



FY23 Statement of Corporate Intent

Table of Contents

Topic	Page
1. Kordia's Function	
Functions and activities	3
2. Strategy and Business Environment	
Business Objectives	4
Ecosystem	5
FY23 – FY25 Plan	6-8
Valuable partnerships	9
Environmental impact	9
Engaged and inclusive teams	10
Diversity	10
3. Performance Measures and Targets	11-13
4. Commercial Valuation	14-15
5. Other Matters	
Capital structure	16
Dividends	16
Accounting policies	16
Shareholder	17
6. Appendices	
Subsidiary and Associated Companies and Consultation	18
Board Committees	19



OUR HISTORY

KORDIA STARTED OUT AS A BROADCAST COMPANY MORE THAN 65 YEARS AGO

(ALTHOUGH WE CAN TRACE OUR HERITAGE RIGHT BACK TO THE EARLY 1920S WHEN THE FIRST AM BROADCAST WAS MADE).

Since then, the business has evolved to provide a wide range of mission-critical technology solutions spanning **cloud, cyber security, modern workplace, broadcast, maritime, and more.**

OUR FUNCTIONS AND ACTIVITIES

- Ownership, maintenance and operation of mission critical telecommunications, broadcast and private networks in New Zealand.
- Provision of a range of services, applications and content over its infrastructure.
- Provision of an international maritime business that provides safety of life at sea for over a quarter of the worlds' oceans.
- Delivery of design, build, operation, and maintenance services to telecommunications, broadcast and private companies in New Zealand and internationally.
- Provision of advisory, testing and cyber security operations activities to customers' business environments and IT/OT infrastructure.



Business Objectives

The principal objective of Kordia Group Limited and its subsidiaries (“Kordia”) is to be a commercially successful business.

Kordia intends to:

- Provide high quality services and products at market competitive prices;
- Manage its financial assets and liabilities on a prudent basis;
- Make investment and business decisions that protect and add Shareholder value;
- Operate an efficient, effective and profitable business and provide to the owners a commercial return on the capital employed.
- Be a great employer and procurer enabling safe workplaces and supply chains, and creating an environment where people can thrive.

In pursuing its objectives, Kordia will take a medium to long-term view appropriate to the nature of the business and its assets whilst maximising its enterprise value. Kordia is committed to operating in a manner that recognises and respects the significance of Te Tiriti o Waitangi. Kordia will also ensure the interests of all stakeholders in its ecosystem are considered as part of its sustainable process. Our plan to deliver long term value incorporates our core goals or corporate social responsibility, good citizenship and of being a preferred employer.



THE KORDIA ECOSYSTEM - HOW WE CREATE VALUE

WHAT WE RELY ON

Our Expertise (intellectual capital)

We have specialist telecommunications and technological knowledge, built up over more than 60 years.

Our Networks and Platforms (manufactured capital)

Our network comprises over 270 sites including 50 large towers up to 121m. The reliability, capacity, capability and efficiency of our network helps us make the digital world work.

Our Partnerships (social capital)

Strong, collaborative and valuable partnerships with customers, suppliers, contractors, landowners, and the community in New Zealand, Australia and internationally.

Our People (human capital)

A proud, diverse and capable team of experts where people thrive in a safe environment.

Our Environment (natural capital)

We are the kaitiaki (guardian) of the network and the land, air and water in which we operate.

Our Finances (financial capital)

We rely on a strong financial base to operate and invest for the future and employ capital from our shareholder and from debt.



OUTPUTS

Connected and Secure Customers

Support our customers in their value creation for NZ. Foster continuous performance improvement and champion innovation.

Enhanced Networks and Platforms

Enhance the productivity of our network and platform through efficiency. Use digitisation, standardisation and automation to drive performance.

Valuable Partnerships

Be the first choice for customers, suppliers and partners. Take a kaitiakitanga (guardianship) approach to the communities in which we operate.

Engaged and Inclusive Teams

Commitment to diversity and inclusion and mental health and wellbeing initiatives. Adopt best health and safety practices to ensure our people get home safely (zero harm).

Environmental Impact

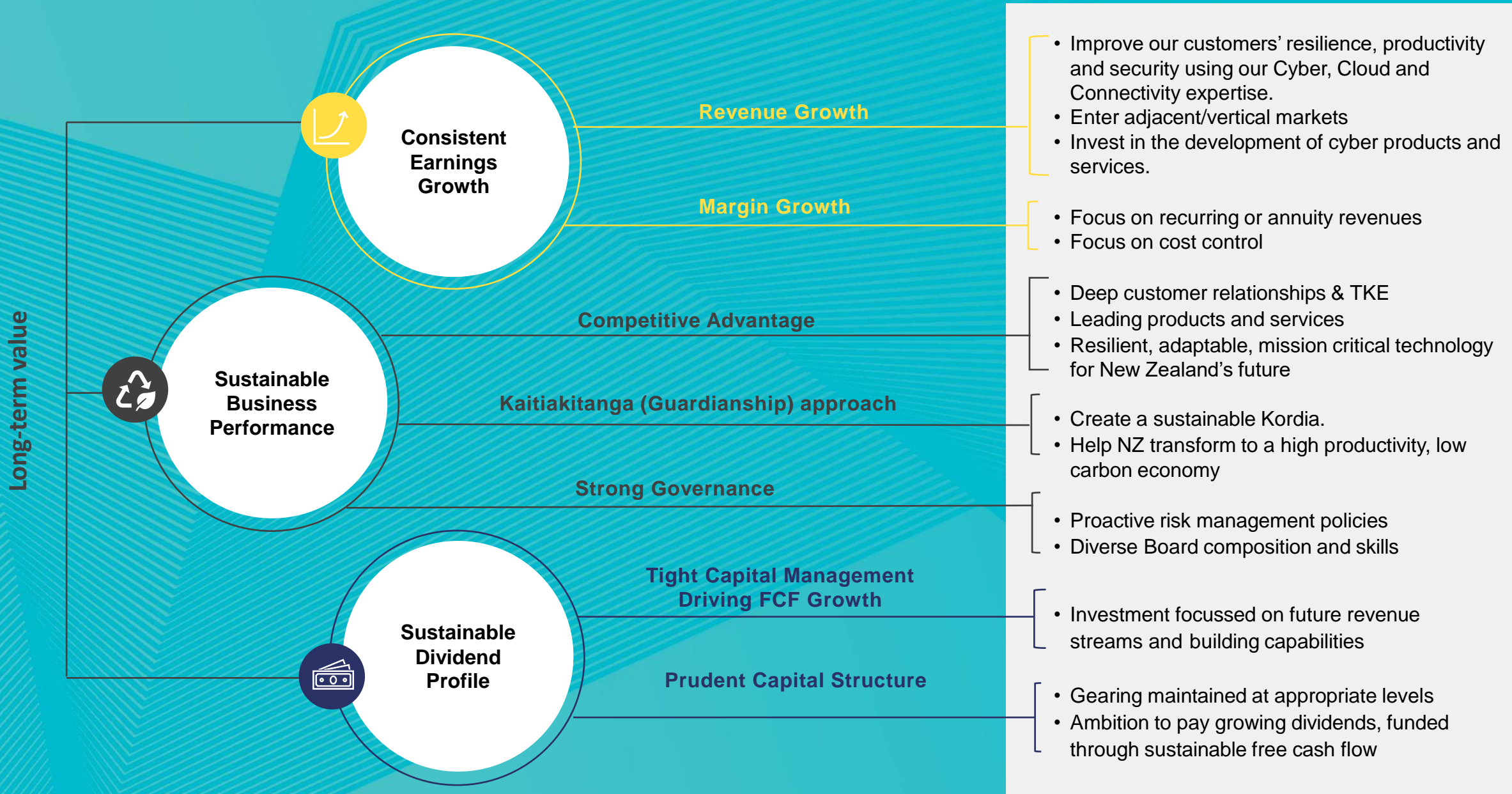
Striving towards our ambitions of zero waste and harm to the environment. Deliver year-on-year improvement of our carbon emissions to achieve carbon neutrality.

Financial Returns

Maximise returns and value to the shareholder. Ensure capital is allocated to high earning activities through appropriate investment strategies.

Our Plan to Deliver Long Term Value

Focus Areas



Our FY23 – FY25 Plan on a Page

Our Purpose

**TO BUILD CONNECTIONS YOU CAN TRUST;
THAT MAKE OUR DIGITAL WORLD MORE
SECURE, RELIABLE AND RESILIENT.**

Our Strategic Pillars

- Optimise our core business
- Enhance our core business
- Capture value beyond the core

Our Three Year Goals

- Financial: Revenue \$146m & EBIT \$14m
- Customer engagement: NPS >50+
- Staff engagement: ≥82
- TRIFR <5
- Environmental: Year on year progress towards carbon neutrality by FY26
- Diversity: GenderTick accreditation by FY25

Our Values

- Collaborative
- Humble
- Courageous
- Trustworthy
- Expert

kordia[®]

Strategy

The strategy is to improve our customers' resilience, productivity and security using our Cyber, Cloud and Connectivity expertise.

We seek to:

- Improve all our customers mission critical technology utilising our Cyber, Cloud and Connectivity expertise to modernise their infrastructure along with keeping them connected and secure.
- Cyber security – ensure we are a leading cyber security business improving the security posture of New Zealand businesses and government.
- Relentlessly deliver great customer and employee experiences as part of our DNA - The Kordia Experience.
- In an environment of increasing volatility and global uncertainty, be flexible and adaptable, ensuring we embrace innovation to capture new opportunities to satisfy customers' needs.

The Kordia logo is displayed in white text against the blue sky background. The letter 'o' is stylized with a circular pattern inside it.

kordia®



Valuable Partnerships

Kordia seeks to be an active and positive participant in the communities which we operate using our expertise and skills to generate benefit. We work alongside communities to ensure they stay connected and enable the provision of community services.

We take a kaitiakitanga (guardianship) approach to our environment and community in which we operate.

Kordia also fosters New Zealand's cyber security capability through its Kordia Cyber Academy. It also encourages youth and women into the tech industry through Kordia's Summer of Tech, Intern and Graduate programs.



Environmental Impact

Kordia is conscious of the impacts it has on the environment and the community and has sustainability as a core focus. Kordia's ambition is zero waste and harm to the environment, becoming a leading participant in environmental responsibility, supporting the Government's goal for New Zealand to be carbon neutral by 2050.

We aim to deliver year on year improvement of our carbon emissions to achieve carbon neutrality with respect to scope 1 and scope 2 emissions based on ISO 14064-1 and the Greenhouse Gas Protocol by FY26.

Our environmental focus areas include sustainable procurement, carbon emissions, environmental stewardship and reduce, recycle and reuse.



Engaged and Inclusive Teams

Kordia will operate as a Good Employer as defined in the SOE Act. Kordia has a commitment to:

- Benchmark all remuneration against the prevailing market and remunerate accordingly;
- Work closely with employees, and their nominated representatives if appointed, in the negotiation of their employment contracts.
- Maintain the deep relationship employees have with ensuring a safe working environment for all staff;
- Invest in the training and development needs of its staff, including health and safety training;
- Provide employees with the opportunity of participating in a company-wide performance management system;
- Provide effective and current employee assistance programmes and employee information services;
- Offer employees the opportunity to participate in a subsidised superannuation scheme.



Diversity

Kordia is committed to being an equal opportunity employer and encourages diversity and inclusion in the workplace. Kordia seeks to be representative of the community in which we operate.

Kordia aims to achieve GenderTick™ accreditation by FY25. GenderTick™ provides independent assurance around our gender policies and practices with a focus on pay equity, leadership representation, flexible work and leave, gender safe workplace and gender inclusive culture.



Performance Targets – Non Financial

	FY23	FY24	FY25
Connected and Secure Customers			
Customer engagement - Net Promoter Score (12 mths rolling average)	50+	50+	50+
Enhanced Networks and Platforms			
NZ Digital Television Transmission (DTT) Network Availability (main metro sites measured annually)	99.9%	99.9%	99.9%
Valuable Partnerships			
Develop and grow the Kordia Cyber Academy	Yes	Yes	Yes
Culturally appropriate engagement and kaitiakitanga with the community in which we operate	Strengthened cultural competency across the organisation		
Engaged and Inclusive Teams			
Staff engagement	≥82	≥82	≥82
Diversity	Achieve GenderTick accreditation by FY25		
Zero harm in the workplace - Total Recordable Injury Frequency Rate (TRIFR)	<5	<5	<5
Environmental Impact			
Carbon emissions	Year on year progress towards carbon neutrality for scope 1 and scope 2 emissions by FY26		



Performance Targets – Financial Returns

	FY23	FY24	FY25
Shareholder Return			
Dividend yield (dividends paid/average commercial value)	4%	4%	5%
Return on equity (ROE) (NPAT/average equity)	14%	14%	14%
Total shareholder return ((Commercial value end less commercial value beg plus dividends paid less equity injected)/commercial value beg)	4%	4%	5%
Profitability/Efficiency			
EBIT (\$m)	12.7	13.3	13.8
NPAT (\$m)	7.7	8.0	8.3
Return on capital employed (EBIT adjusted for IFRS fair value movements/average capital employed)	17%	17%	17%
Operating margin (EBITDAF/Revenue)	20%	21%	21%
Leverage/Solvency			
Gearing ratio (net debt/net debt and equity)	29%	30%	28%
Interest cover (EBITDAF/interest paid)	14	14	14
Debt /EBITDA	0.8	0.8	0.8
Solvency (current assets/current liabilities)	1.1	1.2	1.2
Shareholders equity/total assets	42%	43%	44%



Performance Targets – Financial Returns

	FY23	FY24	FY25
Growth			
Capital replacement (CAPEX/(depreciation and amortisation))	1.7	1.2	1.0
Revenue growth (current year revenue/prior year revenue)	107%	103%	103%
EBITDA growth (current year EBITDA/prior year EBITDA)	96%	110%	104%



Commercial Value of the Crown's Investment

(\$m)	2021 Estimate		2022 Estimate	
	Lower	Upper	Lower	Upper
Commercial value of the enterprise	96	128	112	145
Less net debt	6	6	17	17
Commercial value of the Crown's investment	90	122	95	128
Less equity book value	51	51	55	55
Valuation in excess of equity	39	71	40	73

The Board has estimated the commercial value of the Group and the Crown's investment in the Group for the financial year ending 30 June 2022. As part of this assessment the Board obtained an independent valuation, the results of which are depicted in the table above. This valuation, based on assumptions made by management as at May 2022, gave an estimate of the current commercial value of the Group as being between \$112 million and \$145 million and of the commercial value of the Crown's investment in Kordia as being between \$95 million to \$128 million. The 2021 valuation has been restated for the impact of the divestment of Kordia Solutions Australia Ltd to enable a comparison year on year. As such, the entity has been removed from the commercial value of the enterprise and the sale proceeds have been treated as a debt like item.

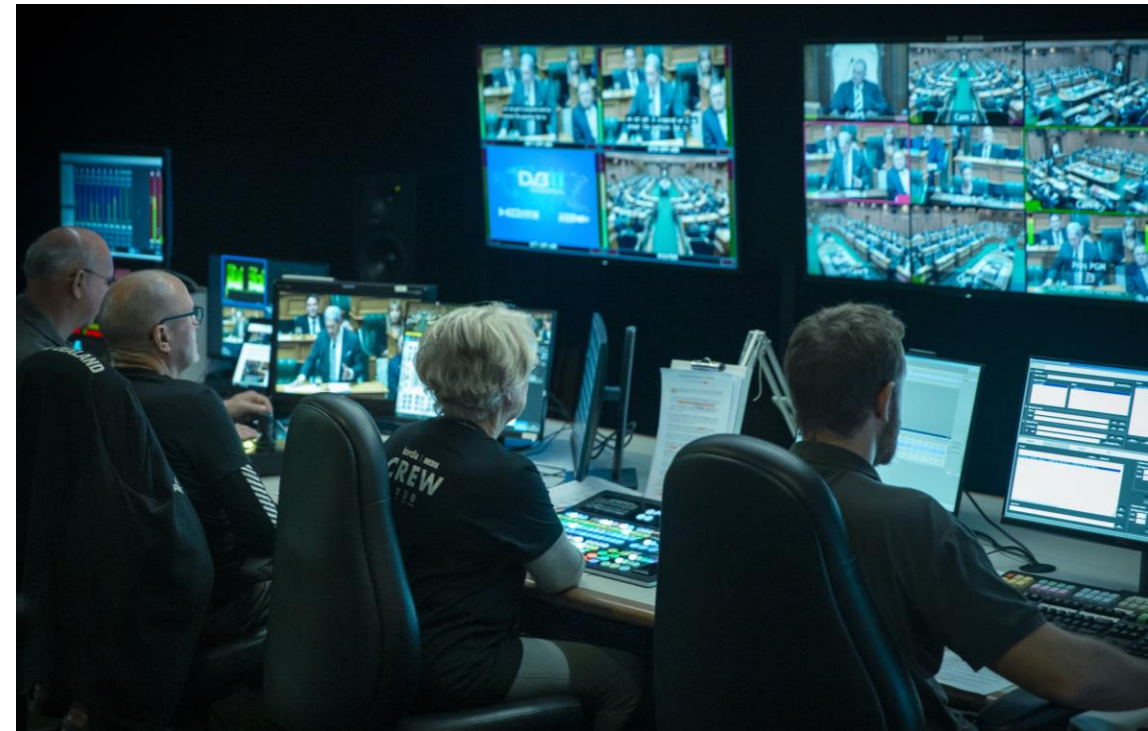
As with the previous valuation, this valuation has been prepared in times of economic uncertainty, and in the context of a fast-moving industry, where asset values and cash flows are subject to variation over a relatively short period of time. Given these factors, the Board considers that, in terms of the environment in which the valuation has been undertaken, a range of \$120 million to \$137 million for the FY22 commercial value of the enterprise is a reasonable assumption.



Commercial Value of the Crown's Investment

Key points about the manner in which the valuations were assessed are:

- The valuation was calculated as at June 2022.
- The valuation was prepared for each Cash-Generating Unit (CGU): Networks, Solutions NZ, Cyber, and Maritime. The discounted cash flow (DCF) and Capitalisation of Future Maintainable Earnings (CME) methodologies were used in the assessment. All valuations were prepared on an after-tax basis.
- The DCF valuations were based on the real (i.e. not inflation-adjusted) future cash flows set out in the 2023-2025 budget with forward projections made for 2026–2027 for Kordia Networks which has a longer-term investment horizon.
- Post tax discount rates of 6.8%, 8.4%, 8.0% and 6.0% were assumed for the Networks, Solutions NZ, Cyber and Maritime businesses respectively. For the 2021 valuation, the discount rates were, for comparison 5.6%, 8.4%, 7.6%, and 5.1%.
- The growth assumption in the DCF terminal value calculation was 0% for all four CGUs.
- The valuation was prepared externally by Bancorp Corporate Finance Ltd based on financial forecasts and supporting information provided by Kordia. The valuation was prepared in conjunction with Management prior to approval by the Board.



Capital Structure

Kordia is a limited liability company incorporated in New Zealand under the Companies Act 1993 and is wholly owned by the Crown. The liabilities of Kordia are not guaranteed in any way by the Crown.

Kordia aims to maintain a capital structure that is similar to other comparable businesses not owned by the Crown.

Dividends

In normal circumstances the company policy is 70% of net profit after tax as the intended dividend taking into account:

- Meeting banking covenant requirements with a prudent margin for unforeseen events
- Medium term fixed asset expenditure programme, including replacement of core operating assets that have reached the end of their operating life
- Investment in new business opportunities
- Working capital requirements

Kordia forecasts that a dividend of \$5.4m will be paid in respect of FY23.

Accounting Policies

Kordia's financial statements comply with the Companies Act 1993, the Financial Reporting Act 2013 and the Public Finance Act 1989 and are prepared on the basis of historic cost unless otherwise noted within the specific accounting policies contained its Annual Report.



Shareholder

In accordance with Section 15 of the SOE Act, Kordia will provide to Shareholding Ministers an Annual Report and will report on the achievement of the objectives and targets set out in this Statement of Corporate Intent.

In accordance with Section 16 of the SOE Act, Kordia will also provide to Shareholding Ministers a half-yearly report, which will include an unaudited Income Statement, a Statement of Comprehensive Income, a Statement of Changes in Equity, a Statement of Financial Position, a Statement of Cash Flows and such details as are necessary to permit an informed assessment of the Company's performance during that reporting period.

Kordia will deliver a summary Business Plan to Shareholding Ministers for discussion prior to the commencement of each financial year.

Kordia will deliver a Quarterly Report to Shareholding Ministers no later than the end of the month following the quarter.

In accordance with Section 18 of the SOE Act, Kordia will provide other information relating to the affairs of the Company as requested by the Shareholding Ministers.

Consultation will take place with Shareholding Ministers relating to the material expansion of Kordia's activities into new business areas as well as the sale of existing activities or shares and details relating to subsidiary and associate companies. Consultation arrangements are detailed in Appendix I.

Kordia will seek full compensation from the Crown for any activities or obligations which will result in a reduction of Kordia's net profit or net worth, which Kordia is required by the Crown to undertake and for which a normal commercial return is not forthcoming. At the time of preparing this Statement of Corporate Intent no such requests had been received.



APPENDIX I - Subsidiary and Associated Companies and Consultation

Subsidiary and Associated Companies

Kordia will at all times ensure that:

- Kordia shall appoint the majority of directors for every subsidiary, and shall approve the majority of directors for every subsidiary of a subsidiary
- All directors approved or appointed by Kordia shall be:
 - Directors or employees of Kordia; or
 - Directors or employees of another subsidiary of Kordia; or
 - Appointed or approved by the directors of Kordia on some other basis.
- Where permitted by the constitution of the subsidiary, and to the extent permitted by law, the directors of every subsidiary of Kordia (including the subsidiary of a subsidiary) shall control the subsidiary in the best interests of Kordia, as determined by a majority of the Board of Kordia from time to time, even though that might not be in the interests of that subsidiary.
- The appointment of each director to the board of a subsidiary of Kordia (or to the board of a subsidiary of a subsidiary) shall be voted on individually as required by section 155 of the Companies Act 1993 (N.Z.) and in accordance with the constitution of Kordia.

Consultation

Kordia will, in relation to any single or connected series of transactions, consult with its shareholding Ministers on substantial matters (defined as >\$5m) not contemplated in the business plan, including:

- Any substantial capital (or equity) investment above the agreed threshold for activities within Kordia's scope of its core business in Australia or New Zealand;
- Any substantial capital (or equity) investment outside of Australia or New Zealand above the agreed threshold;
- Any substantial expansion of activities outside the scope of its core business above the agreed threshold;
- The sale of any shares or the sale of all or substantially all of Kordia Limited's network assets;
- The sale or disposal of the whole or any substantial part of the business or undertaking of Kordia;
- Where Kordia holds more than 20% or more of the shares in any company or body corporate (not being a subsidiary of Kordia), the sale or disposal of any shares in that company.

Shareholder consent will be obtained for the sale of any of the shares of Kordia Limited or the sale of all, or substantially all, of Kordia Limited's network assets.

Shareholding Ministers will continue to be advised of any other significant transactions even if they do not meet the thresholds.



APPENDIX II – Board Committees

The Board currently has three standing committees: Audit & Risk, People & Culture, and Health & Safety. Strategic risk, operational risk and health and safety risks are dealt with by the full Board.

Audit & Risk Committee

The Audit & Risk Committee assists the Board in fulfilling its responsibilities by providing recommendations, counsel and information concerning its accounting and reporting responsibilities under the Companies Act 1993 and related legislation. Its Terms of Reference also cover the role of Internal Audit and financial risk management and health and safety governance.

People & Culture Committee

The People & Culture Committee assists the Board in fulfilling its responsibilities by providing advice and recommendations regarding the appropriate levels of remuneration for executives.

Health & Safety Committee

The Health & Safety Committee supports the Board to comply with its health, safety and wellbeing obligations and to achieve its goals.

