



Statement of Intent

Year ending **30 June 2021**



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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 2020 to 30 June 2023.

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.

NATURE AND SCOPE OF ACTIVITIES

Christchurch International Airport Limited's (CIAL) primary activity is to create value for shareholders, customers and the travelling public through the provision of aviation services, operating safe and efficient airport infrastructure wherever requested to do so on a commercial basis by its various customers.

This encompasses providing 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 and capability developed over the last five years at the Christchurch campus to proactively investigate opportunities beyond a single site, that support regional economic growth across New Zealand and support aviation infrastructure that will enable a more efficient and lower carbon transport network across New Zealand, where that contributes to New Zealand's overall social, economic & environmental objectives and supports long-term growth in shareholder value.

PRINCIPAL OBJECTIVES

CIAL's core business is to create value for shareholders, customers and the travelling public through the provision of aviation infrastructure and services. CIAL's key objectives are to operate as a successful commercial entity and through that deliver sustainable benefits to customers and the travelling public and to deliver 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 facilities and infrastructure that deliver the required outcomes for CIAL and existing / potential customers, with an emphasis on efficient airside activities
- utilise the culture and capability developed over the last five years at the Christchurch campus to proactively investigate opportunities beyond a single site, that enhance the provision of aviation services across regional New Zealand to the benefit of all stakeholders
- pursue activities designed to ensure the safe and effective utilisation of its assets and its people
- 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 community

- 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
- unequivocally champion Christchurch, Canterbury, the South Island and regional New Zealand's social and economic contribution to the country as a whole, ensuring they are well positioned within Australasian and Pacific Rim aviation networks
- 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 for success
- exhibit a sense of social responsibility by having regard to the interests of the community in which it operates

PURPOSE & MISSION

Our Purpose

“To be a champion provider of aviation services, acknowledged at home and abroad as the engine room of the social, economic and environmental prosperity for the South Island and regional New Zealand”

Our Mission is to achieve three things simultaneously:

- Building a Stronger Business; **and**
- Enhancing our customer journeys; **and**
- Being good Kaitiaki (being good ancestors today)

The activities of CIAL make a significant contribution to the social and economic wellbeing of the communities and economies of Christchurch, Canterbury and in social and economic development of the South Island and regional New Zealand – making a better contribution to the nation's outcomes.

Airports have a strong multiplier effect on the economies they serve, and they are critical regional economic development and social infrastructure. For CIAL, this has been independently estimated at 50:1, or for every \$1 CIAL earns, the wider South Island economy earns \$50.

CURRENT CONTEXT & STRATEGIC PRIORITIES

There is no doubt that Covid-19 is an event of an unprecedented nature, however CIAL has had such an event in its risk register since the earthquakes and proactively made changes to its operational and financial strategies in 2014 building enough resilience into our business, leadership and financial capabilities, to provide CIAL with a self-help pathway in such an event. CIAL paid its half year FY20 dividend, has ensured appropriate liquidity through FY21, maintained employment during lockdown and based on the current outlook will not need to seek new equity from shareholders to maintain FY21 operations.

CIAL's approach to the next twenty years now sees a need for both a short-term focus and a long-term focus to ensure that CIAL not only survives Covid-19 but thrives from it. Our approach to the coming years will break into the following stages:

- FY20/21 The restart of our Planes and Passengers businesses at Christchurch Airport (noting that much of our Property business continues largely as before). *(Cash Focus)*
- FY22/23 Recover profitability, build our volumes and our unfair share to return to profitability. *(Profitability Focus)*
- FY21/40 Reposition CIAL – CIAL will look to extend and expand RG25 through investigating opportunities beyond a single site that support regional economic growth and lower carbon transport opportunities as they relate to aviation infrastructure in New Zealand *(Market Value Focus)*

It is also relevant to keep in mind that CIAL approaches decision making and risk management over different time horizons i.e. operations (3 years), leases (10 years), building & infrastructure (20 years) and land (50 years).

Consequently, ongoing decisions may look through the near-term impact of Covid-19 (estimated at 2-3 years) i.e. they may have material benefits to CIAL and shareholders which accrue beyond the next three years.

Aeronautical (Planes)

The aeronautical strategy remains focused on 'finding planes' and 'filling planes'. The material impact that Covid-19 has had on aviation has meant that there is a required focus on ensuring that we rebuild 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. CIAL is 90% a short-haul airport, servicing domestic, Tasman and Pacific Islands air services. These networks are expected to recover sooner than long-haul networks and the FY21-23 strategy will focus mainly on recovering and repositioning CIAL within short-haul networks, while also working closely with key airline partners on long-haul services once that opportunity arises.

Recover

- Domestically re-establish pre Covid-19 network and domestic transit hub position. Ensure competition remains in the domestic market and use our 'SOUTH' program as a powerful domestic marketing tool.

- Get the Tasman and Pacific Island bubble established and re-establish connectivity to Brisbane/Melbourne/Sydney.
- Ensure all long-haul airlines recommit to Christchurch, even if seasonally from the start. Support via the 'SOUTH' marketing program.

Reposition

- Opportunity to allow Christchurch Airport to regain the share of international passengers lost following the earthquake.
- Strengthening the role of foreign carriers into Christchurch over time.

Terminal (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 terminal (including ground transport) is our largest centre of business activity and represents the greatest opportunity for building long term value.

- For FY21 the core focus will continue to be on working with our commercial partners to bring them back to a position where our key partners survive and then thrive. CIAL will have a strong focus on cost reduction within P2P.
- Opportunity to consider how CIAL could re-configure the terminal layout and optimise our current ground transport footprint.
- Continue to invest in technology solutions across ground transport, terminal offerings and harnessing customer data.

Property

CIAL's commercial portfolio strategy remains to develop its bare land holdings by 'being a Landlord'.

- CIAL's investment strategy in this portfolio is to pursue new investment where the proposed investment grows CIAL's balance sheet, increases (and de-risks) revenue streams and enhances dividend flows.
- CIAL's property development program is focused on the development of quality income producing properties for reputable, well-resourced tenants which meet CIAL's long term investment criteria.
- CIAL will complete investment property development opportunities partially completed prior to Covid-19 lockdown. New revenue generating development opportunities will be reviewed on a case by case basis throughout FY21.
- 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.

Refer to later sections in this document for discussion around People, Protection (Health & Safety) and Planet (Sustainability).

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 played a significant role in supporting the 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 investment in ChristchurchNZ, 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.

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 the 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 and Safety as a priority with a commitment to a safe 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

GOVERNANCE

Commitment

Directors and management are committed to effective governance. As with safety and quality, governance includes a set of systems and processes, supported by people with the appropriate competencies and principles. This provides shareholders and other stakeholders with the assurance that the company delivers on its promises.

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. The Airport Authorities Act 1966 gives a range of functions and powers to airport authorities to establish and operate airports.

The Ministry of Transport is currently in consultation in respect to the Civil Aviation Bill ahead of it being introduced to parliament. The draft Bill seeks to repeal and replace the Civil Aviation Act 1990 and the Airport Authorities Act 1966 with a single statute. The draft Bill in its current form, removes the ability for airports, following consultation, to 'set prices as they see fit', which is currently contained in the Airport Authorities Act. This has been a key feature of the current airport pricing landscape and its removal creates uncertainty into the pricing process.

Since 2011, New Zealand's three largest airports including CHC 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.

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 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 shareholder value while sustaining and ensuring the obligations of the company are properly met.

The Board is accountable to shareholders for the performance of the company.

In carrying out its principal function, the Board's specific responsibilities 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;
- Ensuring that CIAL's internal decision making and compliance policies and procedures are implemented, to ensure that the business of the company is conducted in an open and ethical manner;
- Approving performance criteria for CIAL and monitoring the performance of the CEO and executive leadership team against these;
- Deciding necessary actions to protect CIAL's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such actions are taken
- 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 the company's people and contractors working for CIAL across the airport campus;
- Promoting a company culture and remuneration practice which facilitates the recruitment, professional development and retention of staff;
- 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 own 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 duties.

Responsibility to Shareholders

In accordance with Section 64 of the Local Government Act 2002, each February 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 in 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

As occurred after the earthquakes, CIAL has formulated profit and loss and cash flow outcomes across FY21-23 using three assumption-based scenarios.

For the purposes of the FY21 SOI, CIAL has adopted a mid-point scenario for FY21-23. It is expected that the current assumptions may change over the coming months and with those changes so too will the scenario numbers. i.e. there is a risk that these forecasts will evolve over coming months.

CIAL will update its forecasts each quarter as more facts crystallise and provide these to shareholders, plus immediate updates where any changes in assumptions have the potential to have a material impact.

\$m	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast
Total Revenue	155.4	111.2	164.1	190.8
EBITDAF ¹	94.4	51.1	94.5	120.9
Net Profit (Loss) After Tax	22.0	(17.7)	17.7	36.1
EBITDAF as % of Revenue	60.7%	46.0%	57.6%	63.4%
Return on Invested Capital ²	3.9%	1.2%	3.8%	5.3%

Passengers	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast
Domestic	3,841,719	2,860,433	4,458,308	5,265,330
Tasman & Pacific Islands	1,066,342	506,272	972,879	1,231,655
International	257,279	22,581	211,427	298,297
Total Passengers	5,165,340	3,389,287	5,642,614	6,795,282

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 and given the current uncertainty in respect to commercial property markets, it is considered any estimate would be too hard to predict currently*)
- any other asset impairment assessments

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

² Earnings before interest & tax / (debt + equity)

- any deferred tax adjustments – *noting that with the re-introduction of depreciation on long-life buildings there is likely to be a material reduction in CIAL’s deferred tax liability and corresponding tax credit in CIAL’s P&L in FY20. This will be significant and could be between \$20m-\$40m. Deferred tax adjustments in FY21-FY23 are likely to be less material*

Notes & Assumptions

Revenue

The impact on CIAL’s revenue streams is going to be severe because of Covid-19 particularly in FY21 through the restart phase.

- **Aeronautical:** December 21 total passenger numbers, as a percentage of December 19 numbers, will recover to 80%. Beyond December 21, the growth trajectory for overall passenger numbers will essentially be linear out to the end of FY23, noting some summer seasonality in growth patterns.
 - CIAL has no influence over airline capital expenditure and scheduling decisions which can materially impact CIAL’s revenue line with no associated operating cost reductions
 - Under PSE3, our aeronautical revenue is driven by passenger movements (rather than aircraft movements) and hence growth in aeronautical revenue will directly correlate to corresponding growth in passenger numbers
 - FY22 is the last year of the current PSE3 pricing cycle. Hence FY23 aeronautical revenues will be subject to new prices as derived and consulted on under PSE4. Current assumption in the FY23 forecasts is that prices will not materially change. However, revenue is capped for each five-year cycle relative to a published mid-point WACC calculated by the Commerce Commission at the start of each pricing period (6.41% for PSE3). Given that currently risk-free interest rates are exceptionally low, it is expected that the published WACC for PSE4 will be materially lower than for PSE3 which will impact on allowable revenue that can be recovered.
 - CIAL’s revised pricing approach for PSE3 also uses a tilted annuity approach to depreciation, which in effect smooths prices over the underlying life of the assets, hence deferring capital recovery out into PSE4 and PSE5.
 - The ongoing review of the aviation industry regulatory environment, specifically the Civil Aviation Act 1990 and the Airport Authorities Act 1966, creates further regulatory risk in respect to the economic regulation of airports in New Zealand.
- **Lease Rental:** Parts of CIAL’s tenant portfolio has been impacted in the short-term prior to reaching Level 1. The majority of other tenants have been largely unaffected following the exit from Level 4 & 3 lock-down. For those affected tenants, commercial arrangements were agreed with the majority.
 - Lease rental will also continue to grow through FY21-23, predominantly reflecting a market rate rental return from the currently funded property development capital expenditure.

- CIAL's land bank can only be developed at a rate that market demand and planning requirements allow, and at the rate at which CIAL's current capital structure allows.
- while CIAL continues to invest in its property development portfolio, there is a lead time of approximately 15-18 months (contracting and construction) on average from the time of the initiation of a development opportunity, to when rental income is reflected in CIAL's revenue.
- Should there be a delay in the development of the currently forecast property development program, this will impact on any corresponding rental streams accordingly.
- **Terminal & Commercial Concessions and Ground Transport:** All retail and ground transport operators (including our carparking business) have been materially impacted, with most of them having to shut down their operations completely as New Zealand went through the various alert levels.

This has meant that CIAL has had to provide varying degrees of support to these operators depending on specific circumstances.

- Intention is 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 recovery path to domestic and Tasman passenger numbers as key drivers of this.
- **Hotel:** It is assumed that the hotel will remain closed over the current winter and then re-open in early 2021.

Operating Costs

Throughout the various levels of Covid-19, Christchurch Airport remained open as an essential service and needs to remain compliant with all operating regulations and laws as a certified airfield and border.

CIAL has a relatively fixed operating cost base, particularly in respect to its major terminal and airfield assets. While we have seen material productivity gains over the past five years, prior to Covid-19 we were in the long tail of those gains. Prior to Covid-19, CIAL had reduced headcount by circa 20% over recent years and was already down to specialist positions or direct operational and compliance roles.

- All salaries have been frozen for FY21 and 'sinking lid' policy applied across overall workforce. i.e. general recruitment freeze in place. Assumed that CPI wages increases will re-commence from FY22 onwards.
- Whilst all aeronautical development and airline marketing support expenditure is currently on hold, it is anticipated that significant investment in this area will be required through FY22 & FY23 in the form of incentives and promotion to help the recovery of international pipelines in particular, as opportunities arise.
- CIAL has significant elements of its cost base where cost increases are outside of its control and are likely to increase at rates higher than CPI – e.g. rates and insurance, which are rising much faster than inflation.
- Insurance costs have been assessed based on the latest pricing guidance provided by our external brokers and market intelligence. CIAL has assumed city commercial rates will increase by 3.5% p.a. during the period, in line with the latest CCC Annual Plan.
- There are increased maintenance costs in FY21 resulting from the increased water treatment infrastructure now in place across the CIAL campus.
- With the reduced activity within certain areas of the terminal building and carparking assets during the first half of FY21 (specifically the international terminal), the terminal and car-parking footprints will be reduced accordingly.
- All other operational expenditure will be deferred or reduced to essential expenditure only through the recovery period.

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	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast
Shareholder Funds/Total Assets %	56.7%	56.3%	57.7%	58.7%
Gearing (debt/(debt + equity)) %	36.6%	37.4%	35.9%	34.6%
EBITDAF Interest Cover x	3.8	2.1	3.7	4.8
Free Funds Interest Cover x	3.5	2.3	3.4	4.2
Free Funds/Debt %	10.3%	5.1%	10.8%	14.4%

- The maximum targeted ratio of debt-to-debt plus equity is 40%.
- The target minimum floor for free funds from operations interest cover and target minimum ratio for free funds from operations to debt is to be no less than 3x and 15% respectively.

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.

During FY21 and the first half of FY22, consideration will also have to be given to any restrictions on distributions that will be necessary in order to ensure that CIAL remains in compliance with its existing debt facility and bondholder arrangements.

It has been assumed that dividend payments will be suspended through FY21 & FY22. Subject to trading conditions at the time, the Board will consider the resumption of dividends payments in FY23.

Forecast dividend flows are as follows:

\$m	2021 Forecast	2022 Forecast	2023 Forecast
Forecast Dividend	0.0	0.0	35.0
Dividend Pay-outs (Cash Flows)			
Current Year Interim Dividend	0.0	0.0	20.0
Prior Year Final Dividend	0.0	0.0	0.0
Forecast Dividend Cash Flow	0.0	0.0	20.0

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 that 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 Wellness strategy and we remain committed to bringing this strategy to life through:

- Fostering a culture with strong safety values
- Visible and authentic safety leadership
- A robust safety management system focused on continuous improvement
- Activation of our Whare Tapa Wha (Wellbeing Strategy)

We will focus on developing visible, authentic, safety leadership across our entire team, to foster a positive safety culture with high levels of trust, participation, and engagement. This will be underpinned by ongoing improvement in our safety management system.

Performance Measures	Performance Targets		
	2021	2022	2023
Visible and active safety leadership by all CIAL leaders	<ul style="list-style-type: none"> Increased number of safety leadership conversations as measured in safety leadership app Active participation in safety leadership working group by all members 	<ul style="list-style-type: none"> Increased number of safety leadership conversations as measured in safety leadership app Active participation in safety leadership working group by all members 	<ul style="list-style-type: none"> Increased number of safety leadership conversations as measured in safety leadership app Active participation in safety leadership working group by all members
Delivery of People and Aviation Safety Assurance Program	<ul style="list-style-type: none"> CIAL people and aviation safety assurance program delivered. Incorporate Safety-II principles into Assurance Programme 	<ul style="list-style-type: none"> CIAL people and aviation safety assurance program delivered Continue to incorporate Safety-II principles into Assurance Programme 	<ul style="list-style-type: none"> CIAL people and aviation safety assurance program delivered. Continue to incorporate Safety-II principles into Assurance Programme
Mental health and resilience program implemented	<ul style="list-style-type: none"> Incremental increase in wellbeing measures in culture and engagement survey Continued activation of our Whare Tapa Wha wellness strategy Mental Health and Resilience Program complete 	<ul style="list-style-type: none"> Incremental increase in wellbeing measures in culture and engagement survey Continued activation of our Whare Tapa Wha wellness strategy and mental health and resilience programme 	<ul style="list-style-type: none"> Incremental increase in wellbeing measures in culture and engagement survey Continued activation of our Whare Tapa Wha wellness strategy and mental health and resilience programme

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 and forms part of our overall People and Aviation Assurance Programme.

Work has been completed to update CIAL’s Airport Emergency Plan 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.

CIAL also stands ready to assist in actual emergency events off campus and has played significant roles previously.

SUSTAINABILITY

Christchurch City, as the main gateway to the South Island, exists in an area of unique, spectacular and beautiful geology. We believe, as citizens of the South Island, it's our responsibility and privilege to be one of many kaitiaki to this very special place and we take that role seriously.

We are passionate about protecting the environment, minimising the use of natural resources and improving the quality of life for our community.

Our approach to sustainability is centred in the Maori concept of kaitiakitanga (responsibility, care and guardianship). We continually challenge ourselves to seek out, develop and implement new processes that make our business more sustainable.

Our base criteria for which we measure sustainability activity within our business includes whether our sustainability ambitions are financially viable and whether they create genuine and enduring change. We are not interested in simply ticking boxes, or getting awards, we want to make an impact that improves environmental outcomes for future generations.

Our Sustainability Strategy focuses on six primary pillars. While we strive to make meaningful improvements in each of these focus areas we are particularly focused on our commitment to reduce and eliminate fossil fuel-based energy from our operations and acting where we can help our suppliers, customers and the wider economy reduce or eliminate fossil fuels.

We are a founding signatory of the Climate Leaders Coalition, supportive of New Zealand's net zero carbon 2050 target and committed to reducing our own direct emissions where possible.

Performance Measures	Performance Targets		
	2021	2022	2023
<p>Carbon</p> <p>Eliminate all non-emergency related Scope 1 emissions, reduce our scope 2 emissions from electricity and managing our Scope 3 emissions</p>	<ul style="list-style-type: none"> 20% reduction on CIAL carbon emissions benchmarked against FY15 ACI ACA Level 2 certified 80% of CIAL's road vehicle fleet made up of EV and hybrid vehicles 	<ul style="list-style-type: none"> ACI ACA Level 3 or 4 certified On-site renewable energy integrated into CIAL facilities/businesses 	<ul style="list-style-type: none"> ACI ACA Level 3 or 4 certified Commencement of viable de-carbonisation projects
<p>Waste</p> <p>Waste is a by-product of operating a diverse and large organisation, but we can work with all our stakeholders to reduce, reuse and recycle so we minimise the impact on our environment</p>	<ul style="list-style-type: none"> Work with airlines to achieve greater recycling of waste off aircraft Implement food court waste upgrades Complete feasibility analysis for onsite processing of organic waste 	<ul style="list-style-type: none"> Continue to work with airlines and tenants to improve recycling and reduce waste 	<ul style="list-style-type: none"> Maintain watching brief on developments in the NZ waste industry Revise waste planning in line with developments observed

<p>Energy</p> <p>By minimising our energy use, we reduce our carbon footprint, reduce costs to our businesses and reduce demand on the national grid. We strive for growth without impact, and for our business to protect our city region and island.</p>	<ul style="list-style-type: none"> ▪ Domestic jet ground power stands commissioned ▪ Passenger terminal energy consumption at least 10% further reduced on FY18 levels ▪ 90% reduction of Scope 1 emissions (baseline year FY15) achieved ▪ ITB energy centre commissioned and operational 	<ul style="list-style-type: none"> ▪ Continue to investigate and implement energy-saving initiatives that ensure energy consumption is reduced. ▪ Decommission diesel boilers ▪ Achieve the KPI metric of a monthly average total terminal energy consumption at 23.5KWH/m². 	<ul style="list-style-type: none"> ▪ Continue to investigate and implement energy-saving initiatives that ensure energy consumption is reduced ▪ Achieve the KPI metric of a monthly average total terminal energy consumption at 23.5KWH/m².
<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. By doing so, we ensure water supply safety and security, protect the aquifer, reduce costs and our business protects the city, region and island</p>	<ul style="list-style-type: none"> ▪ Install accurate water metering devices to better understand passenger terminal water use ▪ Ensure on-going compliance with NZ Drinking Water Standards through regular monitoring of potable drinking groundwater supply ▪ Continue Environmental Compliance and Monitoring Programme with existing airport operators and new operators on airport land 	<ul style="list-style-type: none"> ▪ Target a 10% reduction in passenger terminal water usage from the FY18 base ▪ Ensure on-going compliance with NZ Drinking Water Standards through regular monitoring of potable drinking groundwater supply ▪ Continue Environmental Compliance and Monitoring Programme with existing airport operators and new operators on airport land 	<ul style="list-style-type: none"> ▪ Ensure on-going compliance with NZ Drinking Water Standards through regular monitoring of potable drinking groundwater supply ▪ Continue Environmental Compliance and Monitoring Programme with existing airport operators and new operators on airport land
<p>Noise</p> <p>Noise is the environmental issue of greatest focus at airports around the world.</p> <p>Our responsibility and bias are to engage and collaborate with all stakeholders, especially residents and businesses close to the airport and its flight paths</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 ▪ Successful implementation of the CIAL Noise Management Plan ▪ Offers of acoustic mitigation to noise impacted properties currently eligible 	<ul style="list-style-type: none"> ▪ Noise complaints are limited to 10 per 10,000 aircraft movements per annum ▪ Repeat complaints also limited to 10 per 10,000 aircraft movements ▪ Ongoing offers of acoustic mitigation to any noise impacted eligible properties 	<ul style="list-style-type: none"> ▪ Noise complaints are limited to 10 per 10,000 aircraft movements per annum ▪ Repeat complaints also limited to 10 per 10,000 aircraft movements ▪ Ongoing offers of acoustic mitigation to any noise impacted eligible properties

<p>Land</p> <p>Our Place is an area of unique natural beauty. We have a responsibility to maintain it, improve it and remediate contaminated land. We also have a responsibility to ensure the safety of travellers and our airline partners, and so understanding the hazards and addressing the risks of bird strike is a critical and on-going activity</p>	<ul style="list-style-type: none"> ▪ Completion of the Canada Goose Tracking Masters project ▪ Development of estate wide sustainable development guidelines for use in our property development portfolio 	<ul style="list-style-type: none"> ▪ Submissions on the Selwyn and Waimakariri District Plans 	<ul style="list-style-type: none"> ▪ Submissions on the Canterbury Regional Policy Statement Review
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COMMUNITY ENGAGEMENT

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

Performance Measures	Performance Targets		
	2021	2022	2023
<p>To make a positive contribution to the social and community outcomes of our City and the South Island</p>	<ul style="list-style-type: none"> ▪ To continue to demonstrate support for events which attract visitors, enhance the City's image and that residents can enjoy ▪ Support community initiatives and organisations through the CIAL Community Fund, charity fundraisers and other donations through the year ▪ To engage and communicate openly with stakeholders through the Chief Executive and GMs initiating and accepting invitations to meetings, speeches, addresses and workshops ▪ To actively involve our staff in Corporate Social Responsibility initiatives to enhance engagement 	<ul style="list-style-type: none"> ▪ To continue to demonstrate support for events which attract visitors, enhance the City's image and that residents can enjoy ▪ Support community initiatives and organisations through the CIAL Community Fund, charity fundraisers and other donations through the year ▪ To engage and communicate openly with stakeholders through the Chief Executive and GMs initiating and accepting invitations to meetings, speeches, addresses and workshops ▪ To actively involve our staff in Corporate Social Responsibility initiatives 	<ul style="list-style-type: none"> ▪ To continue to demonstrate support for events which attract visitors, enhance the City's image and that residents can enjoy ▪ Support community initiatives and organisations through the CIAL Community Fund, charity fundraisers and other donations through the year ▪ To engage and communicate openly with stakeholders through the Chief Executive and GMs initiating and accepting invitations to meetings, speeches, addresses and workshops ▪ To actively involve our staff in Corporate Social Responsibility initiatives to enhance engagement

OUR PEOPLE

Our People Strategy is designed to build a Champion Team who has the capability and passion to achieve our purpose and our mission and is focused on continuing to support our evolution from an activity focused organisation to a purpose driven organisation.

We have developed a framework around which to orientate ourselves, one that is focused on the overlap between individual and organisational purpose, values and connection. This framework underpins and helps us to focus on how we are building engagement, alignment and trust across our culture (culture is aggregated individual behaviour over time).

We want to be a fair organisation, an inclusive team, one that embraces and reflects diversity. Diversity 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.

We have prioritised our people focus across the business regarding building our culture around our purpose and our values. These focus on building belief in our purpose, belonging to our values and trust in ourselves and others.

Performance Measures	Performance Targets		
	2021	2022	2023
Strategy Activation Leadership Program	<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 	<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 	<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
Creation and implementation of a diversity, inclusion and participation strategy and engagement program (Wawata Iwi Charter)	<ul style="list-style-type: none"> Activate Wawata Iwi fair employer charter Incremental improvements in participation and inclusion measures in culture and engagement survey 	<ul style="list-style-type: none"> Activate Wawata Iwi fair employer charter Incremental improvements in participation and inclusion measures in culture and engagement survey 	<ul style="list-style-type: none"> Activate Wawata Iwi fair employer charter Incremental improvements in participation and inclusion measures in culture and engagement survey

<p>Review and evolution of our reward and recognition strategy continuing to focus on connection and alignment</p>	<ul style="list-style-type: none"> ▪ Incremental improvement in our connection with purpose in culture and engagement survey ▪ Incremental improvements in reward and recognition measures in culture and engagement survey 	<ul style="list-style-type: none"> ▪ Incremental improvement in our connection with purpose in culture and engagement survey ▪ Incremental improvements in reward and recognition measures in culture and engagement survey 	<ul style="list-style-type: none"> ▪ Incremental improvement in our connection with purpose in culture and engagement survey ▪ Incremental improvements in reward and recognition measures in culture and engagement survey
<p>Review and update of Potential and Performance/areas of strategic value talent mapping exercise</p>	<ul style="list-style-type: none"> ▪ Improved retention of critical future talent 	<ul style="list-style-type: none"> ▪ Improved retention of critical future talent 	<ul style="list-style-type: none"> ▪ Improved retention of critical future talent

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.

COMPENSATION SOUGHT FROM SHAREHOLDERS

At the request of the shareholders, the company may undertake activities that are not consistent with normal commercial objectives. Where necessary, a specific subsidy may be sought to meet the full commercial cost of providing such activities.

FAIR EMPLOYER CHARTER

CIAL is committed to delivering a fair workplace, which means a work place that values people and builds capable and confident human beings. It is in support of these commitments that CIAL has developed our Fair Employer Charter (“Wawata Iwi Charter”).

A key commitment of our Charter is to create a culture that has high trust and embraces diversity and inclusiveness. CIAL’s wants to be focused on working together to be highly productive and to ensure that all are fairly rewarded for success.

CIAL recognises that we are part of our people’s lifelong journey and where we can, we will positively contribute to their learning, development and future success, both now and beyond.

REMUNERATION APPROACH

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 people we need to manage, operate and grow 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.

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.

The nature and scope of CIAL's activities may include activities requested by Council by way of Council resolution during the SoI period.

ESTIMATE OF COMMERCIAL VALUE

The Board consider the estimated commercial value of CIAL to be in excess of the book values reported in the company Annual Report.

The directors note the commercial value a shareholder may realise on any sale of its investment in CIAL will almost certainly differ from the any 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.

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 2019, as published on our company website <https://www.christchurchairport.co.nz/globalassets/corporate/financial-reports/2019-financial-statements.pdf>