

STATEMENT OF
CORPORATE INTENT
2023-27



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Left: The arrival of the Manatua One Polynesia Cable at Rutaki village, Rarotonga, Cook Islands on January 2020

PROFILE

Entity	Avaroa Cable Ltd
Address	Avaroa House, Aroa, Arorangi, Rarotonga, Cook Islands
Web address	www.avaroacable.com
Ownership	Crown Corporate Entity 50% Cook Islands Government Property Corporation 50% Cook Islands Investment Corporation
Formation	21 March 2017
Board Chair	Tatiana Burn
Deputy Chair	Miimetua Nimerota
Director	Richard Williams
Director	Teu Teulilo
Director	Martha Henry
Director	Robert Matheson
CEO	Mike Schwarz
Auditors	KPMG

Foreword

On behalf of the Board, management and staff of Avaroa Cable Limited (ACL), I am pleased to present our Statement of Corporate Intent (SCI) for 2023 – 2026.

ACL continues to work towards achieving its vision: “Ensuring that the Cook Islands have access to world-class telecommunications services and the socio-economic opportunities that will be created”.

Since going live in 2020, there has been zero unplanned down-time on the Manatua Cable. This is a reflection of our focus on operational excellence and the adoption of high-quality processes and practices. ACL will continue to provide a high degree of reliability and is determined to improve resilience. This ranges from closely following robust preventative maintenance practices, to collaborating with our partner nations in the Manatua Consortium to ensure that this critical infrastructure is protected.

ACL was pleased to announce the commissioning of a new route on the Manatua-One Polynesia cable system in 2022. This was a major milestone achieved with a number of international partners and Vodafone Cook Islands which enabled internet services to be switched to the ‘Western route’ to Sydney. In conjunction with the opening of the new route, Vodafone Cook Islands signed a multi-year contract with ACL to increase and extend our wholesale supply agreement. This is an important milestone and allows Vodafone to offer a wider range of connectivity options for customers.

The ACL Board is continuing its work of strengthening governance practices and exploring opportunities to improve the resilience of the Manatua cable system. ACL actively works with stakeholders, including our parent company, Cook Islands Investment Corporation (CIIC), to maximise the capacity



usage of the cable, assist new entrants into the market, and contribute to the telecommunications operating model and policy for the Cook Islands. The following SCI sets out our priorities in these areas in both the short and medium-term. On behalf of the Board, I would like to acknowledge and thank the ACL team for their support as we move forward to achieve our mission.



Tatiana Burn
Chair of the Board
Avaroa Cable Ltd

PURPOSE OF THE STATEMENT OF CORPORATE INTENT / TE AKAKOROANGA

This Statement of Corporate Intent outlines the vision for Avaroa Cable Limited (ACL), our mission, values and priorities, our journey so far, and strategic objectives for the next three years and beyond. It is a document for our stakeholders to understand what we have been doing, what we are going to do over the next three years, and what our priorities are.

ACL is required to provide an SCI to its shareholders under the Cook Islands Investment Corporation Act.



ACL Engineers Ed Redman and Tania Apera complete upskilling on fibre optic cable systems

AVAROA CABLE LTD

ACL is the Pacific's newest international fibre operator providing wholesale connectivity services in the Cook Islands. ACL is a Crown Corporate Entity of the Cook Islands Government. It manages the Cook Islands' involvement in the Manatua Cable project and its commercialisation as an international and domestic wholesale connectivity operator. ACL has been established, and the independent board which oversees it is appointed by the Cook Islands Investment Corporation, which is the government body responsible for SOEs and CCEs. Its establishment has been funded by the Cook Islands Government, the New Zealand Aid Programme, and the Asian Development Bank.

THE MANATUA – ONE POLYNESIA CABLE

The Manatua Cable fibre optic submarine cable is a 3,600km long, two fibre pair system connecting Apia in Samoa, Niue, Rarotonga and Aitutaki, Bora Bora and Tahiti. It was deployed in 2019-20. The cable is capable of operating at up to 10 terabits per second (= 10,000,000 megabits per second) on each fibre pair using state-of-the-art fibre optical communications technology, enough speed to download 300 high-definition movies every single second. The cable was ready for service in July 2020.



THE MANATUA CABLE SYSTEM



The ACL Story So Far

Tē tua tāpapa ō tē ACL

The Manatua Cable project started before the formation of ACL with the collective efforts of several government agencies, including the Cook Island Investment Corporation, Ministry of Financial and Economic Management and the Office of the Prime Minister, all involved in assisting with bringing the project to life. Ongoing support has been provided to ACL from these agencies, particularly from the Development Coordination Division of MFEM, as the project and set up progressed.

For ACL the years 2017 and 2018 saw a focus on putting into place the international agreements between the partner countries, confirming the funding for ACL's participation in the Manatua Consortium, participating in the core procurement and contracting exercise which resulted in the selection of US company SubCom LLC as the turn-key supplier.

Each of the Manatua Consortium parties has been responsible for constructing its own Cable Landing Stations. In the case of ACL, this has meant one each in Rarotonga and Aitutaki. These were ready for system-wide testing in February 2020 following intensive work on procurement, construction, terrestrial cable laying, public consultation and environmental impact assessments, and negotiation with landowners.

The subsea cable system was provisionally accepted in July 2020 and fully operational and in commercial use in September 2020 with onward connectivity in place.

Since 2020, ACL recruited full time Network/Systems Engineers, Business Operations and Finance Management along with 2 part-time technical support consultants in Aitutaki to support its function of being as a cable operator and a wholesale service provider.

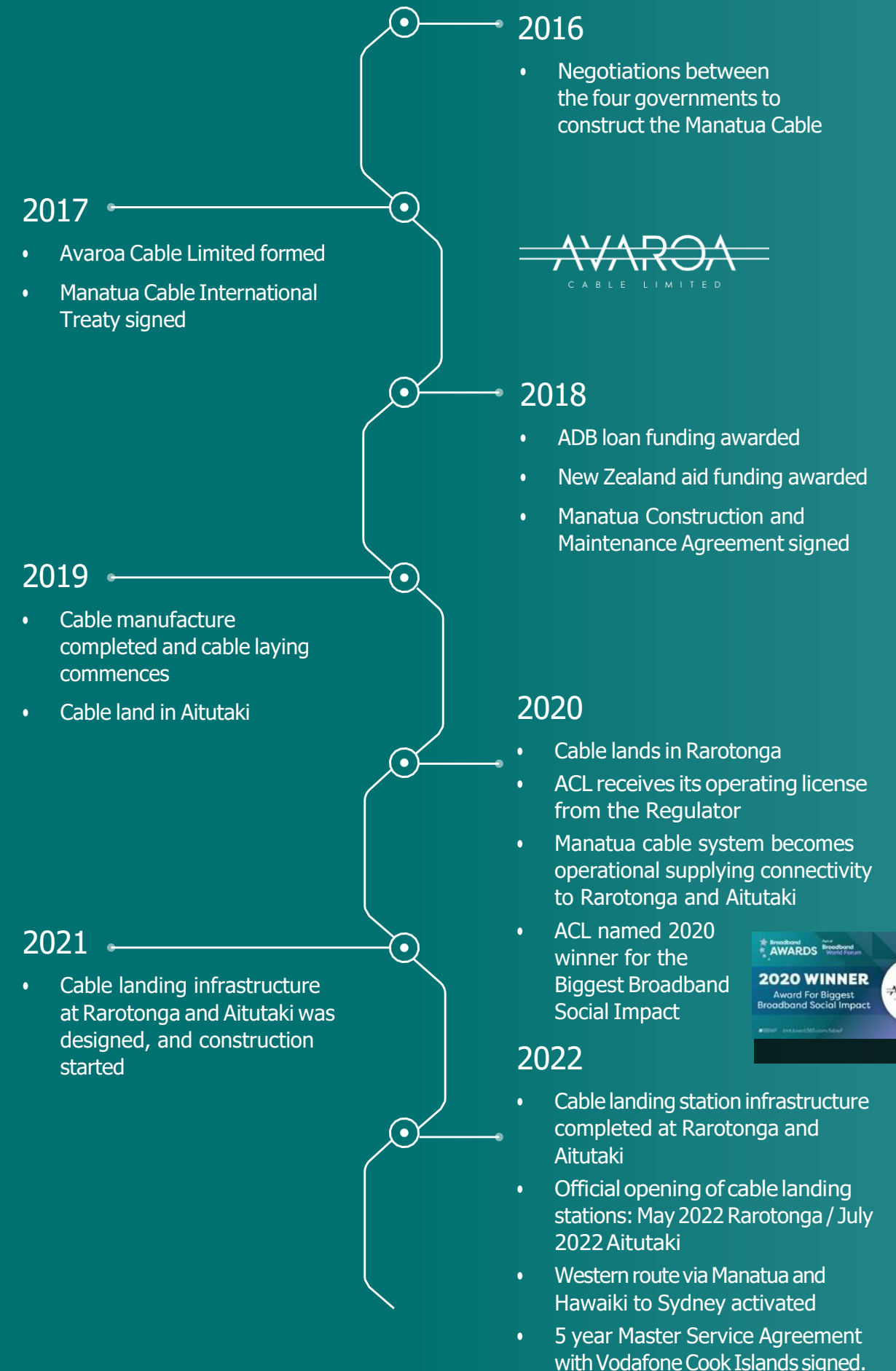
The focus for 2021 was on finalising the outstanding activities within the Manatua Consortium and building the auxiliary facilities around the cable landing stations to improve their resilience and security.

In parallel, a focus on commercialising the cable, securing 'onward connectivity from Manatua to global internet hubs, and creating ACL's product set, was completed.

2022-2023 concentrated on exploring options to improve the resilience of services terminating in Sydney as well as negotiating with the Manatua cable consortium on joining the SPMA for cable restoration.

ACL Systems
Engineer Tania Aperu
conducting checks
in the cable landing
station in Rarotonga.

Milestones and Achievements



ACL Purpose, Mission & Values: Delivering for the Cook Islands

*‘Akakoro’anga ō tē Āponga Niuniu Avaroa,
Anoano e te Rito’anga: Kave’anga kī te Kūki Airani*

VISION (WHY WE EXIST)

CONNECTIVITY FOR THE COOK ISLANDS

“Our vision is to ensure the Cook Islands have access to world-class telecommunications services and the socio-economic opportunities that will be created.”

‘AKAKORO’ANGA (TŌ MĀTOU TUMU’ANGA)

RĪPIRĪ’ANGA Ī TE KŪKI AIRANI

Kō tō mātou ‘akakoro’anga kō te ‘akapāpū kia rauka i te Kūki Airani tēta’i tūranga teitei nō tē ātuitui’anga kārere ē tē ‘anga i tēta’i au ‘atī’anga kimi puapinga nō te katoatoa

ACL’s purpose is to precipitate a transformation in telecommunication in the Cook Islands through the construction and operation of the Manatua One Polynesia Cable.

In the short term, this will secure affordable, fast, resilient, and reliable telecommunications in Aitutaki and Rarotonga. ACL’s longer-term purpose is to play a leading role in ensuring the Cook Islands has access to world-class telecommunications services and that people, businesses, government, and NGOs all maximise the opportunity the new connectivity presents.

ACL does not operate in a vacuum. It will achieve its purpose by working with:

- the Cook Islands Government
- the telecommunications regulator and the regulatory framework (including the Telecommunication Act 2019 and the Competition and Regulatory Authority Act 2019)
- new and existing players in the emerging telecommunications market in the Cook Islands and contributing to the overall operating model and policy for telecommunications
- businesses and citizens of the Cook Islands
- it’s partners in the Manatua Consortium and more widely in the region

MISSION (WHAT WE DO)

OPERATE • MAXIMISE • CONTRIBUTE

To deliver on our purpose, ACL will:

- Operate the Manatua One Polynesia cable sustainably for the benefit of the Cook Islands, ensuring high quality, efficient, reliable, and affordable service.
- Manage the Manatua One Polynesia cable in such a way as to maximise the usage of the cable.
- Contribute to the telecommunications operating model and policy of the Cook Islands to maximise the socio-economic benefits presented by the cable.

ANOANO (EAA TĀ MĀTOU ‘ANGA’ANGA)

TĀ’ANGA’ANGA • ‘AKAMA’ATA • TAUTURU

Kia tupu tō mātou ‘akakoro’anga, kāravete ACLite

- *Tā’anga’anga meitaki i tē Niuniu Manatua One Polynesia kia puāpinga te Kūki Airani, ē tē ‘akapāpū’anga i te tūranga teitei, apa-inga maru ē tē mā mā o teia niuniu.*
- *‘Akatere i tē Niuniu Manatua One Polynesia nā roto i tēta’i au rāvenga kia ‘akama’ata atu i te tā’anga’anga’anga i teia niuniu.*
- *Tauturu i tē au ‘akano’ono’o’anga ‘ātuitui karere ē tē au kaveinga ō te Kūki Airani kia ‘akama’ata i tē au rāvenga kimi puāpinga te ka nā roto mai i tēia niuniu*

ACL operational focus has shifted from project/build mode to ‘business as usual’, concentrating on efficiency, cost savings, delivering best rates for local Internet Service Providers, and meeting quality demands such as redundancy/repair agreements.

The local market is unlikely to see traffic growth to a point where ACL can drastically reduce traffic costs. Therefore, the focus will be on exploring alternate opportunities which could result in subsidizing local tariffs.

VALUES (HOW WE DO IT)

AU RITO'ANGA ('AKAPĒ'EA MĀTOU Ī TĒ RAVE'ANGA)



EXCELLENCE

Tu Meitaki Tikae

- We set and follow high standards
- We do things right the first time
- We focus on quality and reliability



RELATIONSHIPS

Tu Oa'oa

- We will work in an open and collaborative manner
- We will build strong and lasting relationships



INNOVATION

Tu manako ora

- We will keep learning and be adaptable, always open to new ideas
- We will add value through innovative processes and the smart use of technology
- We will foster a progressive, open, and creative work environment



INTEGRITY

Tu Irinakiia

- We have a strong sense of right and wrong and will always act ethically
- We will always do the right thing for our customers and the Cook Islands people



THINK LONG TERM, THINK BIG

Ākara kī tē ara roa, kia pā kī te rangi

- We think about the long term in a constantly evolving industry (the Manatua Cable is a 25-year investment)
- We make decisions for the Cook Islands people striving to make a positive impact today

- Living our values will be achieved by investing in our people through recruiting and developing Cook Islands talent.

- ACL will invest in the training and professional development of its engineers, managers, and leaders who will uphold the values and implement the strategies outlined in this SCI.

- How we behave and work with each other and in the community is important in delivering our purpose and mission



T&M Heather assisting the complex engineering efforts to bring the Manatua Cable onshore at Rutaki, Rarotonga

CORPORATE SOCIAL RESPONSIBILITY

ACL aims to have a positive impact on people, society and the world around us. We will actively contribute to the Cook Islands community by supporting a variety of education, social and charitable initiatives. These include participating in careers fairs in Rarotonga and Aitutaki, rolling out an internship programme and supporting local school and charity events. ACL will also explore opportunities where increased access to connectivity would be of benefit to driving positive outcomes, especially in the Education sector.

ALIGNMENT WITH THE COOK ISLANDS NATIONAL VISION

In 2007 the Cook Islands launched the country's 2020 visionary framework, Te Kaveinga Nui. This document articulated the national vision and the development outcomes desired by the Cook Islands people. The framework and guide to national development has undergone a number of refinements since that point, culminating in the adoption of the National Sustainable Development Agenda 2020+ (NSDA2020+) in December 2021.



NSDA 2020+ GOAL 6: CONNECTING OUR NATION THROUGH INFRASTRUCTURE, TRANSPORT AND ICT

The NSDA2020+ is the national blueprint towards a 100-year vision to achieve Turanga Meitaki – or wellbeing – and provides the guidance for sustainable development in the Cook Islands. ACL believes that it can contribute to a number of areas specified in Te Kaveinga Iti – the 5 years 'score card' of indicators to assess progress on shorter-term targets for wellbeing. ACL's purpose and mission will assist in achieving specific outcomes under Goal 6: Connecting our Nation through Infrastructure, Transport and ICT, specifically Indicators 6.1 Connectivity Index and 6.5 National Infrastructure completed and maintained (ie telecommunications cable).



Quality ICT infrastructure, internet and telecommunications services are key to the functioning of a progressive and modern nation. ACL's work contributes to achieving Turanga Meitaki by:

- Providing access to information and learning
- Helping deliver services in new ways
- Operating infrastructure using smart technology
- Reducing carbon intensive travel through high fidelity conferencing and collaboration
- Diversifying and increasing productivity of the economy
- Better linking Cook Islanders at home and overseas with each other and the world
- Support the CI Govt's digital transformation and ICT development aims
- Support the CI Govt's initiative to improve local Cybersecurity robustness

ALIGNMENT WITH COOK ISLAND INVESTMENT CORPORATION

ACL's Vision and Mission aligns with, and contributes to, that of CIIC which is:

"Fit for Purpose, transformational public assets that deliver, serve and improve the wellbeing of the Cook Islands people, in harmony with our culture and environment".

"Tau meitaki no te akakoro'anga, akatuke atu i te au apinga no te katoatoa te ka oronga mai, tauturu mate akameitaki atu i te turanga ora'anga o te iti-tangata Kuki Airani"

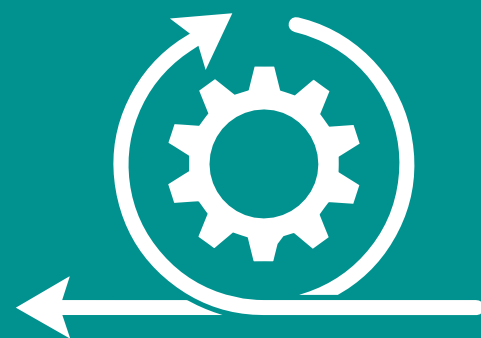
ACL will continue to work closely with the State-Owned Entities (SOE's) and Crown Corporate Entities (CCE's) across the CIIC Group as appropriate and is an active member of the CIIC Group CEO Forum. This includes for example liaising with TAU on the development of their fibre network installation standards.



ACL staff host NZ's Governor General Her Excellency; Rt Hon Dame, Cindy Kiro, the NZ High Commissioner, Tui Dewes, the Mayor of Aitutaki, Tekura Bishop, CIIC CEO Allan Jensen plus a number of local landowners at the Aitutaki ACL cable station.

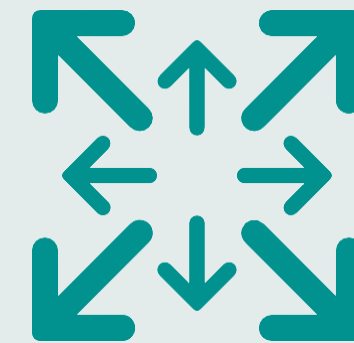
Strategy *Ākara'anga 'anga'anga*

ACL's strategy is aligned to the three pillars of our Mission



OPERATE

- **Reliability & Resilience**
Protecting cable infrastructure and guaranteeing service continuity
 - i. The Manatua cable system, and ACL's cable landing stations, have been engineered to the highest standards. Monitoring and maintenance systems and processes will be continuously improved and updated to ensure high levels of reliability and resilience.
 - ii. Risk Management - ACL will explore new cable connectivity opportunities to improve redundancy options and manage the risk in the event of a cable break



MAXIMISE

- **Create new revenue streams**
Exploring additional revenue opportunities through regional & international networking
 - i. ACL is focused on creating commercial opportunities that will ensure an affordable and reliable service for the Cook Islands rather than looking to maximise profitability as a priority.
 - ii. ACL will continue to focus on reducing prices and encouraging bandwidth growth, working in conjunction with the regulator to support more affordable retail pricing.
- **Broaden Commercial Customer Base**
 - i. Support and strengthen competition
 - ii. ACL will partner with new service providers and act as an enabler to increase their bandwidth utilisation on the Manatua cable system.



CONTRIBUTE

- **Creating consumer awareness and trust**
Growing stakeholder confidence in ACL
 - i. ACL's primary impact will be through the economic growth and social enrichment that enhanced connectivity will enable.
- ACL will operate on a wholesale-only, open access, non-discriminatory basis in order to support the government's policy and legislation
- Collaborate and contribute to ICT development
 - i. Actively contributing to the national strategy and building strong industry relationships
 - ii. Explore feasibility of further investment in telecommunications infrastructure

Operating Model *Tōna au rāvenga*



COMMERCIAL SUSTAINABILITY

ACL will be self-funding, covering all operating costs and debt repayment from commercial revenues



HIGH QUALITY ENGINEERING AND PROCESSES

ACL will focus on delivering high quality engineering support of services using best of breed industry practices along with continuous improvement of these systems.



INVESTING IN OUR PEOPLE

ACL will invest in the training and professional development of its engineers, managers, and leaders who will uphold the values and implement the strategies outlined in this SCI.



CORPORATE EXCELLENCE

ACL will operate to a high standard of management, planning, operations, health and safety and corporate governance - focused on its customers, staff, stakeholders, and suppliers



LEAN

ACL will focus on keeping operational costs low so that the lowest possible connectivity pricing can be supported and passed on to service providers and ultimately the end users

ACL is an organisation which functions to a high standard of management, planning, operations, health and safety and corporate governance, focused on its customers, staff and stakeholders, as well as its suppliers.



Subcom's cable ship Reliance pictured off Aitutaki while Optic Marine Group engineers oversee the cable landing.

Strategic Goals and Key Performance Indicators

The following are ACL's key goals and how they will be measured:

Mission Objective	Goal	KPI
OPERATE	Reliability & Resilience	<ul style="list-style-type: none"> 99.995% operational uptime (excluding planned outages) Restoration plans in place to provide back up solutions Redundancy for new services established Cable repair agreement in place No cyber security events
	Commercial sustainability	<ul style="list-style-type: none"> Profitability maintained month by month according to budget forecast Cash flow targets are met Exposure to US\$ variations managed in line with FX recommendations Capex budget managed in line with forecast spend on replacement or build initiatives Monthly operating costs are in line with budget forecasts Unexpected expenditure recognized early and mitigations established to minimize impact to budget. An unqualified audit opinion
	Corporate excellence	<ul style="list-style-type: none"> All provisions of the wholesale operating license met year on year. All obligations under the telecommunications legislation are met All external stakeholder deliverables provided with accuracy and on time. Conduct independent audit of the ACL Risk Management Framework
MAXIMISE	Create new revenue streams	<ul style="list-style-type: none"> New service provider activated on Manatua cable Increased bandwidth utilization on Manatua Cable
	Broaden commercial customer base	<ul style="list-style-type: none"> Create stakeholder engagement strategy Create online presence delivering appropriate messaging Conduct stakeholder surveys to gauge awareness and perception

Mission Objective	Goal	KPI
CONTRIBUTE	Creating stakeholder awareness and trust	<ul style="list-style-type: none"> Create stakeholder engagement strategy Create online presence delivering appropriate messaging Conduct stakeholder surveys to gauge awareness and perception
	Collaborate and contribute to ICT development.	<ul style="list-style-type: none"> ACL is recognised as a trusted contributor and enabler, and is present at all key meetings regarding ICT policy development and Digital Transformation
	Investing in our people	<ul style="list-style-type: none"> ACL is recognised as a trusted contributor and enabler, and is present at all key meetings regarding ICT policy development and Digital Transformation

STRATEGIC PRIORITIES

Short term:

- Review and update ACL risk management framework
- Join the SPMA with the Manatua Cable consortium
- Evaluate redundancy options
- Investigate hybrid pricing models for new entrants
- Feasibility study on wholesale agreements
- Facilitate new entrants into the data centre
- Explore opportunities to monetise Manatua cable system
- Implement a stakeholder communication & PR strategy
- Explore Corporate Social Responsibility opportunities
- Formalise arrangements with Government to establish ACL representation on digital decision-making committees.

Medium term:

- Determine alternative connectivity options on existing cable
- Explore 10-15 year IRU options
- Drive opportunities through Aitutaki link
- Investigate better pricing opportunities via ACL bandwidth on Manatua cable system
- Explore ACL's options in supporting connectivity to the home.
- Engage with and present to decision-makers in Government on ICT and relevant policy issues.
- Create opportunities and career pathways for students

Long term:

- Explore a second submarine cable option for the Cook Islands
- Reduce cost per Mb/s bandwidth on Manatua cable system for Cook Islands
- Monetise the cable system to a point where ACL can offer a better local rate
- Establish baseline consumer data.
- Become a recognised leader in ICT policy development and implementation

ACL People & Structure

Tē au tangata ē tē rārā ō tē ACL



TATIANA BURN | CHAIR

Tatiana has extensive experience in private and public sectors in the Cook Islands. Tatiana has over 20 years commercial experience as the Director of Cook Islands Printing Services Ltd, Perfumes of Rarotonga Ltd, COTA Holdings Ltd. Tatiana's public sector roles include Board Chair for the Bank of the Cook Islands, and Board Director of the Cook Islands National Superannuation Fund. Tatiana recently stepped down from the Board of the Cook Islands Chamber of Commerce after 10 years of service and is former Chair of the Cook Islands Price Tribunal.



MIIMETUA NIMEROTA | DEPUTY CHAIR

Mii is the Director of the Centre of Excellence in IT with the University of the South Pacific Cook Islands Campus. Mii has a Masters Degree in Information Systems, accredited to the Australian Computer Society, from the University of the South Pacific. Mii is an Information Systems Analyst with 10 years' experience in Public Policy, Planning, Information Systems, and education. Mii is passionate about information technology and creating ICT and digital education programs for children and youths and local communities.



TEU TEULILO | CHAIR AUDIT COMMITTEE

Teu is the Director of Treasury at the Ministry of Finance and Economic Management (MFEM) and a director of Project Five Ltd, a leading provider of digital solutions, consultancy and accounting services. With a Bachelor of Arts degree majoring in Accounting and Financial Management, Teu is a Chartered Accountant with over 20 years of experience in public financial management. He has worked previously in Nauru and Fiji, and brings a wealth of knowledge and expertise to his current roles.



RICHARD WILLIAMS | DIRECTOR

Richard began his career in the Cook Islands at Cable and Wireless and gained a Higher National Diploma in Telecoms Engineering (UK). Richard is currently a Senior Account Manager at Ericsson New Zealand working on state-of-the-art technologies including 5G Core solutions. Richard has extensive experience in the telecommunications industry providing infrastructure and solutions for Service Providers across the world.



ROBERT MATHESON | DIRECTOR

Robert is the Chief Information Officer at the Bank of the Cook Islands (BCI). Robert has a Masters in Digital Business (Waikato University) with undergrad degrees in Science (Physics) and Education. Robert has over 20 years' experience in the Technology Sector leading teams at both operational and strategic levels with a recent focus on digital transformation.



MARTHA HENRY | DIRECTOR

Martha is a Board member of the Financial Supervisory Commission. Martha has a Bachelor of Laws and Professional Diploma in Legal Practice and a Masters in International Law from the University of Sydney in Australia. Martha operates her own legal practice known as Henry Law PC and provides advice and representation on matters such as land, family law, employment, and conveyancing.

ORGANISATIONAL STRUCTURE



COOK ISLANDS
GOVERNMENT



COOK ISLANDS
INVESTMENT CORPORATION



AVAROA CABLE LTD
BOARD



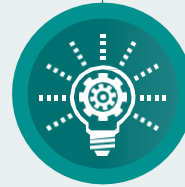
CHIEF EXECUTIVE
OFFICER



ENGINEERING
OPERATIONS



FINANCE



BUSINESS
OPERATIONS



MIKE SCHWARZ CHIEF EXECUTIVE OFFICER

Mike has 25 years experience in the New Zealand telecommunications industry managing disparate and virtual teams across multiple service, technology or operational domains supporting mobile, internet service providers, datacentres, satellite systems, DMR and FWA systems; business support systems, Core & Edge MPLS networks along with 15 years managing the Southern Cross Cable Network submarine cable system for domestic & International Wholesale, Corporate and Government customers.

Mike has a New Zealand Certificate in Telecommunications Engineering from the Auckland University of Technology; a post-graduate Diploma in Business Management from the University of Waikato and a Certificate in Agile Change Management from the Auckland University School of Business

Risk Management

There are risks to achieving ACL's corporate intent. Risks are carefully tracked by ACL's internal risk management processes.

ACL's risk management process includes:

Maintaining a Risk Register

ACL maintain a risk register that records the following information:

- o The proximity and rating the likelihood and impact of that risk
- o Details of the potential impact on ACL
- o The mitigation strategies that have been identified and the status of these
- o What success looks like
- o The risk weighted possible financial impact, after mitigation, on ACL
- o The owner of the risk

Risk Review

ACL management reviews and updates the risk register monthly, while the ACL Board reviews the risk register at each Board meeting. A quarterly report is provided to our Shareholder (CIIC) of the key risks, the details of each risk and key mitigation strategies as required by the Cook Island Investment Corporation Act.

2023/24 will see an audit conducted by a risk management specialist.



Tania Apera, ACL Systems Engineer preparing the networking infrastructure at the Rarotonga CLS

The following is a high-level summary of the largest risk areas:

Competition/New Technologies

While ACL is confident that it can be competitive against current satellite technology and pricing, there is a risk that prices may fall, either with the current platform or with a next-generation service, including low earth orbit satellite constellations (i.e., Starlink, OneWeb)

Cable Break

Catastrophic events such as cyclones, anchor damage and any corrosion of the cable are a threat to ACL and the ongoing operation of the Manatua cable. While the system has been engineered to withstand the most severe events the outcome of such events by their very nature are unknown.

Financial risks

ACL's establishment was partially funded by a US\$15M loan from the Asian Development Bank and has a cost base in both USD and NZD. The company is exposed to interest rate and foreign exchange risk as these rates move. Interest payments are a major cost and ACL has no control over the fluctuations of this rate or any resulting increase in interest payments, however we aim to mitigate the impact of negative movements. Foreign exchange risk is monitored in conjunction with a treasury advisor, and appropriate cover is placed based on ACL's treasury policy and market conditions.

Consortium Cohesion

ACL is co-dependant on its consortium partners to co-fund and operate the Manatua cable to high standards. There are risks that some partners may have different priorities to ACL which results in different expectations in the maintenance and operations of the cable. This will require close monitoring.

Onward connectivity

Securing and operating affordable and high-quality onward connectivity for ACL is critical to the quality of the service ACL can offer and this will need to be carefully managed.

Operational Performance

ACL has a small team which can create issues with succession planning, talent management staff scheduling etc. Skills and experience are challenging to source and nurture therefore this is a risk and a focus for ACL.

New Market Entrants

With a purpose of realising the benefits for the Cook Islands of the investment in the Manatua cable this will be limited if credible new entrants in the telecommunications market fail to materialise.

ACL will be exploring opportunities to "monetise" the Manatua cable system and thus be able to **reduce the pricing plans** offered to the local service providers

Financials *Tē Moni*

ACL operates in a highly competitive market, therefore financial information is not included in this Statement of Corporate Intent due to its commercial sensitivity. Financial information is provided to our shareholder CIIC.

ACL's establishment was funded with NZ\$15m of grant funding from the New Zealand Aid Programme, a US\$15m low-cost development loan from the Asian Development Bank secured by the Government of the Cook Islands, and a further direct Government appropriation.

ACL's operational costs primarily comprise of:

- company operations
- contributions to the running costs of the Manatua Cable as defined in the Mantua Consortium Construction and Maintenance Agreement
- costs for running the cable landing stations in Rarotonga and Aitutaki
- costs of onward connectivity from the Manatua cable to the wider world
- debt repayment to ADB.



ACL CEO Mike Schwarz and Board of Directors Richard Wililams, Rob Matheson, Martha Henry, Tatiana Burn, Mii Nimerota and Teu Teulilo at the ACL Cable Landing Station opening in Aitutaki, 20th July 2022

Onward connectivity from the Manatua cable system is based on multi-year IRU purchases with another cable system. Traditional cost modelling indicates that as cable bandwidth utilisation increases the price per Megabit decreases. However, this may not equate to ACL being able to offer significant price reductions to the local service providers in the near future. Onward connectivity to our international destinations has long term intrinsic costs and the growth of the local Telco market post Covid is very slow.

Therefore ACL will be exploring other opportunities to "monetise" the Manatua cable system and thus be able to reduce the pricing plans offered to the local service providers by this additional revenue.

Demand of future bandwidth growth will be dependent on the incumbent service provider developing new products to mitigate the impact of OTT providers, new entrants establishing themselves in the local market and ACL exploring new opportunities to monetise the Manatua cable system.

ACL will maintain its commercial viability through the partnership with the incumbent service provider, enabling new entrants to establish themselves in the Cook Islands as well as seeking new business opportunities within the Manatua cable consortium.

ACL's focus is to minimise pricing to influence end users' affordability and embed commercial sustainability. The Cook Islands will see its primary benefit in terms of business growth, social development, greater opportunities and streamlined government services enabled by cable connectivity. Creating a cable investment fund will also be a key focus of the financial strategy for ACL. Therefore, no financial dividends are anticipated in the medium term. This will be kept under review by ACL's Board in conjunction with CIIC.

Dividend Policy

ACL's core strategy is focused on creating commercial opportunities to ensure an affordable service for the Cook Islands rather than maximising profitability as a priority.

ACL continues to regularly engage with its shareholder CIIC. Factors to be considered in relation to dividend payments include:

- Debt repayment requirements
- Creating a contingency fund to repair any cable break without undue delay
- Creating a fund to assist with the cable replacement which will come to its end of life in 2045.

ACL will be exploring opportunities to "monetise" the Manatua cable system and thus be able to **reduce the pricing plans** offered to the local service providers

Appendix 1: The Manatua Cable Consortium

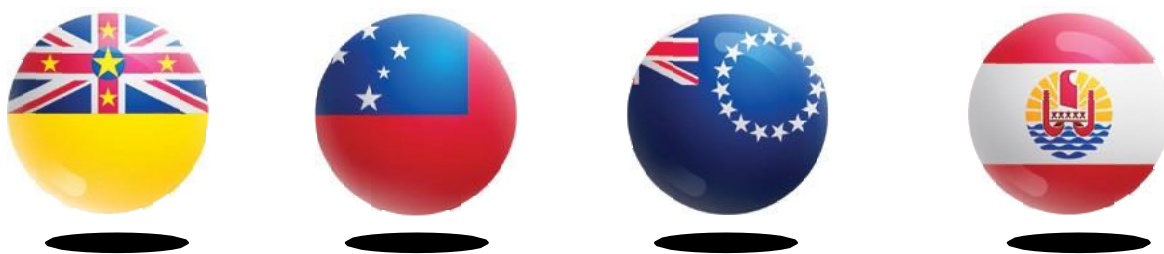


The Manatua Cable Project is the consummation of this historic achievement as a physical articulation of regional cooperation by the Polynesian nations and leaders¹

Ko tē Niuniu Manatua
kō tē akakite'anga teia i tē
puāpinga tikai tei rauka mei
roto i tē tā'okotai'anga ō tē
au Arataki ō tē au Pa enua
Porinētia

The Manatua cable consortium was formed following the signing of an International Treaty in November 2018 between the governments of the Cook Islands, Niue, Samoa and French Polynesia. Signed by the Prime Ministers of the four nations, the treaty established the consortium to build and operate the Manatua cable. This ground-breaking collaboration was the first of its kind in the Pacific and enabled the four nations to achieve, through collaboration, a system that none of the countries could realistically afford alone.

The consortium comprises Avaroa Cable Ltd for the Cook Islands, Niue Telecom for Niue, the Samoa Submarine Cable Company and Office de Poste et Telecommunications for French Polynesia (see box). It is the first consortium of its type anywhere in the Pacific. The consortium is underpinned by a Construction and Maintenance Agreement which sets out how the collaboration to build the cable will work, how the cable will be operated, how costs will be allocated between the parties, how connectivity resources will be allocated and how associated revenues will be shared. The consortium agreement runs for 25 years, the operating life of the cable. While the consortium approach makes the Manatua Cable project financially feasible, it does add a significant degree of complexity.



¹ Communique of the meeting of the Manatua Consortium government leaders and representatives; 9 November 2018



OFFICE DES POSTES ET TELECOMMUNICATIONS

www.opt.pf

Office des Postes et Telecommunications Group of French Polynesia (OPT) is a state-owned enterprise providing telecommunication service throughout French Polynesia. It has three main divisions. ONATi operates and delivers fixed line infrastructure and services as an ISP and mobile operator. Tahiti Nui Telecoms is the international division operating satellite and teleport infrastructure, the Honotua cable between French Polynesia and Hawaii, and data centres and associated IT services including computer sales. Fare Rata provides postal and banking services.



SAMOA SUBMARINE CABLE COMPANY

www.sccsamoa.com

The Samoa Submarine Cable Company (SSCC) built and operates the Tui-Samoa submarine cable between Apia, Samoa and Suva, Fiji with spurs to Savaii and Wallis & Futuna. SSCC also provides cable landing party arrangements for other regional and trans-pacific international cable systems. SSCC is a private company with its headquarters at the Gold Star Building in Matafele. Its shareholders are Bluesky Samoa, Digicel, CSL Mobile, the Samoan Life Assurance Corporation, the Samoa National Provident Fund, and Unit Trust of Samoa.



TELECOM NIUE

www.telecomniue.com

Telecom Niue (TNL) is a state-owned enterprise. It is the predominant telecommunications provider in Niue and supports Niue's involvement in the Manatua Cable Project. TNL is overseen by an independent board. It provides retail telecommunication services in Niue including for government use, and maritime and civil aviation radio services. TNL's funding for its involvement in the Manatua Cable comes from the Government of Niue and the New Zealand Aid Programme. Manatua will be the first submarine cable connection for Niue.



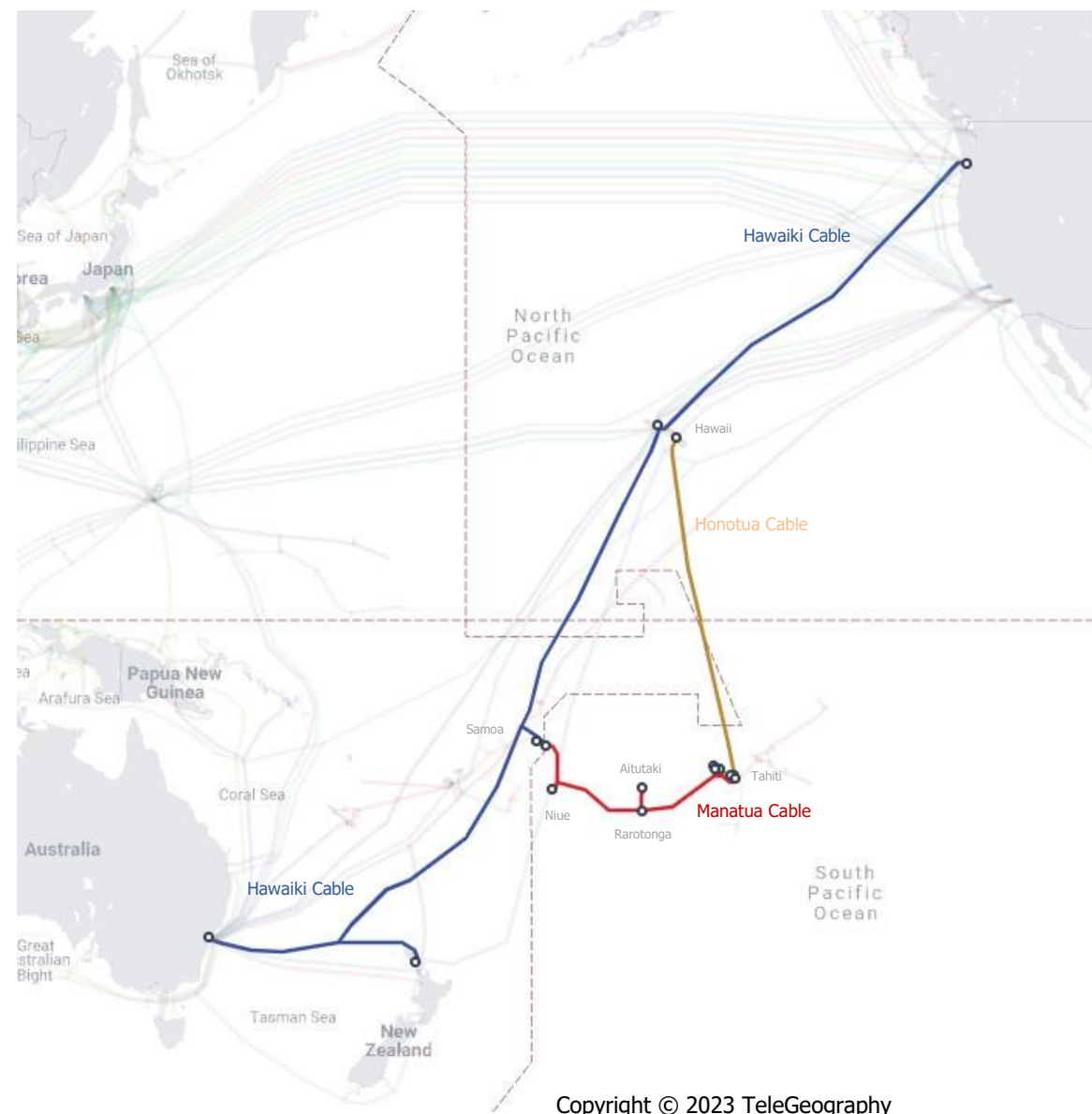
ACL'S FUNDING PARTNERS

The Cook Island's involvement in the Manatua Cable project and the establishment of Avaroa Cable Limited has been funded by the Government of the Cook Islands, who have been supported with NZ\$15m of grant funding from the New Zealand Aid Programme (www.mfat.govt.nz/aid-and-development) and US\$15m of development loan funding from the Asian Development Bank (www.adb.org). ACL's ongoing operational costs and debt repayments will be met from ACL's revenue from sales of telecommunication and related services.

Appendix 2: Onward Connectivity

ACL ONWARD CONNECTIVITY

A key challenge for ACL in creating its product set for its retailer customers, has been the provision of 'onward connectivity' from the ends of the Manatua Cable to the global internet, also called IP Transit. This connectivity is a key factor for creating affordable, high performance and relevant products for retailer customers. The diagram indicates some of the available options



Appendix 3: Accounting policies

Avaroa Cable Limited is a company registered in the Cook Islands. The financial statements have been presented under the Companies Act 1970.

Avaroa Cable Limited was incorporated on the 21st of March 2017 and is owned 50% by the Cook Islands Investment Corporation and 50% by the Cook Islands Government Property Corporation. Avaroa Cable Limited ultimately is owned by the Cook Islands Investment Corporation, which is governed under the Cook Islands Investment Corporation Act 1998.

The financial statements have been prepared in accordance with New Zealand (NZ) Generally Accepted Accounting Principles (GAAP). They comply with NZ equivalents to International Reporting Standards applying Reduced Disclosure Regime (NZIFRS RDR) applicable for Tier 2 for profit entities. The company qualifies for NZIFRS RDR as it is not publicly accountable as defined by the International Accounting Standards Board (IASB) and is not large.

The financial statements have been prepared on a going concern basis. The financial statements are presented in New Zealand dollars,

which is the functional and reporting currency of the company, and all values are rounded to the nearest thousand (\$000).

The general accounting policies recognised as appropriate for the measurement and reporting of results and financial position under the historical cost method have been followed in the preparation of the financial statements.

The Company's financial statements are prepared in accordance with NZIFRS RDR. However, there are critical accounting treatments which include complex or subjective judgments and estimates that may affect the reported amounts of assets and liabilities in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Further detail in respect of the accounting policies for the company are set out in the Annual Financial Statements for the year ended 30 June 2022. No significant changes in accounting policies are envisaged.

Appendix 4: Glossary

ACL	Avaroa Cable Limited
ADB	Asian Development Bank
AP	Articulated Pipe
CEO	Chief Executive Officer
CIIC	Cook Islands Investment Corporation
CLS	Cable Landing Station
CCE	Crown Corporate Entity
ISP	Internet Service Provider
IRU of	Indefeasible Right of Use (a contractual agreement for temporary ownership a portion of the capacity of an international cable)
MFAT	New Zealand Ministry of Foreign Affairs and Trade
MSA	Master Service Agreement
NDA	Non-Disclosure Agreement
NSDP	Cook Islands National Sustainable Development Plan
NZIFRS	New Zealand International Finance Reporting Standards
NTL	Niue Telecom Limited
OPT	Office des Postes et Telecommunications
OTT	Over the top service (eg. NetFlix)
RFS	Ready for Service
SOE	State Owned Enterprise
SSCC	Samoan Submarine Cable Company

