of Work strategies ▪ Incremental improvement in Innovation measures in culture and engagement survey 	<ul style="list-style-type: none"> ▪ Incremental improvement in Innovation measures in culture and engagement survey

<p>Strengthen diversity, inclusion and engagement</p> <p>Creation and implementation of a diversity, inclusion and participation strategy and engagement program which promotes diversity of thought throughout our business</p>	<ul style="list-style-type: none"> ▪ Embedding of organisation wide employee value statements that guide how we work, make decisions, and consider diverse perspectives to determine the way we treat each other ▪ Ongoing support of flexible work arrangements that reflect our people’s needs and the needs of CIAL ▪ Incremental improvements in participation and inclusion measures in culture and engagement survey 	<ul style="list-style-type: none"> ▪ Incremental improvements in participation and inclusion measures in culture and engagement survey
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REMUNERATION APPROACH

CIAL, like all successful companies, recognises that to create real shareholder value you need both capital AND talent. It is also well documented that one of the greatest post pandemic risks for businesses, particularly for industries that have been most impacted by Covid-19, is the retention and attraction of key capability and talent.

CIAL will look to attract, retain, develop and motivate high calibre employees at all levels – to support our principal objective, to operate as a successful business. CIAL is a socially responsible and equal opportunities employer.

CIAL has policies and procedures in place to ensure remuneration levels are set at market rates that are able to attract and retain the key talent we need to manage, operate and create real shareholder value in the business.

We regularly compare our employee remuneration against market data and in general will meet the market, subject to employee performance.

The company is especially conscious of its public responsibilities in the setting of remuneration for senior executives, which is closely managed by the Board and made publicly available via the Annual Report. CIAL will take on board feedback from shareholders in their letters of expectation around enhanced reporting in this area.

CIAL is aware of the national living wage and have no employees impacted. CIAL has no contractors with employees working on CIAL contracts impacted by the national average living wage or without an agreed pathway for addressing contractor staff impacted.

INFORMATION TO BE PROVIDED TO THE SHAREHOLDER

No Surprises

CIAL is very aware of Shareholders' requirements in this respect. The company will operate on a "no surprises" basis in respect of significant shareholder-related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations. Any sensitive issues that could result in media attention or issues will be communicated to the Shareholders as soon as possible.

The Board aims to ensure Shareholders are informed of all major developments affecting the company's state of affairs, while at the same time recognising commercial sensitivity may preclude certain information from being made public. Within this constraint, information is communicated to the Shareholders through periodic updates, occasional briefings, both the annual report and the half-yearly report, and "no surprises" updates on issues of importance as they may arise.

It must be noted that the 'no surprises' approach will be adhered to, as long as this does not cause non-compliance with CIAL's requirement for continuous disclosure, under the listing rules of the NZ Stock Exchange, as part of their bond listing obligations.

Statement of Intent

The Statement of Intent will be submitted to the shareholders for consultation annually, as required by the Local Government Act 2002. The directors will include any other information they consider appropriate. Where appropriate revised forecasts will be submitted to shareholders.

Annual & Half Year Report

An annual report will be submitted to the shareholders. The annual report will include audited financial statements and other details which permit an informed assessment of the company's performance and financial position during the reporting period provided to the shareholders.

Half-yearly reports will also be provided to the shareholders. These reports will contain unaudited information and comply with NZ IAS 34.

Annual reports will be produced, consistent with the company's objective to be a long-term sustainable and responsible business. The reports will outline the company's objectives and performance in terms of its economic, environmental and social outcomes.

Other Reporting

CIAL is subject to the disclosure regime under Part 4 of the Commerce Act. Under this regime CIAL is required to disclose publicly detailed information after each price setting event and annually after each financial year within the relevant 5-year period.

CIAL will provide regular updates to our shareholder on the ongoing performance of the company which may include financial, strategic, risk and operational updates for any given period.

ACQUISITION/DIVESTMENT PROCEDURES

CIAL will continually assess the best way to maximise its contribution to New Zealand's sustainable aviation growth and its contribution to the social and economic value added to the regions. CIAL's business development activity may include direct investment or partnership activities with appropriate organisations.

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with the long-term commercial objectives of CIAL.

When the subscription, acquisition or divestment is considered by directors to be significant to the company's business operations, it will be subject to consultation with the shareholders.

Major transactions as defined in the Companies Act 1993, s129 (2), will be subject to shareholders' approval by special resolution.

Notwithstanding the above, if CIAL is considering a significant acquisition or disposal of assets or securities, the shareholders will be consulted with as much lead-time as is commercially practicable in the prevailing circumstances.

Where the company decides to incorporate, or subscribe to, shares in subsidiaries to undertake its commercial activities, the company will ensure effective management, with Board control of any subsidiary being exercised by CIAL's directors and staff.

ESTIMATE OF VALUE

The directors note the commercial value a shareholder may realise on any sale of its investment in CIAL will almost certainly differ from the value estimated in this SoI, depending on the circumstances of sale, the identity of the buyer, and market conditions applicable or forecast at the time.

The most recent estimate of the equity value of Christchurch International Airport is \$1,373 million.

The primary approach for this assessment is a discounted future cash flow (DCF) approach related to the airport operations, plus investment properties and surplus land at independent market value assessments.

The current investment property and land market value assessments are based on independent valuations performed as at 30 June 2021. More recent valuations are currently being prepared but were not finalised as at 30 June 2022. An increase in the value of the investment property portfolio is expected.

The current equity value of the Shareholders' investment of \$1,373 million, was calculated by taking the midpoint range of the enterprise value of \$1,973 million and deducting net debt and non-operating liabilities (at fair value) of \$600 million.

The directors note that the estimation of the commercial value of CIAL each year is somewhat of an “academic” exercise. In particular, the approach used for the purposes of this SoI would almost certainly come up with a different estimate to:

- A valuation for financial statement purposes – prepared in accordance with the rules set out in the relevant accounting standards; or
- An earnings multiplier approach – used predominantly for transactional purposes.

This value is re-estimated annually.

ACCOUNTING POLICIES

CIAL has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the Christchurch City Council group.

The company’s current detailed accounting policies are available in our most recent annual report for the year ended 30 June 2021, as published on our company website <https://www.christchurchairport.co.nz/globalassets/about-us/who-we-are/financial-reports/2021-financial-statements.pdf>