



# FY24 Statement of Corporate Intent

# Table of Contents

	Page
<b>1. Kordia's Function</b>	
Functions and activities	3
<b>2. Strategy and Business Environment</b>	
Business Objectives	4
Ecosystem	5
Long term value and strategy	6-7
The Kordia Experience	8
Valuable partnerships	9
Environmental impact	9
Engaged and inclusive teams	10
Diversity	10
<b>3. Performance Measures and Targets</b>	11-13
<b>4. Commercial Valuation</b>	14-15
<b>5. Other Matters</b>	
Capital structure	15
Dividends	15
Accounting policies	15
Shareholder	16
<b>6. Appendices</b>	
Subsidiary and Associated Companies and Consultation	17
Board Committees	18

OUR VISION:

BEING  
**THE LEADING  
PROVIDER OF  
MISSION-CRITICAL  
TECHNOLOGY.**

WE  
ARE  
KORDIA



OUR PURPOSE:

TO MAKE  
**OUR DIGITAL WORLD  
MORE SECURE,  
RELIABLE &  
RESILIENT.**

WE  
ARE  
KORDIA





## 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.**

## NATURE AND SCOPE OF ACTIVITIES

Kordia exists to make our digital world more secure, reliable and resilient for our business and government customers in New Zealand and beyond. We operate and maintain mission critical technology that enhances the communities we live and work in, and enables organisations to thrive and compete.

With a history spanning over 65 years, Kordia owns, maintains and operates mission critical telecommunications, broadcast and private networks. This includes the provision of an international maritime business that provides safety of life at sea communications for over a quarter of the worlds' oceans. We've also been entrusted to play an important role in delivering the new secure digital communications network that will support the operational capability of New Zealand's frontline emergency services responders, keeping them, and the public, safe.

Kordia provides a wide range of connectivity options to keep businesses connected and productive, including voice, data, and internet. Lastly, to ensure our customers stay secure, we have a leading inhouse cyber security practice, with specialist capability to defend organisations against digital threats and mitigate cyber risk. We employ over 100 cyber security professionals; our Cyber Defence Operations protects businesses from cyber threats 24/7, and our consultancy practice provides expert assurance, testing, advice and support.





## 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.



## OUR ECOSYSTEM:

Our business model sees us harmonising our strengths and assets to deliver tangible benefits to our wider community, the shareholder and back into our business. It's through this model that we find our purpose and create value.

### OUR CAPITAL INPUTS:



#### OUR EXPERTISE [Intellectual Capital]

We have specialist telecommunications and technological knowledge, built up over more than 65 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 communities across New Zealand, Australia and the rest of the world.



#### 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.



### OUR VALUES:

**COLLABORATIVE • EXPERT • HUMBLE • TRUSTWORTHY • COURAGEOUS**

### OUR VISION:

**BEING THE LEADING PROVIDER OF MISSION-CRITICAL TECHNOLOGY.**

### OUR PURPOSE:

**TO MAKE OUR DIGITAL WORLD MORE SECURE, RELIABLE AND RESILIENT.**

### OUR 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, inclusion, 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

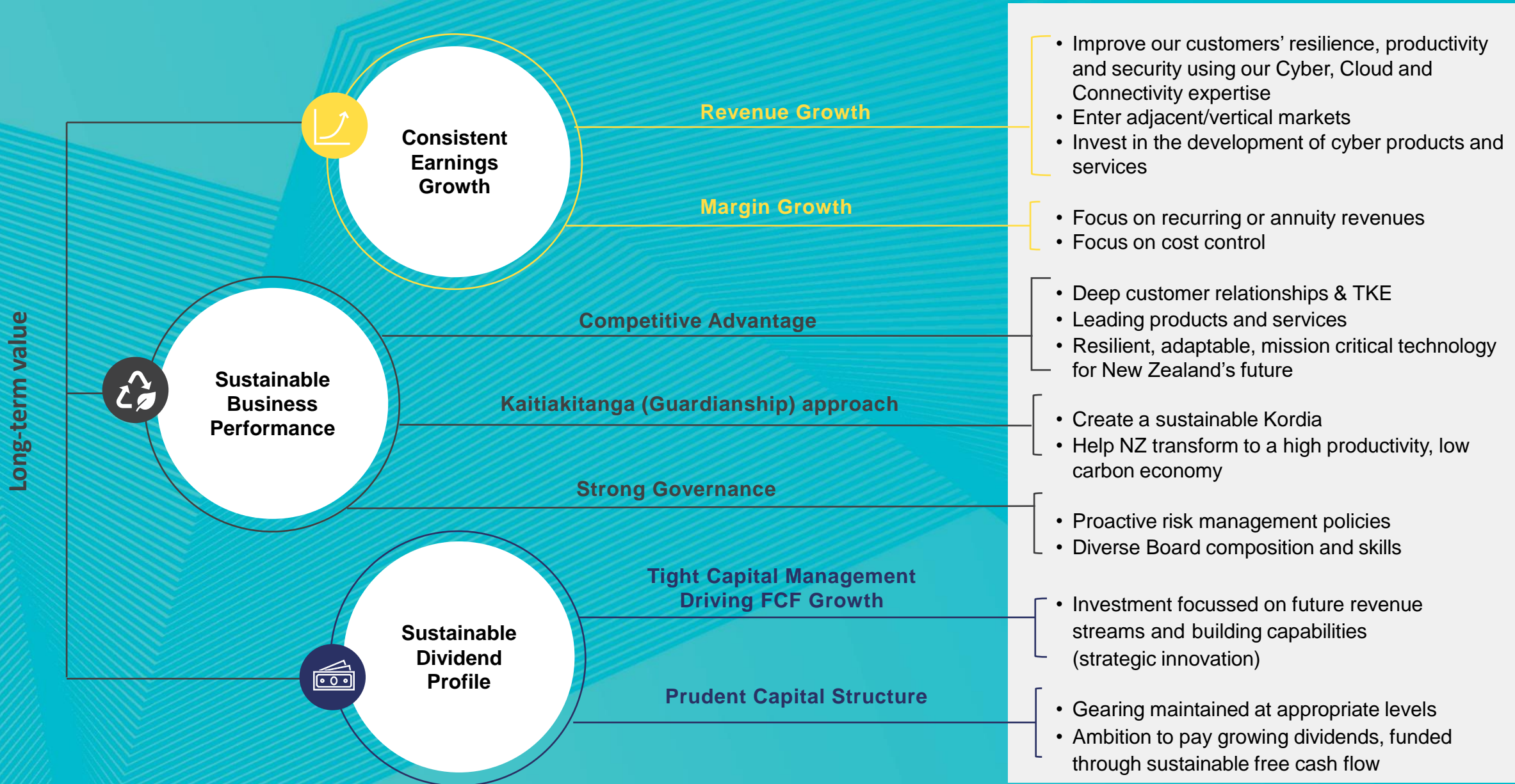
Maximise returns and value to the shareholder. Ensure capital is allocated to high earning activities through appropriate investment strategies.





# Our Plan to Deliver Long Term Value

## Focus Areas





# Strategy

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

The Kordia logo is displayed in white text against the blue sky background of the slide. It features the word "kordia" in a lowercase, sans-serif font, with a registered trademark symbol (®) to the upper right.

We seek to:

- Maintain and operate mission critical telecommunications, broadcast and private networks. This includes the provision of an international maritime business that provides safety of life at sea communications for over a quarter of the worlds' oceans as well as the delivery of new secure digital communications network that will support the operational capability of New Zealand's frontline emergency services responders, keeping them, and the public, safe.
- 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 strategic innovation to capture new opportunities to satisfy customers' needs.





## THE KORDIA EXPERIENCE

At Kordia, our customers are at the heart of all we do... we call this **The Kordia Experience** which is all about understanding our customers' needs, delivering the best possible service and exceeding their expectations.



### ENGAGE

We ask questions.  
We seek to understand  
our customers'  
business.



### ENRICH

We listen, we care,  
we share. We build  
enduring personal  
relationships.



### EXCEED

We deliver the best  
customer service.  
Always and by a  
long shot.



Our Net Promoter Score  
reflects this commitment  
with our average annual  
score sitting above

# +50





## 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, and we support the Government's good faith approach to Māori Crown relationships. We seek to enhance the cultural competency of our organisation as part of this approach.

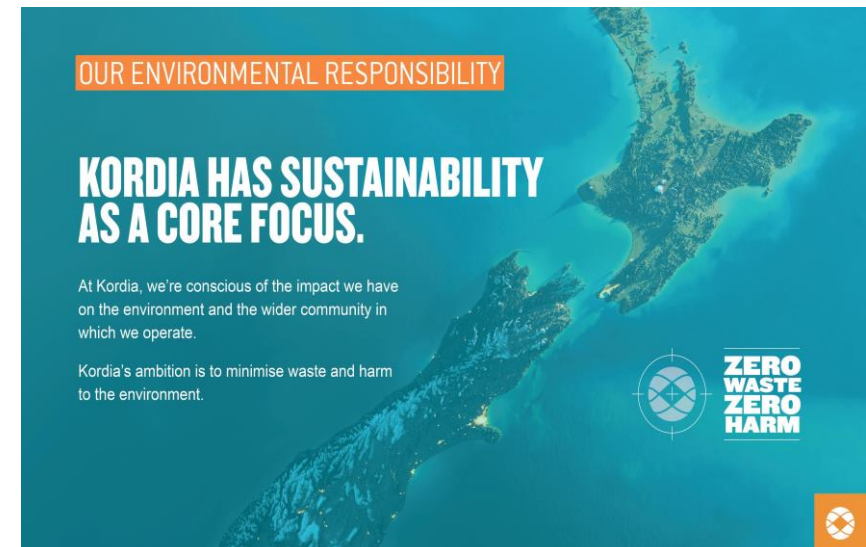
Kordia also fosters New Zealand's cyber security capability through its Kordia Cyber Academy. It also encourages youth and women into the tech industry through Kordia's Summer of Tech, Intern and Graduate programs.



## 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 to minimise 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.





## 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

	FY24	FY25	FY26
<b>Connected and Secure Customers</b>			
Customer engagement - Net Promoter Score (12 mths rolling average)	≥50	≥50	≥50
<b>Enhanced Networks and Platforms</b>			
NZ Digital Television Transmission (DTT) Network Availability (main metro sites measured annually)	99.9%	99.9%	99.9%
<b>Valuable Partnerships</b>			
Develop and grow the Kordia Cyber Academy	≥10 trainees	≥10 trainees	≥10 trainees
<b>Engaged and Inclusive Teams</b>			
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
<b>Environmental Impact</b>			
Year on year progress towards carbon neutrality for scope 1 and scope 2 emissions by FY26	1,000 tCO <sub>2</sub> e	600 tCO <sub>2</sub> e	0 tCO <sub>2</sub> e





## Performance Targets – Financial Returns

	FY24	FY25	FY26
<b>Shareholder Return</b>			
Dividend yield (dividends paid/average commercial value)	2%	2%	7%
Return on equity (ROE) (NPAT/average equity)	12%	14%	14%
Total shareholder return ((Commercial value end less commercial value beg plus dividends paid less equity injected)/commercial value beg)	14%	2%	7%
<b>Profitability/Efficiency</b>			
EBIT (\$m)	\$15.6	\$18.4	\$20.4
NPAT (\$m)	\$8.2	\$10.1	\$11.4
Return on capital employed (EBIT adjusted for IFRS fair value movements/average capital employed)	18%	19%	20%
Operating margin (EBITDAF/Revenue)	18%	18%	18%
<b>Growth</b>			
Capital replacement (CAPEX/(depreciation and amortisation)	1.5	1.2	1.0
Revenue growth (current year revenue/prior year revenue)	123%	112%	107%
EBITDA growth (current year EBITDA/prior year EBITDA)	116%	111%	108%



# Performance Targets – Financial Returns

	FY24	FY25	FY26
<b>Leverage/Solvency</b>			
Gearing ratio (net debt/net debt and equity)	28%	29%	23%
Interest cover (EBITDAF/interest paid)	9	9	10
Debt /EBITDA	0.9	0.9	0.6
Solvency (current assets/current liabilities)	1.6	2.0	1.9
Shareholders equity/total assets <sup>1</sup>	46%	47%	50%



1. Shareholders’ equity means the total paid-up capital together with retained surpluses and reserves. Total assets means the sum of all current and non-current assets owned by Kordia to the extent that these have been attributed value in its financial statements.





## Commercial Value of the Crown's Investment

(\$m)	2022 Estimate		2023 Estimate	
	Lower	Upper	Lower	Upper
Commercial value of the enterprise	112	145	127	166
Less net debt	15	15	21	21
<b>Commercial value of the Crown's investment</b>	<b>97</b>	<b>130</b>	<b>106</b>	<b>145</b>
Less equity book value	57	57	65	65
<b>Valuation in excess of equity</b>	<b>40</b>	<b>73</b>	<b>41</b>	<b>80</b>

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 2023. 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 2023, gave an estimate of the current commercial value of the Group as being between \$127 million and \$166 million and of the commercial value of the Crown's investment in Kordia as being between \$106 million to \$145 million.

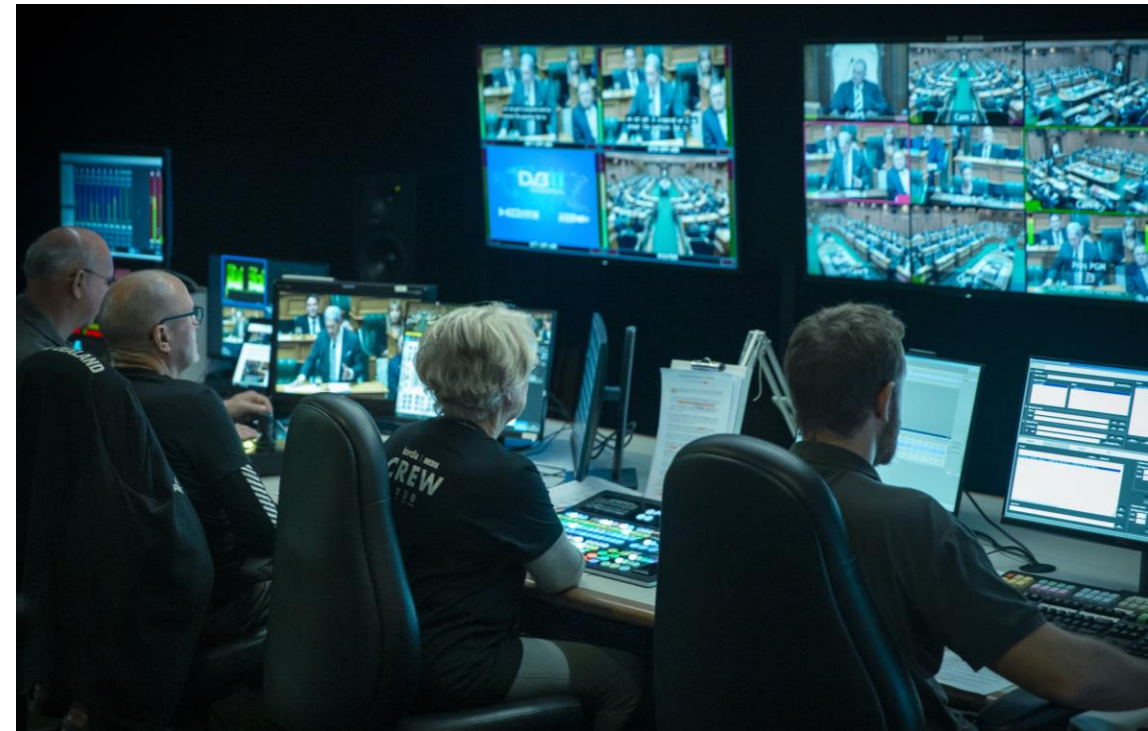
As with the previous valuation, this valuation has been prepared in times of economic uncertainty, and in the context of a fast-moving industry, where asset values and cash flows are subject to variation over a relatively short period of time. Given these factors, the Board considers that, in terms of the environment in which the valuation has been undertaken, a range of \$136 million to \$158 million for the FY23 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 May 2023.
- The valuation was prepared for each Cash-Generating Unit (CGU): Networks, Solutions NZ, Cyber, PSN 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 2024-2026 budget with forward projections made for 2027–2028 for Kordia Networks which has a longer-term investment horizon.
- Post tax discount rates of 6.8%, 8.8%, 8.1% and 6% were assumed for the Networks, Solutions NZ, Cyber and Maritime businesses respectively. For the 2022 valuation, the discount rates were, for comparison 6.8%, 8.4%, 8.0%, and 6.0%. The discount rate applied to PSN was 8.8%.
- The growth assumption in the DCF terminal value calculation was 0% for all five 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 \$2m will be paid in respect of FY24 due to working capital requirements for an infrastructure build.

## 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 in 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 two standing committees: Audit & Risk Committee and People, Wellbeing and Safety Committee. Strategic risk, operational risk and health and safety risks are dealt with by the full Board.

### **Audit, Risk and Environment Committee**

The Audit, Risk and Environment 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 Environmental, Social and Governance (ESG).

### **People, Wellbeing and Safety Committee**

The People, Wellbeing and Safety Committee assists the Board in fulfilling its responsibilities by providing advice and recommendations regarding the appropriate levels of remuneration for executives. It also supports the Board to comply with its health, safety and wellbeing obligations and to achieve its goals.

