

# Statement of Intent

Year ending **30 June 2025**



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## INTRODUCTION

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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 2024 to 30 June 2027.

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.

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## NATURE AND SCOPE OF ACTIVITIES

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Christchurch International Airport Limited (“CIAL”) is Aotearoa New Zealand’s oldest international airport (over 85 years old). CIAL’s core activity is the safe and efficient operation of airport facilities, facilitating air connectivity through the provision of appropriate landside and airside infrastructure, to meet the needs of all airport users (including both commercial and non-commercial aviation users), our customers, staff and the travelling public. This includes pursuing commercial opportunities with wider complementary products, services and business solutions where needed.

CIAL recognises the symbiotic relationship it has with the social and economic outcomes of Christchurch and the South Island which underpins its role of Championing the South Island and New Zealand. CIAL takes an intergenerational view to ensure that the economic, social and environmental contribution is maximised for both today and tomorrow.

CIAL will also look to utilise the culture, skills, knowledge and experience gained from the series of major external events over the past decade, to continue to diversify its business by proactively investigating opportunities to expand our footprint into new geographies and disciplines, and partner our strengths – our knowledge, experience and expertise.

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## COMPANY OVERVIEW

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CIAL has undertaken several reviews of what makes airports strong and successful across Australasia, which led to the focus on a diversified business centred on three commercial pillars of planes, passengers and property. This has shown us that maintaining control over and balance between these three business portfolios is critical.

CIAL continues to outperform against expectations for an airport of our size. By size CIAL does not make the list of the top 500 airports in the world, and yet (unlike airports of similar size within the region) in FY23 enjoyed over 10,000 international flight movements. It has international air connections to major regional airport hubs like Brisbane, Melbourne, Sydney, Dubai, Singapore, Hong Kong, Guangzhou and San Francisco. CIAL is the only long-haul airport outside of the top 100 that several of our airline partners operate schedule air services to.

Our airline partners have a strong desire to fly their passengers directly to and from the heart of New Zealand’s tourism attractions. CIAL remains the only South Island gateway for wide bodied long haul international flying and competes vigorously and successfully for airline routes on the basis of our service and product as well as our geographical benefits.

Like all strong airports, CIAL is a diversified portfolio business across aviation (planes), the terminal and ground transport business (passengers), and property development at its Christchurch campus (property), together with several inter-generational projects covering future aviation demands, energy transition and the future of air freight and e-commerce demands.

CIAL organises its commercial activity under what are collectively referred to as the 3Ps; *PLANES*, *PASSENGERS* and *PROPERTY*. Aviation (“Planes”) is the foundation stone that enables opportunities in the other Ps to arise.

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## PRINCIPAL OBJECTIVES

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CIAL’s core objective is to operate as a successful commercial entity and through that deliver and balance sustainable benefits to customers, the travelling public, the regions it serves and its staff while delivering growth in dividends and long-term value to shareholders in line with our shareholders long-term investment horizon.

Consistent with this primary objective, CIAL will:

- provide well-designed and maintained airfield and terminal infrastructure that delivers the required outcomes for CIAL and existing/potential customers, with an emphasis on safe, resilient and efficient airside activities
- pursue initiatives to grow shareholder value and provide sustainable, diversified and profitable revenue (and hence dividend) streams, including continuation of an appropriate level of investment in, and development of, the company’s property and land holdings. Inter-generational projects are handled on a project-by-project basis, separate to operational activity
- ensure that the company adopts a sustainable approach to the operation of all of its own controlled activities (including climate, water, circularity, biodiversity and energy) and pursues a commitment to minimising environmental impacts and use of natural resources where possible in respect to those activities (“PLANET” – our 4<sup>th</sup> ‘P’).
- exhibit a good 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 across all of the South Island
- focus on the health, safety and wellbeing of our people through fostering and facilitating a culture with strong safety values, demonstrating visible and authentic safety leadership together with a supported Wellbeing Strategy
- utilise the culture, skills, knowledge and experience developed at the Christchurch campus to proactively investigate opportunities to build further depth, diversification and resilience through expanding our footprint into new geographies and disciplines and partnering our strengths, where they will enhance the provision of aviation services across regional New Zealand to the benefit of all stakeholders
- 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 innovation will continue to be important components of how we will approach this
- be a fair employer in providing a workplace that values people, celebrates inclusiveness and diversity and supports people leading themselves and developing skills to lead others. Ensures all are fairly rewarded

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## AIRPORT INDUSTRY DYNAMICS

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### Financial Model

The challenges inherent within the day to day financial, operational and investment activities of an airport are often little understood by external observers. These constraints stem from a number of key dynamics that are often outside of an airports direct control and can be in conflict if not carefully managed. These include:

- *Aviation demand growth* – long term passenger growth approximates GDP growth and therefore there is limited ability to materially influence passenger volumes in the short term. Growth beyond that of long run GDP can be achieved, however only through significant investment. Full value impact of new routes usually takes 1-3 years to crystallise. Because of this, it is challenging to achieve meaningful, immediate and profitable passenger growth above general GDP growth levels.
- *Risk / reward asymmetry* – as noted above, passenger volume growth (or reward) is constrained in the long term, however as evidenced by the impact of the Christchurch earthquakes and the pandemic, downside risk to demand can be immediate and significant, with recovery taking many years. Mitigating this downside risk is challenging.
- *Regulatory Context* – As one of New Zealand’s three largest airports, CIAL has a portion of its operations subject to regulation overseen by the Commerce Commission. This regulation effectively limits the return available on an airports Regulatory Asset Base (airfield, apron and terminal), to an industry mid-point weighted average cost of capital (WACC), which is currently 6.62%. Approximately 45% of CIAL’s FY23 operating revenues were generated under this regulatory regime.
- *Non-regulatory priced activities* – the remaining revenue streams of an airport fall into two categories, passenger related (including retail, food & beverage, duty free, rental vehicles, ground transport and car parking) or property related.
  - Passenger related revenues are reliant on passenger volumes and maintaining customer service offerings that represent value for money, quality and current preferences. Property related revenues are constrained by the overall market demand and rental rate dynamics, while also requiring long lead times and capital investment to continue to grow a portfolio.
- Efficient airports, including CIAL, hold land for long-term development, for which an expected market return is unable to be achieved in the short term.

### Aviation Demand Outlook

Whilst demand for air travel initially rebounded strongly post-pandemic, total CIAL passenger numbers are forecast to recover to around 90% of pre-pandemic levels by the end of FY24.

Looking forward there are some risks in respect to future prospects of above trend growth in passenger numbers over the next 1-3 year period including:

- Risk of emerging softness in domestic demand likely linked to soft economic performance in New Zealand in conjunction with stubborn levels of core inflation and relatively high interest rates



- Impact on domestic and trans-Tasman jet capacity from ongoing engine maintenance requirements associated with the A320/321 neo aircraft, coupled with ongoing capacity constraints in aviation industry globally
- Continued geo-political conflicts and economic challenges in other parts of the world including China
- Recovery of some tourism markets and risk of reduced tourism funding locally and nationally

Beyond the next 1-3 year period, CIAL will also monitor public attitude towards climate change and aviation and whether this is leading to any shifting consumer preferences for travel and freight (particularly for long-haul markets).

## Capital Intensity

CIAL provides the city and region with a network of essential lifeline infrastructure that underpins the movement of people and goods around New Zealand and connects us to the rest of New Zealand and the world. Airport infrastructure involves planning over 30-year cycles to meet the long-term needs of consumers and airlines and hence require continual investment in the following areas:

- *Maintaining operational resilience* – by their very nature, airport operational assets must be maintained to meet stringent standards regarding safety, security and availability. There are continual upgrades in safety and security needs driven by regulatory change and it is essential that our critical infrastructure remains operational from a local and wider country perspective
- *Future focused investment* – decarbonisation of aviation. Following an extended period of relative stability regarding aeroplane design and operational requirements, the move to decarbonise is likely to create exponential change in the aviation ecosystem. Electrification of ground service equipment is already underway and electric, hydrogen propelled or sustainable aviation fuel ('SAF') fuelled aircraft are on the near-term horizon. These technology changes require major infrastructure investment across an airport campus to meet the demands of airlines, supporting operators and consumers.
- Over time airports will continue to need to invest for connectivity growth and regional development as well as to maintain our existing asset base to an acceptable level of services and to ensure operational resilience, including future climate change mitigation and adaptation.

## CIAL Performance

Despite the airport financial model constraints outlined above, historically CIAL has achieved a 10-year IRR of 10.2% (as outlined in the Northington Report), as compared to a median 10.7% IRR across the broader listed NZ infrastructure sector.

Unlike others in the sector, CIAL also remained profitable throughout the pandemic and paid a dividend each year.

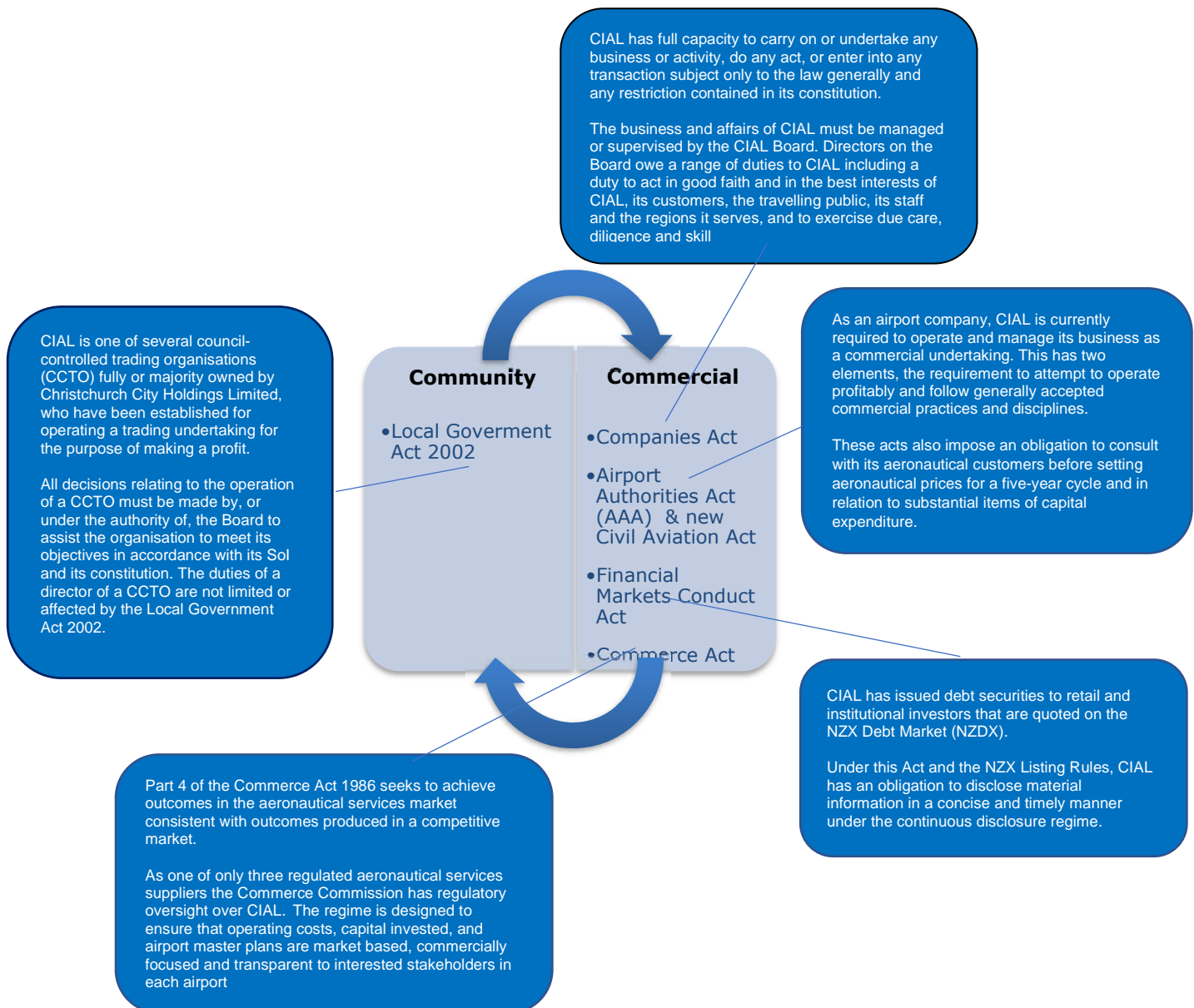
Looking forward, despite the challenges to future growth in aviation, CIAL is still predicting a consistent growth path in profitability and dividend flows and is focused on achieving a return that appropriately benchmarks to a relevant peer group comparator set (see later section on Financial Management & Performance targets).

## 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. The AAA and the new Civil Aviation Act 2023 require CIAL to operate its business as a commercial undertaking with specific operational and long-term management obligations.

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.





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## HORIZONS 2030

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In FY23 CIAL implemented a new strategy, Horizons 2030 (“H30”). The strategy focuses on what is needed to navigate the three big macro shaping forces (noted below in the FY25 Overview section) over the remainder of the current decade.

### **Great Foresight, For this Generation and the Next**

- H30 shows our plan for how we will continue to make foresightful decisions that have multi-stakeholder benefits for today and tomorrow. Our success is built on over 85 years of decisions that have benefited the generations ahead. When we position ourselves ahead of the trends that will shape us, we create value for Otautahi Christchurch and Te Wai Pounamu South Island now and for the future
- Our focus remains on meeting the needs of Otautahi Christchurch. Post-recovery Christchurch is an exciting place to be. With Te Pae, Metro Sports, a new CBD and other new infrastructure Christchurch will re-establish itself as a premier destination for conferences, events and tourism. Otautahi Christchurch, with Te Wai Pounamu South Island supporting it, will be a growth engine for the next decade
- When we look to the future it is one with a transition to lower carbon aviation and continued growth in demand to live, work and visit Te Wai Pounamu South Island

### **Belief & Purpose**

H30 is founded on our core beliefs, namely:

- Aotearoa New Zealand is the best place in the world and Te Wai Pounamu South Island is the best place in New Zealand
- CIAL wants Te Wai Pounamu South Island specifically and Aotearoa 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 Otautahi Christchurch and to share with others across Aotearoa 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 & Mission

We are a purpose driven organisation and our team have decided our purpose is best described as follows. It will achieve an ambitious Mission.



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

## Horizons 2030 – Grow, Expand, Partner

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

H30 is built on continuing to grow our engine room at our home base here in Otautahi Christchurch, exploring opportunities to expand our horizons into new geographies and disciplines, and partnering our strengths with others (e.g. Future Aviation Energy Infrastructure).



## Value Creation

Whilst there are several management approaches for improving organisational performance, several years ago CIAL identified a desire to focus on the ultimate goal of creating corporate value and this frames up our strategic approach.

Whilst value will be defined by different stakeholders using different metrics (e.g. dividend yields, commercial value, economic impact), CIAL has embraced value maximisation as the ultimate financial objective for the business.

Value creation is about evaluating trade-offs, where decisions between investments to generate growth are required i.e. what growth option generates the most long-term value created. Although an action can lead to an improvement in one metric like revenue growth, it may have an adverse impact on other metrics, like return on capital. Consequently, when CIAL is considering incremental investment decisions, focus will be on value creation.

As outlined later in this SoI, CIAL also has a series of non-financial goals. These do not contradict our overall value maximisation approach – on the contrary excelling in these areas compliments our overall value objectives. Non-financial goals are, however, always carefully considered in light of our financial circumstances and obligations.

CIAL has undertaken significant work to understand the key value drivers within our business. Key to identifying and understanding these value drivers has been to:

- a) understand how successful airports around the world operate;
- b) appreciate the requirements of our stakeholders and what they value; and
- c) understand what is possible within the regulatory, customer and commercial settings we operate within

This work very clearly identified the importance of having the three commercial pillars to maintain and enhance value, as they complement each other and build resilience into the business through diversification, as evidenced during the recent pandemic.

From a financial standpoint our business is a portfolio of businesses, made up of three business units, each with different value drivers and constraints:

- **Planes** – total allowable revenue is regulated under a cost plus margin based on a benchmark regulated WACC. Total allowable revenues are set for five years and analysed and assessed by the Commerce Commission. Value (capital improvements, cashflow and regional economic impact) is created in the long-term when airports are able to sustainably improve their position within the highly competitive aviation market. In the case of CIAL this means building Destination Christchurch and gateway South Island. This often means investing ahead of the curve.
- **Passengers** - This is the commercial activity that happens from “Park to Plane” and includes car parking, ground transport activity, retail concessions and terminal leases. Concession and lease contracts are often negotiated for 5-10 year periods at set rates. Value (cashflow) is created when you can supply goods and services that meet the needs of the travelling public that increases spend per passenger, or when changes can be made to the customer journey to capture more passengers. The traditional retail model is under threat from digital disruption and therefore revenue protection and transition is the key focus.

- **Property** - Development of campus land. Rents and returns are set by the wider Christchurch property market. Value is twofold – rental returns, plus capital uplift/balance sheet growth. Value is created through high quality offerings that have a low churn and strong rent roll. In addition, there is value derived from agglomeration within precincts. CIAL has a unique advantage in its location and airside access which positions it well to capitalise on tourism, freight and logistics opportunities.

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## FY25 OVERVIEW

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### Recap & Current Environment

**The 2014-2019 period** was focused on the rebuild of aviation volumes and the re-engineering of CIAL as a diversified portfolio business. This period saw:

- Return on Invested Capital ("ROIC") (EBIT / (Equity + Debt) increase from 4.3% to 6.7%
- Annual dividends increase from \$6.6m to \$44.8m.
- 50% of all shareholder value across CIAL's then 82-year history (circa \$680m) was created since 2014.

These improved outcomes (and the additional financial resilience noted below) were achieved through accelerating the development of bare land, diversifying revenue risk through creation of different property development precincts on campus, changing our approach to aeronautical charging which equalised revenue from domestic and international passengers and a focus on operational cost control, which also included building flexibility into our largely fixed cost base.

**The 2020-2022 years** were heavily characterised by the global pandemic and CIAL's approach over this period was to remain true to our core philosophy of stakeholder equity, balancing supporting the needs of customers, staff and shareholders.

During this period CIAL paid just under \$30m in dividends, protected shareholder value, maintained critical connectivity, provided over \$50m in customer support and preserved employment of key talent and staff. All delivered whilst preserving our balance sheet with debt levels being managed to a level essentially unchanged from where they were prior to the pandemic.

These outcomes were founded on the financial resilience built into the business through previous diversification of the underlying revenue base, cost structure flexibility and balance sheet strengthening.

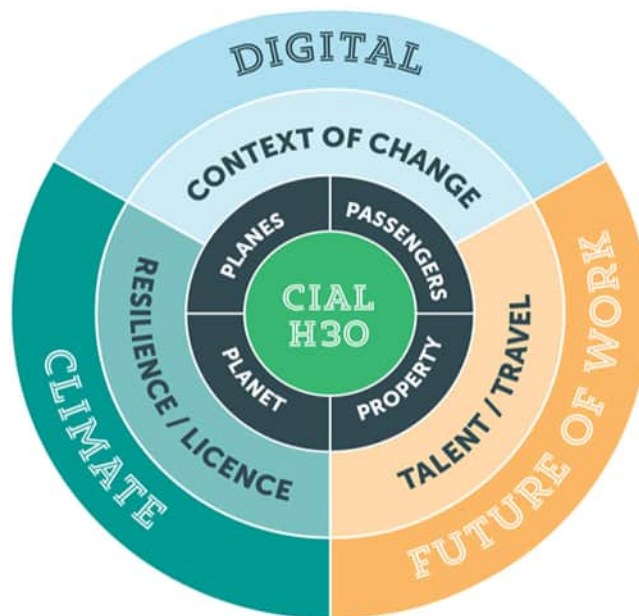
**2023 and beyond** triggered a transition to a post-pandemic environment with CIAL capitalising on its strong position to focus on powering out and growing our engine room at our home base of Otautahi Christchurch.

Performance in FY24 has been pleasing to date, noting several ongoing headwinds within CIAL's operating environment, which are highlighted in the 'Financial Performance Targets' section of this SoI and remain relevant to the operating environment for the remainder of FY24 and into FY25 and beyond. It should always be remembered that aviation is an inherently volatile sector.

This volatility coupled with the increasing frequency of high impact events that were once considered to occur with a very low likelihood (i.e. '1 in 100-year events'), means trading conditions can be materially and quickly impacted. Having a diverse, portfolio business is key to managing this risk.

### Macro Shaping Forces of Current Decade

In FY23, CIAL undertook a review of its long-term strategy out to 2030 to overlay the impact of what it believes to be the long-term macro trends. These are Digital Transition, Climate Change and the Future of Work. These macro trends were instrumental in the development of the current enterprise strategy, H30.



H30 looked at three time periods, long-term (FY30 and beyond), medium term (FY27-FY29) and short term (FY24-FY26).

Long Term: the long-term macro trends present in 2019 remain relevant in 2024. The pandemic accelerated aspects of these macro trends and it is these trends that will shape the environment for CIAL over the next decade and beyond. These trends will create disruption in many sectors, presenting many opportunities and risks.

Medium Term: these global trends will interface with CIAL through two primary filters, the New Zealand context (including national and local economic and social influences) and Aviation context (including international and national aviation influences). A scan of these beyond CIAL influences, will shape the risks and opportunities for CIAL over the next 2-3 years.

Short Term: these macro trends will be relevant however the short term is primarily shaped by the continued rebuilding and growth of two of our four Ps – Planes & Passengers (Aviation and Terminal Commercial). Short term aeronautical outcomes continue to be heavily influenced by airline partner strategies which currently face supply side challenges (both availability of new aircraft and ongoing global maintenance issues) - whilst operational costs will face the current challenges of reducing non-tradeable inflation, a higher interest rate environment than over the previous decade and a continued need to retain key talent from a CIAL perspective.

The development of renewable energy, energy network capacity and the infrastructure for low emissions aircraft will directly, and positively, impact on climate, resilience, licence to operate and talent attraction and will open opportunities across all parts of the business.

## **Overlay to Strategy Development**

### Digital Transition

- data, processing capacity and artificial intelligence combine to accelerate digitalisation of existing processes. Creates opportunity in cost out and customer experience.
- passenger journeys, augmented reality, automation/AI and robotics will all become relevant. Creates opportunities in retail and customer experience.
- Growth in key infrastructure needs for energy, data and e-commerce (freight channels and capacity). Creates opportunities in commercial diversification.

### Climate Change

- *Mitigation* – ongoing expectations around reducing emissions from our business operations and the wider transportation sector.
- *Adaptation* – adaptation to changing weather patterns. New technology and new renewable generation close to point of consumption will be essential to societal scale energy transition. Creates opportunity for Christchurch to be a leader in the country.

### Future of Work

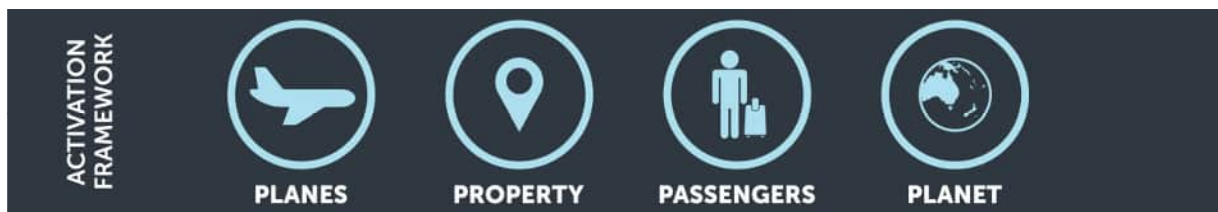
- Technologies and demographic shifts have transformed the way organisations conduct business and expectations around remote working options. Creates opportunity in demographic shifts.
- Travel patterns will change but air connectivity will remain critical.



## ACTIVATION FRAMEWORK & STRATEGIC PRIORITIES



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

CIAL will continue to pursue initiatives to provide diversified and profitable revenue streams that will deliver growth in dividends and long-term value to shareholders in line with our shareholders investment time horizons.

#### Planes

- The aeronautical strategy remains focused on 'finding planes' and 'filling planes'. A key focus area is continuing to maintain and grow the network we had before the pandemic, whilst continuing to develop targeted high-quality long-haul routes that can sustainably grow over time
- CIAL's role as a Tasman/domestic hub and spoke airport and as a gateway for passengers and freight into and out of Te Wai Pounamu South Island will continue to be the primary focus
- Destination Christchurch provides a unique window of opportunity over the next two to three years. CIAL will continue to partner locally and nationally to promote and reposition Destination Christchurch
- Air New Zealand's engine issues create a threat over the next 2-3 years which have the potential to reduce seat capacity by circa 3-5%. Given there is no replacement capacity, there is little that can be done to offset this

### **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 aeronautical activity. A new team and way of working has been established to accelerate our outcomes
- In the short term, the core focus will continue to be on working with our commercial partners to assist them improve existing trading outcomes (including retail and digital)
- Unlock opportunities to improve our commercial offerings, develop single customer journey initiative and consider new future goods & services
- Define digital opportunities across ground transport, terminal offerings and harnessing customer data

### **Property**

- CIAL's property investment 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. Whilst growth remains a focus, a heightened focus on value reflects the maturity of the property portfolio
- CIAL will update its 30-year master plan in FY25. A new updated, Airport Master Plan will consider, and bring together, a wide range of converging aspects across the airport campus including CIAL's terminal and ground transport strategy, CIAL's investment property strategy, capacity and resilience of energy supply, climate adaptation requirements and infrastructure needs as aviation looks forward to options to de-carbonise, biodiversity and finally operational resilience
- Focus remains on a detailed investigation of the opportunities in respect to freight and e-commerce networks and the identification of where CIAL is best placed to invest

### **Environmental, Social & Governance (Planet)**

At the heart of our sustainability approach at CIAL is a dedication to kaitiakitanga, both from an environmental and intergenerational wellbeing approach. Looking ahead, we are developing a more inclusive and broader approach towards sustainability that will focus more on activations in the social and governance areas, alongside continuing our work in the environmental sustainability space.

Later sections in this document outline underlying principles and outcomes associated with the planet pillar, including environmental sustainability, people (including health, safety and wellness), social and community and our fundamental principles of governance.

## **Expand our Horizons**

### **Central Otago**

In 2018, CIAL began investigating opportunities beyond a single site which protect and enhance shareholder value, support regional social and economic development and support 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.

In 2020, CIAL invested in 750ha of land at Tarras. It has worked with a range of experts to gather a strong base of quality information to explore and carefully consider what a long-term regional and national solution to the aviation capacity needs and related wider transportation needs of the lower South Island for the next 50-plus years might look like. Central to that has been fitting within Aotearoa New Zealand's low carbon future.

The problem of resilience, sustainable transport, and infrastructure capacity for Te Wai Pounamu the South Island, that our project seeks to resolve, remain true. This will play out over a long-term period and getting it right is critical for future decisions about where the region develops its key infrastructure assets.

Our exploratory work to date gives us confidence that this opportunity, with its core purpose being to facilitate sustainable aviation and protect long term dividend flows and value growth for Christchurch, also remains.

CIAL recognises the financial challenges that the City faces and the evolution in several key areas that interplay with the project such as the repeal of the Resource Management Act and Three Waters legislation, the development of the National Infrastructure Resilience Plan, the focus on sustainable growth in tourism and next steps on funding and financing for Local Government and the Tourism sector.

All these external moving parts support us taking further time to understand their impact. Over the next period, CIAL will take further time to understand their impact and subsequently engage with local and national stakeholders, including iwi mana whenua. Feedback from the local region, as expected, has contained a range of views, from concern to support. We will continue to listen and onboard the feedback.

Our commitment to working closely with our shareholders and keeping other stakeholders well informed as our understanding of these external factors grows will continue. This extends to consulting before any significant capital is deployed or decisions are required.

We remain clear that any development will not proceed unless the economic, climate, environmental, social and technological rationale for it is clear and it works for airlines and passengers alike.

In the meantime, the land held remains a strategic asset of Christchurch Airport and protects the long term value that has been created in CIAL and the Christchurch visitor proposition.

**Renewable Energy – Kowhai Park**

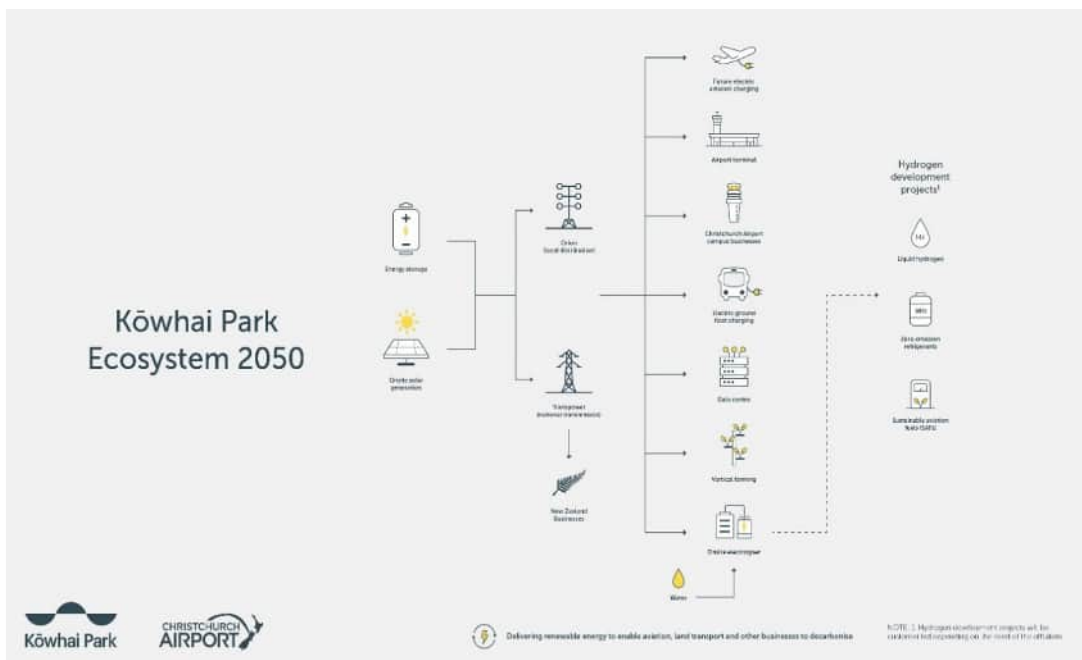
CIAL is acutely aware of our role in assisting with the climate challenge. With Kowhai Park, CIAL is looking beyond our own ‘Scope 1’ emissions to supporting others with their de-carbonisation goals. CIAL can use our advantages to help create and accelerate the renewable, low carbon transport systems and infrastructure that will be required to meet global goals help our region to decarbonise 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. Kōwhai Park is developed under an ecosystem approach where the system, rather than a single development, enables energy transition opportunities for the future of aviation across planes, passengers, planet and property for Otautahi Christchurch, Canterbury and Te Wai Pounamu South Island.

Our plans for the initial phase will deliver a 300-hectare solar array capable of generating 180 megawatts of solar energy. In February 2023, CIAL announced publicly their preferred development partner, a Joint Venture between Contact Energy and international solar business Lightsource bp. The purpose of the solar component of the ecosystem is to deliver the grid connection infrastructure to enable CIAL to participate in the opportunities in the right-hand side of the ecosystem i.e. to provide electricity infrastructure network capacity to property development, terminal and car parking facilities and new generation aircraft such as electric and hydrogen aircraft as well as the production of synthetic aviation fuel.

Commencement of project delivery is currently planned for late July 2024 onwards.

With room to grow, Kowhai Park can enable a range of future technology and commercial opportunities across solar generation, battery storage, national transmission and local distribution, future aviation charging and hydrogen production and liquefaction. This ecosystem is summarised below.



Whilst Kowhai Park will be complemented by a localised grid connection/sub-station to ensure CIAL has future energy resilience and supply for its campus as well as increasing the supply of renewable energy to the national grid, it will not connect existing tenants directly to the solar farm or sub-station who will still be required to undertake commercial negotiations with the preferred developer for their electricity supply.

The 300-hectare solar farm delivered as Phase 1 will enable an increased grid connection. CIAL will be required to work with Orion to develop local network infrastructure within the campus, in line with our future investment needs.

### **Energy Resilience**

A major emerging focus for CIAL as a part of our master planning process will be on energy resilience. Resilience of energy supply and the ability to enable growth of high electricity use on campus will become a key focus over the next 1-2 years.

All businesses are searching for energy resilience including physical, price and climate change resilience. CIAL expects the electricity supply needs of our campus to triple by the end of this decade to service initial deployment of battery electric aircraft, production of hydrogen for land and air transport, and expansion of the property portfolio.

The initial phase of CIAL's Kowhai Park project will be fundamental to addressing the risk of a constraint to development through a lack of energy supply through the core objectives of obtaining an appropriate grid connection developing renewable and cost-effective energy and improving physical and financial energy resilience. In addition to the grid connection, it is envisioned that there will be additional investment required to connect the relevant parts of the campus to the grid.

### **Partner Our Strengths**

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.

Opportunities have emerged post pandemic for long-term property development partnerships that have the potential to diversify our property portfolio and 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 aviation development, 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.

## **Resilience, Adaptation & Master Planning**

It is worth noting the significant role CIAL plays in handling displaced aircraft and passengers when major weather events or infrastructure limitations (e.g. fuel supply) impact other parts of the country. Aviation is a network so impacts at one of the nodes most often has flow on effects for the other nodes. As CIAL is the only truly wide body capable airport behind Auckland (including the divert airport for most international airlines), we will continue to play an active role in helping with national resilience.

CIAL recognises that we serve as an essential piece of regional and national lifeline infrastructure supporting our communities' mobility and economic growth. Our operations deliver high levels of availability, reliability and resilience however we recognise physical impacts of climate change may present risks to our assets into the future. Asset adaptation and future proofing can lower our exposure to climate hazards and extreme weather.

Given the existing constraints, increasingly frequent and severe weather events, and ongoing fragility within the New Zealand Inc. aeronautical system, CIAL will look to develop Christchurch Airport as an alternative fully capable all-weather airfield to provide additional resilience to the country's long-haul capable airport infrastructure.

As part of its Master Plan update in FY25, CIAL will develop our physical risk adaptation plan which will identify key adaptation actions required for the most material physical climate risks together with timeframes and investment needs.



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## FINANCIAL MANAGEMENT AND PERFORMANCE TARGETS

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### Background

CIAL's key objective is to operate as a successful commercial entity, actively benchmarked against relevant industry peers whilst also adhering to our core mission of **Enhancing People's Lives & Fuelling Economic Prosperity & Being Great Kaitiaki of Our Planet**. Only ticks in all three areas represents value creation.

Achieving this objective, requires balancing several different priorities, including both financial and non-financial expectations specific to our two shareholders.

As noted in the Northington Partners review of CCHL, despite the impacts of the pandemic CIAL has performed satisfactorily over the past 5 years with an Internal Rate of Return >8.5%, consistent with the regulatory framework within which CIAL operates and its NZ industry peers.

Obviously the recent 3-year returns have been significantly impacted by the pandemic, followed by sharp increases in inflation and interest rates. Over the next 12-18 months, the primary financial objective for CIAL remains on returning the business to an acceptable level of profitability and commercial 'match fitness'.

### Metrics

CIAL tracks and targets a series of specific financial metrics focused on financial returns ('Return on Invested Capital' - "ROIC"), operating efficiency/productivity ('EBITDA Margin') and capital structure measures (see Capital Management section).

CIAL uses the ROIC metric as it focuses on the effective management of both revenues and total operating costs (net cash flows or EBITDA), while also taking invested capital into account in the form of depreciation. The ROIC metric then measures the return from the total employed capital – being the sum of shareholders' equity and long-term debt finance.

This metric and its associated external industry benchmarks are used at a company-wide level to assess CIAL's ability to generate returns from existing operating activities and related capital employed, and whether new investment of capital will meet the relevant targeted return.

From a financial perspective, there are a number of dynamics which impact the investment decisions made and the prioritization of expenditure (either capital or operating). These include the investment drivers, whether compliance or growth, return mechanisms, whether regulated or commercial, and investment timeframes. Optimising the outcomes requires balancing maintenance of an acceptable capital structure, creating long term value and improving returns.

When considering a sustainable target return on invested capital, it should be noted that:

- approximately 45% of CIAL's operating revenues in FY23 are regulated under the Commerce Commission's Information Disclosure Regime. This effectively limits the revenue that CIAL can earn from its Regulated Asset Base for each 5-year pricing cycle assessed against a mid-point WACC calculated by the Commerce Commission at the start of that period (assessed at 6.62% currently for the current period out to the end of June 2027)

- CIAL holds land for long-term airport development, for which a fair market return is unable to be achieved in the short-term. In addition, CIAL's Regulated Asset Base (value) on which it is permitted to seek the Commerce Commission's return is much lower than the accounting asset base (value). This arises via differences in valuation methodologies required by the regulatory and accounting regimes

CIAL has set a goal of achieving a group 6.5% ROIC by 2030. This target for the 2030 year aims to achieve a return that benchmarks against our local airport comparator set (AIAL, WIAL & QAC), a global Airport Council International ('ACI') index for developed countries and similar sized airports and the NZ infrastructure section more generally.

Other key factors of note to understanding CIAL's current financial environment over the upcoming 2-3 years include:

- Whilst CIAL has been successful in rebuilding its aviation network and airline partners since the pandemic, it has had to invest to achieve that growth (and for future growth) and hence full revenue impact usually takes 1-3 years to crystalise
- Similarly whilst CIAL has a strong investment property development pipeline, there is a lead time of approximately 12-18 months on average from the time of commencement of a development to when rental income is reflected in CIAL's revenue. Furthermore, CIAL's land can only be developed at a rate that planning frameworks and market demand allow
- CIAL's 'long-term levelized' regulated pricing approach (as endorsed by the Commerce Commission) 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 future pricing periods PSE5 and PSE6. Whilst this reduces aeronautical recoveries in the earlier years of the price path, it provides some certainty to revenue to be earned in the later years of the path
- CIAL has a relatively fixed operating cost base, particularly in respect to its major terminal and airfield assets and productivity gains are incremental in nature
- CIAL has significant levels of 'non-tradeable' costs (i.e. rates, insurance, interest) that continue to show stubbornly high levels of inflation

## Capital Management

CIAL's current Treasury Policy requires the company to target at least a stand-alone BBB+ credit rating and caps its gearing ratio (debt/(debt+equity)) at 40%, with 5% of that 40% set aside as a buffer for major external events (such as the Alpine fault or a pandemic) – meaning an effective gearing ratio cap of 35%.

This capital management approach has been very effective over recent years in providing resilience through the global pandemic – arguably one of the most material events to impact the aviation sector. A recent external independent review of CIAL's capital management policy has endorsed this approach in order to provide an appropriate mix of financial flexibility, resilience and excess debt capacity for stress related events.

Whilst acknowledging the appropriateness of this approach under the circumstances, it does potentially lead to a natural 'capping' of new self-funded debt investment over the medium to long term. This, together with a continued focus on achieving a benchmark ROIC as noted above, will always mean that there is a limit on the number of initiatives and projects CIAL can fund over time (both Capex and Opex).

Consequently, when considering internal investment decisions, CIAL utilises a "competition for capital" process across its Planes, Passengers and Property pillars, of which Internal Rate of Return ('IRR') relevant to overall companywide ROIC, is the key underlying measure.

CIAL's competition for capital approach allows new initiatives and projects to compete for available funds, being prioritised based on those that will add the most value.

When considering returns on investment, it is relevant to keep in mind that CIAL makes investment decisions across land, infrastructure and buildings, leases and operations. Each of these areas operates to a different timeframe (between 3 – 50 years) and therefore carries different risk and value profiles. Additionally, it is not uncommon for a single proposed investment to touch on more than just one of these areas, therefore bringing different time lenses into the decision-making process.

## **Financial Targets**

For the purposes of the FY25 SoI, CIAL has continued to adopt a mid-point passenger demand scenario for FY25-27. A balanced approach to forecasting passenger demand is taken to factor in future risk factors including ongoing capacity constraints in the aviation industry globally, soft economic performance affecting demand in New Zealand and abroad or further escalation of geo-political conflicts.

The key factor influencing CIAL's passenger demand (and hence aeronautical and commercial revenue streams) currently relates to Air New Zealand's ongoing engine maintenance requirements associated with the A320/A321neo aircraft which fly predominantly on the Auckland and trans-Tasman routes from Christchurch. This a 2-3 year risk which has the potential to reduce seat capacity by circa 3-5% into FY25 and FY26. Currently there is no replacement capacity, and consequently little that can be done to offset this.

The continued relatively high inflation and high interest rate environments in New Zealand and globally, also add further risk to growth assumptions, particularly over the next 6-12 months.

\$m	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
<b>Total Revenue</b>	225.7	232.5	242.3	253.4
<b>EBITDAF<sup>1</sup></b>	136.8	140.9	149.1	157.5
<b>EBITF<sup>2</sup></b>	92.3	95.9	103.1	110.2
<b>Interest Expense</b>	32.2	30.9	30.0	29.8
<b>Net Profit (Loss) After Tax</b>	43.4	48.8	54.1	59.7
<b>EBITDAF as % of Revenue</b>	60.5%	60.7%	61.6%	62.2%
Return on Invested Capital <sup>3</sup>	4.4%	4.7%	5.0%	5.2%

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 accounting adjustments related to revenue or expense gross-up
- any lease accounting adjustments (FY25-27)
- any non-cash deferred tax adjustments

Passengers	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Domestic	4,836,228	4,921,878	5,071,554	5,151,279
International	1,410,472	1,645,816	1,779,289	1,900,501
<b>Total Passengers</b>	<b>6,246,700</b>	<b>6,567,694</b>	<b>6,850,843</b>	<b>7,051,780</b>

## Notes & Assumptions

### Revenue

- Aeronautical: the updated passenger forecast reflects the current trends that are being seen in domestic and international demand. Forecast also considers:
  - domestic and international seat capacity filed by airlines up to March 2024; and
  - latest projections from the industry, including likely impact of ongoing engine maintenance requirements associated with the A320/A321neo.
- Lease Rental: Underlying lease rental will continue to grow through FY25-27, predominantly reflecting a market rate rental return from the forecast property development program and ongoing market annual rent review arrangements.

<sup>1</sup> Earnings before interest, tax, depreciation, amortisation and fair value movements.

<sup>2</sup> Earnings before interest, tax, and fair value movements.

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

- Terminal & Commercial Concessions and Ground Transport: the majority of commercial arrangements have returned to a basis that correlate to passenger growth trajectories, including both Minimum Annual Guarantees (MAG) and concession revenue elements.

Baseline parking, taxis and rideshare revenue will follow a similar rebound path to domestic and international passenger numbers overlaid with revenue uplift portfolio wide pricing adjustments.

- Hotel: FY24 has proved to be a challenging year within the hotel industry, with tourism, business and leisure traveler numbers not meeting market expectations and consequently demand being unpredictable. Uncertainty of demand has also challenged cost structure flexibility and the ability to scale resource as needed. FY25 performance is expected to improve as base occupancy levels increase and cost base flexibility improvements are implemented.

### **Operating Costs**

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

As we move into FY25, terminal and airfield operating costs have returned to levels reflective of rebuilt passenger activity, including new focuses on related health, safety, security and resilience requirements.

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 FY25 and then compound at long-term wage growth levels as assessed by Treasury from FY26 onwards.

- Insurance, Rates & Interest – these costs are outside of CIAL control and rising at rates much higher than average annual CPI
- Maintenance – CIAL's consolidated maintenance contract with Citycare fixes a number of costs for three years. This contract will be reset in FY25, which will result in significant pricing increases associated with catch up inflationary pressures
- Regulatory, Compliance and Planning – increased activity associated with the Commerce Commission input methodology review and various national, regional and district plan review processes and submissions, including appeals
- Cleaning, Waste, Waste minimisation and Quarantine – CIAL outsources these activities. Contract terms allow for underlying rates to increase in line with living wage increases and passenger volumes

## 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	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Debt	555.0	570.0	596.0	623.0
Equity	1,472.6	1,480.2	1,488.1	1,496.8
Shareholder Funds/Total Assets %	63.5%	63.0%	62.3%	61.8%
Gearing (debt/(debt + equity)) %	27.3%	27.7%	28.5%	29.4%
Debt / EBITDAF	4.0	4.0	4.0	3.9
EBITDAF Interest Cover x	4.2	4.5	5.0	5.2

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## DISTRIBUTIONS

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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, future investment and benchmark requirements, subject to targeting a gearing ratio which does not exceed 40% (35% when excluding the 5% major event risk buffer) and maintaining CIAL's targeted stand-alone credit rating of BBB+. Noting that CIAL benefits from a core endowment of the wider CCHL group through receiving a further credit rating upgrade (with resulting lower credit margins) due to the strong expectation of shareholder support.

In addition, CIAL remains cognisant of Shareholders' expectations regarding dividends and understands that certainty and growth in dividend stream is a key requirement.

Moving forward, subject to trading conditions at the time, it has been assumed that it remains the Board's intention to consider dividend payments in line with existing dividend policy (90% of distributable profit).

The dividend policy is periodically subject to independent review.



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

\$m	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Dividend Forecast	39.1	43.9	48.7	53.7
<u>Dividend Pay-outs (Cash Flows)</u>				
Current Year Interim Dividend	19.0	21.1	23.4	25.8
Prior Year Final Dividend	13.1	20.1	22.8	25.3
Forecast Dividend Cash Flow	32.1	41.2	46.2	51.1

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.

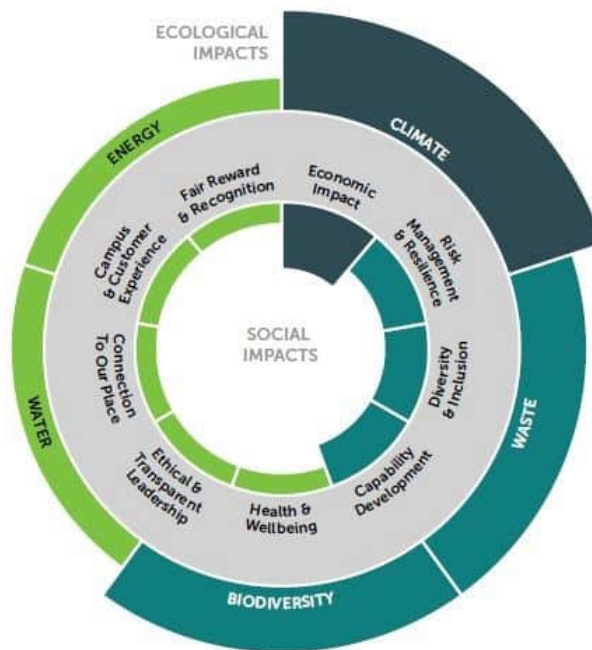
## PLANET/SUSTAINABILITY - TOITŪTANGA

We take inspiration from the Māori concept of kaitiakitanga. Both in terms of environmental guardianship, as well as intergenerational wellbeing.

‘Ko ngā pae tawhiti whāia kia tata, ko ngā pae tata whakamaua kia tina; The potential for tomorrow depends upon what we do today.’

We have developed the CIAL Sustainability donut framework, to reflect the inherent interconnectedness of people and planet at a business level; in effect our social minimums alongside those planetary boundaries we are most materially impacting.<sup>1</sup>

We understand that sustainability is a commitment to an ongoing journey of improvement, as we learn and adopt best practices. This requires us to be open to challenges, to benchmarking ourselves against progressive industry peers, and where frameworks don’t yet exist, helping to shape them with the greatest level of ambition.



Our commitment to climate action and accelerating the transition to a low carbon aviation future remains at the forefront of our sustainability program.

### CLIMATE | TE ĀHUARANGI

**Reduction:** Looking ahead we will continue our independently audited long-term emissions reductions for our own controlled airport operations aligned with GHG Protocol best practice, and our science-based targets. This will reflect the continuation of our fleet transition, energy efficiency improvements, renewable energy development, and work to support the reduction of our Scope 2 and 3 emissions which pushes more into our supply chains. This means working with our airline and industry partners and suppliers to collaborate on opportunities to support them with their own emissions reductions goals, and ensure we have the infrastructure ready to support them.

**Adaptation:** CIAL continues to understand our climate adaptation requirements and planning going forward. Our adaptation focus is on the future impacts of climate change including transitional risks, as well as physical damage to infrastructure and property assets of CIAL, business interruption and operational delays – caused by the outcomes of climate change including flooding, higher temperatures, increasing frequency and severity of storm events and high winds. Noting also Christchurch International Airport falls within the scope of mandatory climate related financial disclosures reporting regime.

**Transition:** 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.

Whilst CIAL's most material sources of climate transition risk are outside of its direct control, we believe that transition to a lower carbon aviation sector is a shared challenge that requires action from all. CIAL will therefore use its influence and available mechanisms to support the industries decarbonisation journey including participating in advocacy efforts around investment in future decarbonised aviation fuels and overall policy response needs to support the wider airport network's transition to new energy and aircraft technology.

#### **BIODIVERSITY** | TE KANORAU KOIORA

Biodiversity is a key planetary boundary that is currently being exceeded and requires global action to address. CIAL has a growing interest in understanding our ability to positively impact biodiversity on our campus.

We will work through a similar process to our climate work with biodiversity - including measuring, monitoring, and setting science-based targets, developing a biodiversity strategy to support the global goals, and then embedding this in practice across the organization.

#### **CIRCULARITY** | TE PARA

In recent years Aotearoa New Zealand has come to accept there is an overdue transition required from a linear – take, make, waste mentality, to one of a circular economy. A circular economy is designed around taking single use items out of production, and instead designing products for continued reuse or to be biodegradable without detrimental impact on our oceans or soil health.

CIAL has the goal to move towards circularity but understands this is a complex journey that will involve support from across the organization, alongside the public, our tenants, regional and national stakeholders where investment in support infrastructure needs to occur.

Performance Measures	Performance Targets	
	2025	2026 & 2027
<p><b>Climate / Te Āhuarangi</b></p> <p>Deliver a tangible reduction in the Climate impact of aviation and adapt to our changing climate.</p>	<ul style="list-style-type: none"> <li>▪ Maintain airport operational greenhouse gas emissions reductions of 90% or greater (scope 1 &amp; 2 emissions)</li> <li>▪ Actively seek to support reduction in airport supply chain (scope 3) emissions to accelerate transition to low carbon aviation</li> <li>▪ Publicly disclose and regularly review our processes relating to climate risk disclosures – identification, monitoring, and adaptation planning.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Maintain airport operational greenhouse gas emissions reductions of 90% or greater (scope 1 &amp; 2 emissions)</li> <li>▪ Actively seek to support reduction in airport supply chain (scope 3) emissions to accelerate transition to low carbon aviation</li> <li>▪ Publicly disclose and regularly review our processes relating to climate risk disclosures – identification, monitoring, and adaptation planning.</li> </ul>
<p><b>Energy / Te Pūngao me to tūāhanga</b></p> <p>Onsite renewable energy to power CIAL’s decarbonisation and support aviation’s low carbon future.</p>	<ul style="list-style-type: none"> <li>▪ Regularly review energy efficiency projects seeking to maintain or improve operations</li> <li>▪ Expand understanding of renewable energy and future fuels infrastructure requirements to cater for transition to low carbon aviation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Large-scale onsite generation of renewable electricity from 2026, and expand campus electricity network distribution access</li> <li>▪ Regularly review energy efficiency projects seeking to maintain or improve operations</li> <li>▪ Develop the pathway for renewable energy and future fuels infrastructure requirements to cater for transition to low carbon aviation</li> </ul>
<p><b>Biodiversity / Te Kanorau Koiora</b></p> <p>Maintain, enhance and restore Aotearoa’s native and endemic species.</p>	<ul style="list-style-type: none"> <li>▪ Develop a CIAL biodiversity framework founded in science and linked to the UN global goals.</li> <li>▪ Develop a trusted network of stakeholder relationships to support work program</li> </ul>	<ul style="list-style-type: none"> <li>▪ Activate CIAL biodiversity framework founded in science and linked to the UN global goals.</li> <li>▪ Maintain a trusted network of stakeholder relationships to support work program</li> </ul>
<p><b>Noise</b></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"> <li>▪ Noise complaints are limited to 10 per 10,000 aircraft movements per annum</li> <li>▪ Actively participate in the public consultation across Canterbury on how the latest noise contours are integrated into the Regional Policy Statement</li> <li>▪ Offers of acoustic mitigation to noise impacted properties currently eligible</li> <li>▪ Long term and ongoing program to protect CIAL from noise reverse sensitivity affects</li> </ul>	<ul style="list-style-type: none"> <li>▪ Noise complaints are limited to 10 per 10,000 aircraft movements per annum</li> <li>▪ Offers of acoustic mitigation to noise impacted properties currently eligible</li> <li>▪ Long term and ongoing program to protect CIAL from noise reverse sensitivity affects</li> </ul>

<p><b>Circularity / Te Para</b></p> <p>Support a circular economy that ultimately keeps resources in circulation rather than landfill.</p>	<ul style="list-style-type: none"> <li>▪ Identify areas of responsibility and opportunity to support circularity</li> <li>▪ Support incremental improvements in waste prevention or reduction</li> </ul>	<ul style="list-style-type: none"> <li>▪ Identify areas of responsibility and opportunity to support circularity</li> <li>▪ Support incremental improvements in waste prevention or reduction</li> </ul>
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## PEOPLE

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Our people are at the heart of everything we do, and it’s their great contributions that underlie our successes, innovations and reputation.

Our People Strategy is designed to continue building a collaborative, connected and engaged culture that enables every member of our team to deliver our purpose, mission and strategic priorities both individually and collectively.

Our vision is to enable and inspire our people to be and do their best within a supportive and inclusive working environment. Our strategy focuses on five pillars: Purpose, Leadership, Engagement, Talent and Inclusion; and supports our desire to be an employer of choice.

### Future of Work

The world of work is constantly evolving with the advancement of technology, digitisation, automation and Artificial Intelligence (AI), and we will be extending the ways technology can improve human resources and operations infrastructure (such as payroll and recruitment), reduce lower-value tasks reliant on human input and improve business efficiency, performance and working conditions.

Continuing to embed and evolve what flexible work means for CIAL now and in future is a key piece of work and we are pleased that many of our team have accessed opportunities available to them appropriate to the nature of work they perform. Balancing engagement, talent, retention, productivity and culture remains central to our thinking.

### Talent, Development & Learning

We have defined the critical attributes and capabilities required for our talent pools, along with identifying the roles that are critical in driving value and/ or managing risk across the organisation. This talent management plan has provided a foundation for recruitment and development activity and has enabled us to create a framework for succession planning across the organisation.

We strive to offer our people equal access to broad development opportunities which enable personal and professional development growth.

## **Diversity & Inclusion**

We want to be a fair organisation, an inclusive team, one that embraces and reflects diversity and inclusion in all forms. Diversity & Inclusion has many dimensions, and for CIAL it is important that diversity is embraced and we provide an inclusive work environment where people feel their contributions are equally valued and they can be their authentic true selves.

Our aspiration is that we reflect the communities we serve and are an organisation that has the capability and understanding to embrace diversity and be inclusive. CIAL will continue to prioritise talent strategies that ensure we attract and retain capable and aligned talent whilst balancing a move to improving diversity across the organisation and in specific areas such as leadership.

We have done a lot of work assisting our team to understand what equity, diversity and inclusion mean, how to recognise and avoid unconscious bias and stereotypes, and supporting our People leaders to build and effectively lead diverse teams, ensuring all voices are included.

CIAL also continues to be involved in several initiatives that progress and celebrate our role as a diverse and inclusive airport. These include our visible support of Christchurch Pride Week, Māori language week, Lunar New Year and our accessibility and cultural competency programmes.

## **Remuneration Approach**

CIAL, like all successful companies, recognises that to create real shareholder value you need both capital AND talent.

CIAL will look to attract, develop and motivate high calibre employees at all levels to support our principal objective of operating as a successful business.

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 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.

We have recently audited our total remuneration and a gender pay gap has been create by vertical and operational segregation, position in range differences and a possible part time penalty. Work is underway to address the gap and annual audits will occur until no gap exists.

Performance Measures	Performance Targets	
	2025	2026 & 2027
<p><b>Talent</b></p> <p>Talent Management strategy is delivered ensuring the right talent is in the right place at the right time.</p>	<ul style="list-style-type: none"> <li>Establish, monitor and report on recruitment, selection and promotion processes</li> <li>Succession plans reviewed every 6 months and development pathways actioned</li> <li>Continued retention of critical talent</li> </ul>	<ul style="list-style-type: none"> <li>Monitor and report on recruitment, selection and promotion processes</li> <li>Succession plans reviewed every 6 months and development pathways actioned</li> <li>Continued retention of critical talent</li> </ul>
<p><b>Engagement</b></p> <p>Leadership is aligned and collectively working towards addressing matters affecting/detracting from our culture</p>	<ul style="list-style-type: none"> <li>Improved overall engagement score in annual survey in 2025</li> <li>Average Voluntary turnover remains &lt;10%</li> <li>Documented Engagement and Culture Plan developed and shared internally with quarterly progress updates</li> </ul>	<ul style="list-style-type: none"> <li>Improved overall engagement score in annual survey in 2026 and 2027</li> <li>Average Voluntary turnover remains &lt;10%</li> </ul>
<p><b>Purpose and Performance</b></p> <p>Individual performance goals are aligned with business goals and outcomes are improved through regular feedback</p>	<ul style="list-style-type: none"> <li>New performance management system (Flight Path) embedded, and 100% engagement achieved by end of FY25</li> </ul>	<ul style="list-style-type: none"> <li>Improved Feedback &amp; Recognition results in annual engagement survey, each year</li> </ul>
<p><b>Leadership</b></p> <p>A larger array of offerings of tailored leadership development offerings</p> <p>Development opportunities are encouraged through external channels as much as internal - Te Whariki</p> <p>360 feedback processes are enlisted to better inform development plans</p>	<ul style="list-style-type: none"> <li>Continue to build leadership capability through formal and informal learning opportunities.</li> <li>Development of CIAL Leadership Principles before end of FY25 and introduced into individual Flight Path Plans</li> <li>Improved Management &amp; Leadership results in annual engagement survey in 2025</li> </ul>	<ul style="list-style-type: none"> <li>Continue to build leadership capability through formal and informal learning opportunities. Programme differentiates between levels: emerging leader, new to leadership, middle management, senior leader, executive leader</li> <li>Improved Management &amp; Leadership results in annual engagement survey in 2026 and 2027</li> </ul>
<p><b>Diversity, Equity &amp; Inclusion</b></p> <p>Ongoing gender pay reviews and audits</p> <p>Diversity and Inclusion Knowledge programs delivered, and activities driven internally by Employee Resource Groups</p>	<ul style="list-style-type: none"> <li>A documented Diversity, Gender equity and engagement plan;</li> <li>Measure gender pay gap and develop actions to work towards a zero gender pay gap by 2030</li> <li>Actions for improved gender diversity in CIAL's leadership group towards a goal of 40/40/20 (female/male/any gender)</li> <li>Undertake second Inclusion Review achieving improved outcomes compared to 2022</li> </ul>	<ul style="list-style-type: none"> <li>Continue actions that work towards a zero gender pay gap by 2030</li> <li>Improved gender diversity in CIAL's leadership group towards a goal of 40/40/20 (female/male/any gender)</li> </ul>



## HEALTH, SAFETY & WELLBEING

Our integrated approach to Health Safety and Wellbeing (HSW) is centred on Protection of Our People by creating Healthy Work where Our People can Thrive. The delivery strategy is based on strengthening core principles or foundations that underpin the achievement of positive HSW outcomes including:

- A culture with high levels of trust, engagement and participation.
- Curious, visible and authentic leaders who lead and drive the creation of healthy work.
- A management system that reflects our context and facilitates continuous improvement, enables effective risk management and facilitates participation, communication and collaboration across all stakeholders.

The development and maintenance of these foundations consistently across all areas of the business requires deliberate and focused actions. Full details of the actions are set out in our Annual Protection Work Plan.

The priorities for 2025 are centred on further building the capability of our people leaders with coaching and ongoing awareness training, fully integrating our people and aviation safety system and the management system software that supports it, embedding critical risk control management and verification processes including for our known psychosocial hazards.

Performance Measures	Performance Targets	
	2025	2026 & 2027
Culture & Leadership - continue to develop a positive culture that enables the health, safety and wellbeing of our people.	<ul style="list-style-type: none"> <li>▪ Improve on the HSW factor insight in our annual culture and engagement survey.</li> <li>▪ Year on year improvement in coverage and number of HSW Leadership interactions/events.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Year on year improvement on the HSW factor insight in our annual culture and engagement survey.</li> <li>▪ Year on year improvement in coverage and number of HSW Leadership interactions/events.</li> </ul>
Management systems – continuous improvement in systems to manage health safety and wellbeing	<ul style="list-style-type: none"> <li>▪ CIAL Protection workplan delivered on schedule.</li> <li>▪ External audit of ISO 45001 aligned integrated management system.</li> </ul>	<ul style="list-style-type: none"> <li>▪ CIAL Protection workplan delivered on schedule.</li> <li>▪ External audit of ISO 45001 aligned integrated management system.</li> </ul>
Wellbeing – enabling healthy work where our people can thrive	<ul style="list-style-type: none"> <li>▪ Incorporate ISO45003:2021 Psychological Health &amp; Safety at Work into our Health &amp; Safety Management System</li> <li>▪ Improved knowledge of leaders’ role in enabling healthy work.</li> <li>▪ Maintain or increase the wellbeing, psychological safety and work/life blend scores in our annual culture and engagement survey.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Maintain or increase the wellbeing, psychosocial safety and work/life blend scores in our annual culture and engagement survey.</li> </ul>

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## BEYOND CIAL IMPACT

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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 accelerating economic recovery and laying the foundations for a better future.

CIAL's strategy is focused on more than just being an airport in Ōtautahi Christchurch. As the gateway to Te Wai Pounamu South Island and Destination Christchurch, CIAL has previously and continues to play a significant role in supporting the tourism and wider export sectors across Ōtautahi Christchurch and the wider South Island.

This has been done through significant financial contributions to the promotion of the city and region through partnering with Christchurch NZ and Tourism NZ, and direct investment into local and regional tourism organisations including the creation of the 'South' Program (the South Island regions flying in formation on the international stage). These significant investments are generated from our visitor revenues and create the connectivity that supports other parts of the economy such as high value exports, international education and skilled migration.

Recently completed infrastructure including Te Pae convention centre, the Lyttelton cruise berth, Taiwhanga Rehia (Metro Sports centre), and a renewed and revitalised CBD has allowed Christchurch city to relaunch nationally and globally, with Ōtautahi Christchurch now being able to participate in several segments that it has been unable to since the earthquakes.

CIAL is passionate about maintaining the momentum already achieved in this area, acknowledging how this also supports CIAL growing our engine room. As such we continue to be committed to supporting Christchurch NZ and city stakeholders to further capture this opportunity.

The Christchurch airport campus is the largest employment and logistics hub in Te Wai Pounamu South Island with over 7,000 people employed. It is also the home of the International Antarctic Program, with CIAL playing a key role in supporting the Christchurch Antarctic Gateway Strategy through the various Antarctic entities based on campus.

CIAL also facilitates the movement of 28,000 tonnes of airfreight into and out of Te Wai Pounamu South Island each year, and during the pandemic was instrumental in working with government to establish the international air freight support scheme which kept air freight services open, ensuring more than 60,000 jobs across the South Island's many exporting and importing businesses were able to be maintained.

### **Community Engagement**

CIAL is a proud member of the Christchurch, Canterbury and South Island community, and strives to be a well understood and valued member of our community, looking to make a positive contribution to social and community outcomes.

To this end, CIAL supports community groups and projects through grants from the Community Fund and by hosting charity collections within the terminal.

CIAL also demonstrates support for the city, its image and activities by providing promotional space at the airport to showcase events and activities from across the region.

CIAL will continue to work to foster strong community engagement whilst broadening and deepening its support and links with its communities. CIAL remains willing to proactively engage with our stakeholders and wider community through participation in events and functions, and sharing expertise and skills across the city, region and country.

## **Mana Whenua**

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 an ongoing programme of work designed to embed Mātauranga Māori, Te Aō Māori, Tikanga Māori and Te Reo Māori in ways that are appropriate for our people, iwi, business and visitors. CIAL is committed to building enhanced partnerships with mana whenua in line with the aspirations of both its shareholders and will continue to leverage off the wider CCHL He Huanau work program.

CIAL continue to work at improving the cultural fluency and competency of our people through the provision of regular development programs, coaching and exposure to opportunities.

## **Shareholder Objectives**

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

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.

Supported by our shareholders long-term investment horizon, 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.

CIAL will continue to contribute to shareholder projects and focuses, from within its available resources, using an approach of demonstrable value outcomes and benefits to both shareholders equally.

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## INTERNAL GOVERNANCE FRAMEWORK

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### **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 Civil Aviation Bill received Royal assent and became the Civil Aviation Act 2023 in April 2023. The new Act comes into force from April 2025, repealing and replacing the Civil Aviation Act 1990 and the Airport Authorities Act 1966 with a single, new statute covering safety, security and economic regulation of civil aviation into the future.

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 Commission does not set prices for airport services but instead 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; supervision 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.

The Board's charter recognises the respective roles of the Board and management. 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;
- Hold to account 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, climate risk disclosures 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, including leveraging our procurement capability and influence to ensure ethical sourcing decision making, alongside influencing positive social impact on our Christchurch campus and across our core projects of Kowhai Park and Central Otago;
- Establishing procedures and systems to ensure the occupational health, safety and wellbeing of people working at, or visiting the Christchurch Airport precinct;
- Promotion of the long-term sustainable success of the company with regard to ESG matters by ensuring that the right strategies and action plans are in place to help underpin long-term shareholder and stakeholder value
- 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, 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 before the end of June.

### **Board Composition, Appointment and Fees**

The composition of the Board reflects an appropriate mix of skills, experience and attributes required to discharge the duties and responsibilities of the Board and aligns to the interests of the shareholders as a whole, establishing the company's strategy and ensuring that it is effectively implemented.

A fully constituted Board consists of six directors; four appointed by majority shareholder, Christchurch City Holdings Ltd (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 period as determined by the relevant shareholder but each term shall not exceed three years. Retiring directors may be reappointed by the relevant shareholder for further terms of three years as circumstances warrant, taking into account the unique characteristics of the aviation and regulatory environment in which CIAL operates, the long-term investment horizon for critical infrastructure such as airports, and the need to minimise succession risks for both shareholders and bond holders considering the overall composition and tenure of the existing Board.

The Board has a broad range of commercial, financial, marketing, tourism and other relevant experience and expertise required to meet its objectives. Fees for the Board are reviewed by the shareholders using independent advice.

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 relationship with the Board. Additional committees may be established based on need. Each committee must include a representative of each shareholder.

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## **COMMUNICATION WITH SHAREHOLDERS**

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### **No Surprises**

CIAL is committed to keeping its shareholders informed and places a high degree of importance on open communication and transparent reporting. The company will operate on a "no surprises" basis in respect of material 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.

### **Shareholder Engagement**

The Board aims to ensure Shareholders are informed of all major developments, including future material strategic investments or transactions, affecting the company's state of affairs, while at the same time recognising commercial sensitivity and New Zealand Stock Exchange ("NZX") continuous disclosure obligations (due to CIAL's listed debt), may preclude certain information from being made public.

Within this constraint, information is communicated to the Shareholders through periodic updates, briefings as required, both the annual report and the half-yearly report, and "no surprises" updates on issues of importance as they may arise. CIAL will continue to work with our shareholders to ensure an appropriate level and scope of engagement occurs.

Within this constraint, information is communicated to the shareholders through:

- quarterly updates on the ongoing performance of the company which may include financial, strategic, risk and operational updates
- six monthly briefings
- both the annual report and the half-yearly report; and
- "no surprises" updates

CIAL will ensure that the company's shareholder reporting meets their requirements.

### **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.

## **Annual General Meeting**

CIAL recognises that the annual meeting is an important forum at which shareholders can meet with the Board and it encourages shareholders to use the forum to ask questions and make comments on the performance of the company. CIAL will work with shareholders to agree on the form of the Annual General Meeting each year.

## **Other Reporting & Stakeholder Engagement**

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 also look for more proactive engagement with our aligned stakeholders (including other CCO's, CCTO's and ChristchurchNZ), and other parties (including Ngai Tahu and the wider communities).

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## **ACQUISITION/DIVESTMENT PROCEDURES**

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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.

As a part of its ongoing master planning approach, CIAL will continue to regularly engage in the acquisition of property and land assets which support the company's commercial, renewable energy, biodiversity and operational and financial resilience strategies over that long-term master planning horizon. As noted above, major transactions as defined in the Companies Act 1993 will be subject to shareholders' approval, and other transactions will be advised in accordance with CIAL's "No Surprises" approach.

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## **ESTIMATE OF VALUE**

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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 \$1,675 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 2023. More recent valuations are currently being prepared but were not finalised as at 30 June 2024.

The current equity value of the Shareholders' investment of \$1,675 million, was calculated by taking the midpoint range of the enterprise value of \$2,254 million and deducting net debt of \$579 million as at 30 June 2023.

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.

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## **ACCOUNTING POLICIES**

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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 2023, as published on our company website

<https://www.christchurchairport.co.nz/globalassets/about-us/who-we-are/financial-reports/2023-financial-statements1.pdf>