



ANI Statement of Corporate Intent 2023/24

Covering reporting period 2023/24 to 2026/27



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Introduction

NUSHIP Arafura was launched at Osborne Naval Shipyard in December 2021

Introduction

Australian Naval Infrastructure Pty Ltd (ANI or the Company) is a Commonwealth Company and a Government Business Enterprise (GBE), classified as a Public non-Financial Corporation (PnFC).

ANI's primary function is to support the Commonwealth's continuous naval shipbuilding program by being the owner, developer and manager of infrastructure and related facilities. ANI is tasked with providing access and efficiently and effectively managing the infrastructure in a manner that ensures an integrated and coordinated approach to delivery of the shipbuilding program.

Since inception, ANI has fulfilled these functions through the:

- acquisition of land to enable expansion of the Osborne Naval Shipyard (ONS) in South Australia
- design and construction of a new shipyard at Osborne South (ONS-S)
- modernisation of existing facilities at ONS-S
- partial design and construction of a new submarine construction yard (SCY) at Osborne North (ONS-N), which was subsequently put on hold in light of the AUKUS announcement
- precinct-wide works in support of the above facilities
- continued operation and maintenance of the Common Use Infrastructure (CUI) at Osborne
- working with Defence to develop capability options for large vessel infrastructure at Henderson, and
- working with the Nuclear Powered Submarine (NPS) Taskforce in considering infrastructure requirements for the NPS construction yard.

These activities are discussed in detail in this Statement of Corporate Intent.

ANI's joint shareholders are the Minister for Finance, the Hon Katy Gallagher, and the Deputy Prime Minister and Minister for Defence, the Hon Richard Marles MP.

This Statement of Corporate Intent has been prepared in accordance with section 95(1) of the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act).

Context: Naval Shipbuilding Plan

The 2017 Naval Shipbuilding Plan set out the long-term vision for a strong, sustainable and innovative naval shipbuilding industry in Australia. The Department of Defence (Defence) has indicated this decade will see significant expansion of the National Naval Shipbuilding Enterprise as it continues to deliver the Government's continuous naval shipbuilding and sustainment program.

Since the release of the 2017 Naval Shipbuilding Plan, significant progress has been made in the development and upgrade of infrastructure. ANI has played a principal role in this endeavour as the owner, developer and manager of critical shipyard

infrastructure, delivering the new and upgraded facilities to support the delivery of the Hunter Class Frigate Program (HCFP) at ONS-S, and early works for the development of the SCY at ONS-N.

On 16 September 2021, the Government announced an enhanced trilateral security partnership between Australia, the United Kingdom, and the United States (AUKUS). The first initiative under AUKUS was to seek an optimal pathway for the acquisition of at least eight NPS for the Royal Australian Navy. As a result of this decision, the Government decided not to proceed with the Attack Class Program for which the SCY was being developed.

The Government established the NPS Taskforce to facilitate Australia's role in AUKUS. The Taskforce has been examining the full suite of requirements that underpin nuclear stewardship, with a focus on safety, design, construction, operation, maintenance, disposal, regulation, training, environmental protection, installations and infrastructure, basing, workforce and force structure. ANI has assisted the Taskforce through participation in an Infrastructure Integrated Project Team.

On 14 March 2023, the Government announced the optimal pathway for the acquisition of conventionally armed NPS capability for Australia, which is a complex, multi-decade undertaking, part of which involves Australia building NPS in South Australia. ANI will develop the NPS construction yard at Osborne, with enabling works to begin in late 2023.

On 24 April 2023, the Government released the Defence Strategic Review (DSR) which was commissioned as an independent review *"to assess whether Australia had the necessary defence capability, posture and preparedness to best defend Australia and its interests in the strategic environment we now face"*. The DSR confirmed the importance of naval shipbuilding as a sovereign industrial capability and reaffirmed the Government's commitment to continuous naval shipbuilding. As a response to the DSR, an updated National Naval Shipbuilding Enterprise strategy and supporting Naval Shipbuilding and Sustainment Plan are expected to be released during calendar year (CY) 2024.

Further detail on these policies is set out in Section 3, and details on ANI's involvement is set out in Section 4.



ONS | February 2022



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Background and Objectives

Primary and secondary objectives

ANI's primary and secondary objects are defined in its Constitution as detailed below.

Primary object

To support the Commonwealth's continuous naval shipbuilding program through:

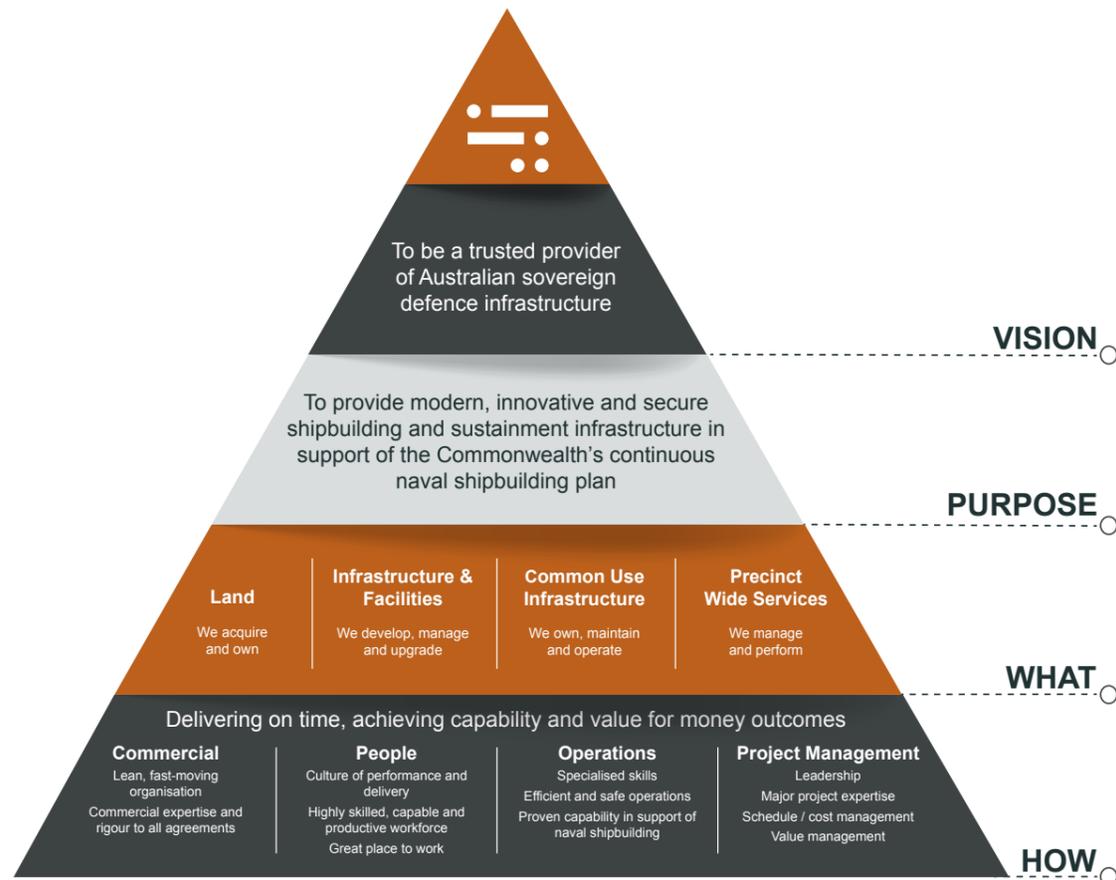
- acquiring, holding, managing and developing the infrastructure and related facilities used in connection with this program, and
- efficiently and effectively managing this infrastructure (including providing access) in a manner that ensures an integrated and coordinated approach to the delivery of all elements of this program.

Secondary object

To undertake commercial activities related to the primary object, while not compromising achievement of the primary object.

Strategic plan

ANI's vision, purpose and strategy is depicted in the following diagram, and is underpinned by ANI's governance framework, including the Statement of Expectations (SoE).



Values

ANI has adopted a set of values which represent the way the ANI team behaves and operates in pursuing its objectives.



ANI as a GBE

ANI is prescribed as a GBE, reflecting the following key characteristics:

- significant business undertakings at arm's length from the Government
- operates in an established private sector market (infrastructure development and providing facilities for shipbuilding and sustainment)
- a strong focus on generating commercial returns and/or growing shareholder value
- an independent board to enable the Company to make commercial decisions about its operations, and
- staffed by appropriately experienced and skilled employees.

Community service obligations

ANI does not operate under any specific community service obligations.



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Operating Environment

ANI's operating outlook and strategic environment is heavily influenced by several main factors, namely:

- Government policy - as informed by the optimal pathway for the acquisition of NPS under the AUKUS arrangements announced on 14 March 2023
- DSR - including the outcomes and actions arising from the DSR announced on 24 April 2023, and
- Inflationary pressures in the global and domestic economy.

ANI has considered potential challenges and opportunities arising from these areas and has sought to incorporate the likely future implications into the corporate planning process.

Government policy – AUKUS

In September 2021, Australia, the United Kingdom and the United States announced AUKUS – a new security partnership to promote a free and open Indo-Pacific that is secure and stable.

On 14 March 2023, the President of the United States, the UK Prime Minister and the Australian Prime Minister stood together to announce Australia's pathway to achieve the first major initiative of AUKUS to support Australia acquiring conventionally armed, NPS.

The optimal pathway announcement² noted that:

“The construction of SSN-AUKUS in Australia will be a whole of nation undertaking. Primary construction works will occur at Australia's future Submarine Construction Yard in Osborne, South Australia, to ensure it is ready for the SSN AUKUS build to commence by the end of the decade. At its peak, developing the infrastructure at the Submarine Construction Yard will create up to 4,000 jobs.”

In May 2023, the Government announced the establishment of the new Australian Submarine Agency (ASA) from 1 July 2023, which will be responsible for the management and oversight of Australia's NPS program, and the establishment of a new independent statutory regulator, the Australian Nuclear Powered Submarine Safety Regulator (the Regulator).

The future implications for ANI arising from the AUKUS announcement are:

- ANI will be the developer and owner of the NPS construction yard at Osborne. This will be a very significant undertaking for ANI, as the infrastructure will be extensive and technically complex, and the construction is expected to span more than a decade.
- ANI will need to work in a very close partnership with the ASA, Defence, the Government-selected shipbuilder, the Regulator and other stakeholders including the AUKUS partners to ensure that the Osborne infrastructure design and construction is progressed in accordance with the required schedules, is fit for its intended purpose and meets or exceeds the highest standards of nuclear safety and security.

DSR

The National Defence Statement 2023 (Statement), released as Part A of the DSR on 24 April 2023³, highlights the significant changes in Australia's strategic circumstances, stating that:

“Australia's region, the Indo-Pacific, faces increasing competition that operates on multiple levels – economic, military, strategic and diplomatic – all interwoven and all framed by an intense contest of values and narratives.

A large-scale conventional and non-conventional military build-up without strategic reassurance is contributing to the most challenging circumstances in our region for decades. Combined with rising tensions and reduced warning time for conflict, the risks of military escalation or miscalculation are rising.”

In relation to Navy, the Statement goes on to say that:

“Navy must have enhanced lethality – including through its surface fleet and conventionally armed, nuclear powered submarines – underpinned by a continuous naval shipbuilding program.”

In relation to funding, the Statement reflects an intention to increase Defence spending, whilst being committed to fiscal discipline:

“Defence must have the funding it needs to deliver this enhanced capability. To this end, Defence funding will increase over the next decade above its current trajectory to implement the Review, including the delivery of the conventionally armed, nuclear-powered submarine program through AUKUS.

The Government is also committed to fiscal discipline and will make the hard decisions to cancel or reprioritise Defence projects or activities that are no longer suited to our strategic circumstances as outlined in the Review. This will involve prioritising planned investments while maintaining the overall level of Defence funding over the forward estimates.”

The future implications for ANI arising from the DSR are:

- DSR⁴ reinforces the need for the AUKUS conventionally armed NPS.

The implications for ANI are as discussed in the preceding section.

- DSR⁵ recommends that the Government reaffirm its commitment to continuous naval shipbuilding, and this recommendation was accepted by the Government.

ANI will continue to work with Defence and other stakeholders to progress the analysis of infrastructure options which are informed by the DSR.

- DSR⁶ recommends that an independent analysis of Navy's surface combatant fleet be undertaken to ensure that the fleet's size, structure and composition complements the capabilities provided by the forthcoming NPS. This review will provide its report to Government by the end of September 2023.

The impact of this review remains uncertain. Any changes to the HCFP in terms of the number of frigates to be delivered has the potential to impact ANI at Osborne.

- DSR⁷ reinforces the need for a large vessel dry dock at Henderson and also points to the need for consolidation at Henderson, with Government intervention encouraged to remedy significant challenges around the workforce, the layout and development of the shipyard and the relationship

between infrastructure, shipbuilders, contractors and workforce providers.

As above, the implications for ANI are less clear in that the infrastructure that is required to be delivered by ANI will most likely need to reflect this consolidation, at least in the medium to longer term.

Once the capability requirements at Henderson have been determined, ANI will be in a position to progress with engineering design to determine cost and schedule parameters, structures and sources of funding and the operating model, roles and responsibilities.

Collaboration with key stakeholders

ANI's collaboration with key stakeholders within Defence and with its Shareholder departments, Defence and the Department of Finance (Finance), will be critical to ensuring that ANI continues to meet the Government's needs in terms of the provision of key enabling infrastructure at both Osborne and Henderson.

Inflationary environment and tight labour market

Australia, like many other countries, has experienced sharp increases in construction costs over the last two years. Domestic demand remains strong and the labour market remains tight, although inflation appears to have peaked.

According to Rider Levett Bucknall's (RLB's) 1st Quarter 2023 Australia Report, the Australian construction industry is under pressure to deliver existing projects contracted under a very different set of circumstances that were evident two to three years ago. RLB point to the number of mega-projects currently under construction across Australia, noting that 10 years ago there was one transport infrastructure project in Australia worth greater than \$5 billion, and today there are nine. Further, RLB note that the rise in construction costs is putting pressure on developers:

² The AUKUS Nuclear-Powered Submarine Pathway, A Pathway for the Future, 14 March 2023, Paragraph 13.1

³ National Defence, Defence Strategic Review, Australian Government 24 April 2023

⁴ DSR Clause 8.20

⁵ DSR Clause 8.68

⁶ DSR Clause 8.26

⁷ DSR Clauses 10.26 to 10.28



The Common User Facility (CUF) enables commercial vessels to dock and undertake repairs at ONS

“Construction in Australia continues in the midst of a perfect storm – these combined stresses are causing increased construction costs, project delays due to shortages of labour and materials, and reduced margins for contractors. The added rise in construction costs is placing pressure on developers who are struggling to align these increases with suitable rates of return, ultimately impacting project feasibility and delaying commencement of new projects.”

Looking forward, escalation forecasts indicate a slowing of the increases seen over the past two years, with 2022 being the peak rate of escalation for the majority of capital cities. However, these increases remain higher than the decade averages previously seen across the country. While the volatility has dissipated, the risk of sudden cost surges remains, primarily due to influences that are beyond the construction industry’s control. Two of the highest profile escalation drivers, supply chain and material costs, appear to be stabilising. Headline inflation has passed its peak.

The Minutes of the Monetary Policy Meeting of the Reserve Bank Board held on 2 May 2023 stated that:

“...members noted that inflation had eased in the March quarter, confirming the staff assessment that inflation had passed its peak. Despite this, inflation in Australia remained too high and broadly based. Headline inflation had declined to 7 per cent over the year to the March quarter and underlying inflation had declined to 6.6 per cent.”

“The staff forecasts were for inflation to return to around the top of the target band [2% to 3%] by the end of the forecast period in mid-2025. Further disinflation in goods prices was expected to lead to a further decline in overall inflation, as was below-trend growth in aggregate demand. However, growth in unit labour costs, which had been strong in prior quarters, was expected to be a key driver of underlying inflation over the forecast period.”

“The unemployment rate remained near historical lows, at 3½ per cent, but was expected to reach 4½ percent by late 2024. Conditions in the labour market were not as tight as a few months earlier, with some easing in indicators of hiring intentions and a modest decline in vacancies.”

“In the business sector, the outlook for non-mining investment over the coming years had softened a little but remained positive. While non-residential construction activity was expected to be supported by a large pipeline of projects, a shortage of skilled tradespeople would constrain how quickly these projects could be undertaken.”

These conditions will continue to create challenges for ANI in terms of project costs and the availability of human capital to deliver forthcoming significant projects at both Osborne and Henderson within the forecast period. In SA, the infrastructure construction pipeline includes the completion of the South Road Corridor project, which is expected to cost \$12 to \$15 billion, and the new Women’s and Children’s Hospital at an expected cost of more than \$3 billion. In WA, the mining industry continues to utilise all available resources, with well documented personnel shortages and wage inflation across the state.

The future implications for ANI include:

- cost increases, which are already evident in estimates for projects, will require additional funding
- cost and schedule performance across ANI’s project portfolio will need to be carefully managed
- contracting strategies will need to consider potential mitigants for regional and national supply chain and labour market constraints
- adequate escalation and contingency allowances will need to be incorporated into project budgets and schedules, and
- ANI will need to ensure that it remains an ‘employer of choice’ through providing a competitive employee value proposition including attractive remuneration packages and a positive workplace culture with strong values and leadership.



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Performance and Priorities

Figure 4.1 Current ONS footprint



ANI assets

In order to deliver on its primary object as outlined in Section 2, ANI is the owner of extensive landholdings in the ONS precinct.

ANI’s landholdings include:

- the surface shipyards at ONS-S
- the former Naval Shipbuilding College (NSC) premises adjacent to the shipyard at ONS-S (now referred to as S101)
- ANI’s head office at ONS-S
- the CUF at ONS-S
- three existing buildings at ONS-N
- the recently constructed Combat Systems Physical Integration Facility (CSPIF) at ONS-N

- vacant land and partially improved land at ONS-N (former Attack Class SCY), now intended to form part of the future NPS construction yard
- existing Collins Class submarine (CCSM) sustainment facility (CCSF) at ONS-N, and
- surrounding land for carparking and services.

The footprint of the above landholdings is depicted in the diagram above.

In addition to the above, as part of the agreement reached between the Commonwealth and South Australian State Government in support of the AUKUS announcement on the optimal pathway for acquiring NPS, ANI is working with Defence and the State Government’s Urban Renewal Authority (Renewal SA) to facilitate the transfer of various of parcels of land to the north of the existing

ONS-N footprint, which is the preferred site for the development of the NPS construction yard, with some of the land used for the development of a future Skills and Training Academy.

Development of infrastructure

Precinct projects

In FY22/23, ANI has progressed various precinct projects to support the efficient functioning of the ONS. These include:

Pedestrian bridge and western carpark

Construction of a pedestrian bridge over the rail corridor providing access from the newly developed western carpark into the ONS-S shipyard commenced in May 2022 and was completed in December 2022.

Development of the western carpark commenced in Q4 CY2022 and was completed in Q2 CY2023. The South Australian Department of Infrastructure and Transport is undertaking works on Victoria and Pelican Point Roads including entrance works to provide safe access into the carpark from those public roads, with works expected to be completed in June 2023.

Shipyards access improvements

ANI has implemented a series of road works and associated access infrastructure improvements to enhance the safety and security of entrance and exit points into ONS-S. This has included upgrades to Veitch Road including turning lanes, a vehicle rejection point, security hut and boom gates. This allows for controlled access to ONS-S.

Similar improvements are planned for the Mersey Road entrance to ONS-S.

Marine works

ANI is progressing a package of works in and around the CUF wharf and shiplift. This includes the wharf extension, shiplift upgrades and modifications to accommodate the HCFP requirements and use of self-propelled modular transporters (SPMTs) to transfer vessels onto the shiplift, and upgrades to the eastern dry berth.

ONS-S shipyard

During FY22/23, ANI has progressed design and delivery of additional facilities within the shipyard to support continuous naval shipbuilding. This has primarily focussed on planning, design and construction of two new facilities as follows:

Building 22C

Building 22C is an outfitting support facility which will be annexed to the Block Outfitting and Erection Hall (Building 22). The building comprises offices, amenities, workshops and stores to support consolidation of the ships, and has been designed in consultation with the Commonwealth and shipyard users.

Modernisation works

ANI continues to engage with the Commonwealth and shipyard users to define the functional requirements and timing for modernisation of the Building S5 maintenance workshop, which currently remains in use by Luerssen Australia Pty Ltd (Luerssen) for the Offshore Patrol Vessel (OPV) Program.

ONS-N CCSF

Upgrades to existing systems at the CCSF, including access control, CCTV and building management systems, have been progressed with the initial phase of works (access control upgrade) due for completion in Q3/4 CY2023. These upgrades have been necessary to prepare the site ensuring compatibility for implementation of the Naval Shipbuilding and Sustainment Identity Card (NSSIC).

A major refurbishment of the CCSM shiplift is required to re-establish the shiplift’s integrity and functionality for the longer term. It is proposed that ANI will undertake the refurbishment and will then retain operational control and therefore maintenance responsibilities for the CCSM shiplift going forward.

ONS-N NPS construction yard

ANI has been working with the NPS Taskforce in defining future infrastructure requirements for the NPS construction yard, culminating on 14 March 2023 when the Government announced the optimal pathway for delivering Australia's NPS capability and named Osborne as the preferred location for the new NPS construction yard.

Since that announcement, ANI has continued to work closely with the NPS Taskforce in planning for commencement of enabling works, which is expected to include development of a grade separated road over the freight train rail corridor, above and in-ground utility relocations (electricity and gas), development of a carpark, land transfers and preliminary design activities.

ANI will also work with the Commonwealth and South Australian Government to progress the design of the proposed Skills and Training Academy to be based at Osborne.

The preferred site for the new NPS construction yard includes the former Attack Class SCY site (utilising the partially progressed infrastructure where possible) and additional land to the north.

Future projects

Henderson, Western Australia

On 15 March 2022, the former Government announced a plan to invest up to \$4.3 billion in the establishment of a large vessel dry berth (LVDB) and associated infrastructure at Henderson to be used to build and sustain large naval vessels and other commercial vessels, with ANI being selected to deliver that infrastructure on behalf of the Commonwealth.

Since April 2022, ANI has worked closely with Defence and Finance in considering large vessel infrastructure capability options for Henderson. This work initially involved undertaking peer review activities of the work previously commissioned by Defence and the Western Australian Government for the development of a large vessel dry berth including analysis of cost, schedule and constructability considerations. In addition, Defence tasked ANI with assessing alternative capability options and configurations as inputs to future Government decisions on the preferred capability for Henderson, pending the outcomes of the DSR.

In the meantime, ANI has progressed environmental background monitoring at the Henderson precinct, including at the Australian Marine Complex (AMC) and in Cockburn Sound, as a precursor to a future environmental approval process. This has involved collaboration with Western Australian Government agencies, including Westport and Development WA.

Specifically, ANI appointed hydrogeologists are undertaking groundwater and surface water monitoring and investigations to determine the quality and volume of surface water and groundwater entering the AMC southern harbour. Eleven nested groundwater bores have been installed and 12 months of groundwater monitoring is underway. Water level data loggers for surface water basins have also been installed to assess stormwater basin performance.

ANI's commissioned marine scientists have commenced marine water quality sampling and analysis, with the deployment of six loggers on the seafloor within Cockburn Sound and one further to the north for the collection of site-specific water quality parameters. These loggers will be deployed for 12 months, with data downloaded monthly. There are a further three water quality monitoring sites where samples are collected monthly in-situ within and adjacent to the southern harbour of the AMC.

Defence has retained responsibility for the development of the functional requirements on which a future development will be based, and progression of the concept design for the preferred capability, once determined. Once the capability requirements and concept design have been progressed, ANI expects to assume responsibility for the detailed design and construction of the project within defined cost and schedule parameters, subject to further Government decisions on Henderson.

Financial Objectives

Shareholder returns

ANI will earn commercial returns at least sufficient to justify the long term retention of assets in the business. It is expected that ANI will deliver positive returns to Shareholders over the long term.

Funding

The Government has provided equity injections to ANI to facilitate the development and construction of infrastructure at the ONS precinct.

Charging arrangements

In determining appropriate commercial charging arrangements with its shipyard tenants, ANI will balance its need to generate sufficient returns to meet the expectations outlined previously, with the need to ensure value for money for the Commonwealth in terms of the arrangements with shipyard users participating in the Naval Shipbuilding Plan.

ANI's access charge revenues are expected to be sufficient to fund:

- ANI's operating costs
- The sustaining capital expenditure associated with maintaining the shipyards to an appropriate standard
- An appropriate amount of capital expenditure associated with facility upgrades or improvements, and
- ANI's return on capital employed.

Performance

ANI will continue to measure and report to Shareholders on its performance on a short, medium and long term basis.

Overview

ANI is a Commonwealth owned, commercial landlord that owns, develops and manages large scale shipyard infrastructure at the ONS.

Operational Structure

As part of ANI's precinct approach to management of the infrastructure at the ONS, ANI has responsibility for precinct security, maintenance and landscaping of carparking areas which sit outside of the shipyard perimeter fence and is implementing a range of other initiatives enabling precinct wide synergies and efficiencies to be realised.

Priorities

In conjunction with Shareholders ANI will identify key priorities for each of its key business areas and for its projects.



NUSHIP Arafura on the wharf at the ONS



5

Capability

ANI's Operations team conduct commercial dockings to maintain skills

Procurement approach

As a GBE, ANI is not obligated to comply with the Commonwealth Procurement Rules, however achieving value for money, critical in ensuring public resources are used in the most efficient and effective, ethical and economic manner, is core to ANI's approach to procurement. In pursuit of continuous improvement, ANI has reviewed and updated its procurement policy and procurement and contract management procedures to ensure the procurement policy principles are achieved.

Policy Statement

ANI is committed to meeting its accountability, transparency and oversight obligations in relation to its procurement, consistent with the PGPA Act and the PGPA Rule. ANI applies its own procurement principles when undertaking procurement activities to ensure it meets these obligations and implements best practice in its procurement approach.

Procurement principles

Value for money: Delivering value for money is critical to the way ANI conducts its business and manages key business relationships, including when undertaking procurement activities. ANI pursues value for money on a whole of life basis.

Probity and accountability: ANI is committed to transparency, efficiency, ethical processes and decision making, and to encouraging competition (where practicable) in its procurement activity.

Proper process and risk management: ANI will select an appropriate method of procurement, having regard to the nature of the goods and services being procured, the expenditure and risk profile, and the objectives of the procurement.

Local procurement: ANI aims to achieve high levels of Australian content in procurement and in major infrastructure projects will encourage contractors to pursue opportunities for local industry participation, including indigenous owned businesses and indigenous employment.

Procurement and contract management procedure

ANI has adopted a 'best practice' approach to carrying out its procurement activities to ensure that the procurement principles are fully considered during the planning, performing of procurement activities, and contract management.

The Procurement and Contract Management Procedure has been developed so that it is flexible enough to cater for a wide range of projects, from low-value and low-risk requirements to complex and high-cost activities, and agile enough to respond to the urgency required and strategic risk involved.

Precinct services

ANI provides certain precinct-wide services to facilitate a common approach and achieve economies of scale.

Precinct perimeter security

ANI is responsible for providing perimeter security for the ONS precinct, including the provision of guarding services. ANI procures the guarding services and manages the contract, with each tenant responsible for providing day-to-day instruction to guards to meet their own Defence security requirements.

As part of ANI's precinct approach, and to achieve efficient and effective management of the ONS, ANI has undertaken a series of projects to modernise, align and integrate systems across the precinct, including CCTV, building management systems, access control systems, and standardised keying. This was initially implemented at ONS-S, and is now underway at ONS-N.

ANI has participated in workshops with Defence to establish physical security protocols for the precinct to complement Defence's intent of introducing the NSSIC.

Amendments to the *Security of Critical Infrastructure Act 2018* (Cth) (SOCIA Act) came into effect on 2 April 2022, which resulted in naval shipbuilding and sustainment infrastructure at the ONS becoming Critical Infrastructure under that Act. This was followed by the Security of Critical Infrastructure (Naval shipbuilding precinct) Rules 2023 coming into effect on 31 January 2023, providing that ANI is the responsible entity for the CUF, with tenants being the responsible entity for relevant areas within the ONS that they occupy.

ANI has progressed the development of a new Security Operations Centre (SOC), which was completed in July 2022, providing for central monitoring of security systems across ONS-S. A similar SOC will be developed for ONS-N as part of the broader development of the NPS construction yard.

ANI has ownership and control of the system infrastructure and maintains the SOC, whilst tenants retain day-to-day operational control over the implementation of these security systems and processes to meet their program needs.

Carpark maintenance

ANI is responsible for the maintenance and landscaping of all carparking areas which sit outside of the shipyard perimeter fence. To enhance shipyard security, new and/or improved entrances to the existing carparks have been progressed, and the new western carpark has been completed. These areas will remain under ANI's care and maintenance.

Electrical power supply

ANI currently procures electricity for ONS-S and is planning to extend coverage to ONS-N from 2024 onwards. ANI also procures natural gas for the entire ONS.

The access agreements with tenants allow for ANI to be the provider of these utilities, facilitating synergies and efficiencies to be realised through the creation of an embedded network across the precinct.

Consistent with the embedded network approach, ANI manages and maintains the HV switchrooms for ONS-S. Subject to further review, the intention is to adopt the same approach for ONS-N.

Solar

ANI is pursuing the implementation of solar energy solutions across the ONS. A phased approach will be adopted to ensure the optimum outcome, which may include battery storage solutions. Phase 1 of the implementation focuses on the installation of solar panels on some of the higher energy use buildings within the shipyard. A contract has been finalised with GEM Solar for the installation of solar on ONS-S buildings 1, 6 and 20, and on ANI's office building. This work is expected to be complete by the end of 2023.



6

Risk Management

ANI acquired and set to work an additional three self propelled modular transporters (SPMT) trailers and four power units in FY21/22, bringing the total number of SPMTs held by ANI to 20 trailers and seven power units

Risk management is central to ANI's ability to successfully meet the objectives as outlined in this Corporate Plan. ANI's Board and management are committed to a robust Risk Management Framework that enables proactive identification, assessment, and management of all risks.

ANI maintains a material business risks and risk appetite register to capture and document risks and controls as well as their ratings. This register is periodically reviewed and monitored by the Audit and Risk Committee of the Board as part of the overall Risk Governance Framework.

From a project perspective, the relevant project teams maintain specific project risk registers which

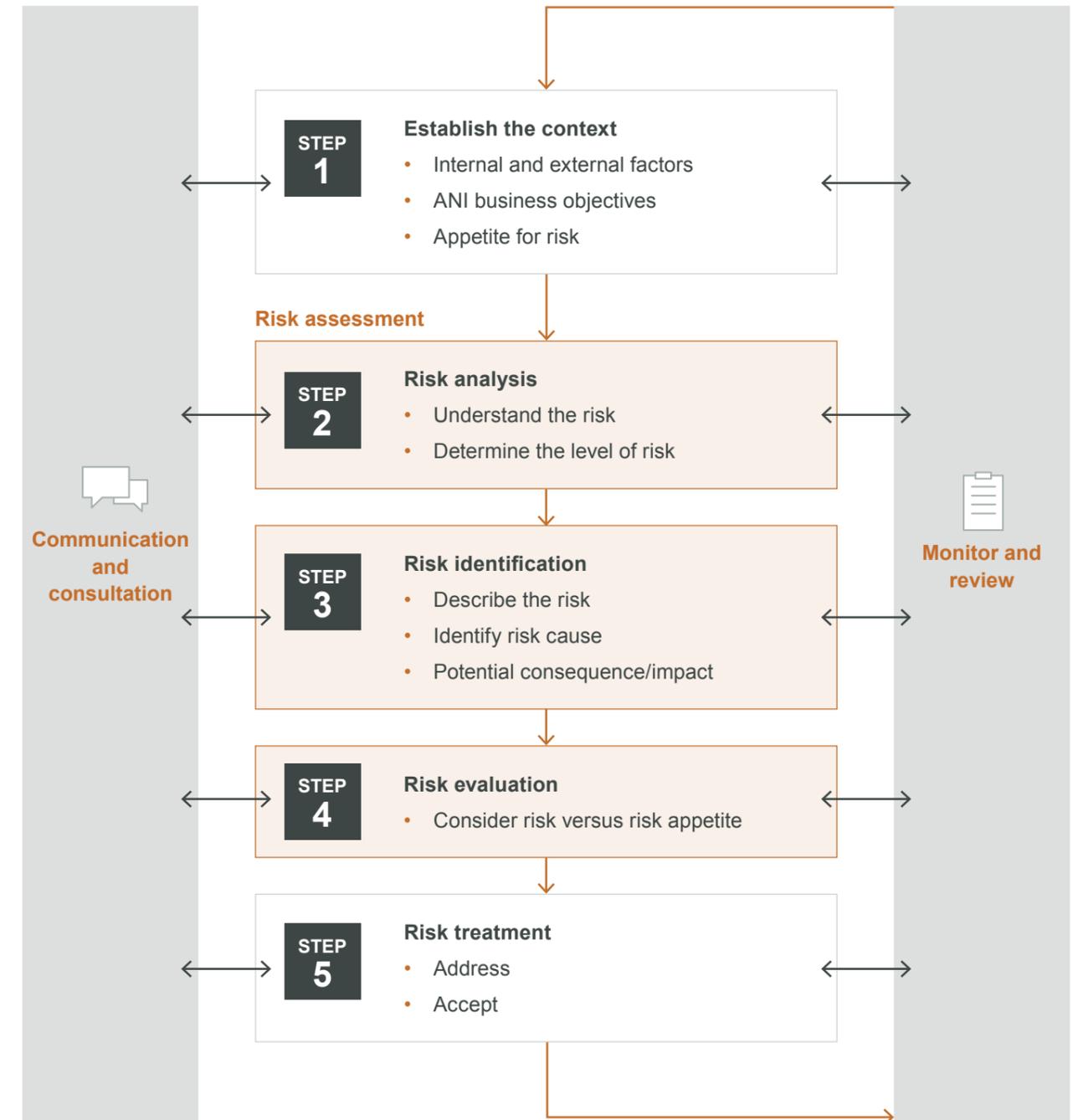
are regularly reviewed and updated. In addition, an operations risk register is maintained by the operations team. Risks are regularly reviewed and updated, and for specific projects (e.g. dockings and undockings), a project-specific risk register is developed, and controls assessed.

Details in support of the material business risks, project and operations risk registers, are regularly updated and documented in ANI's quarterly reports to Shareholder Ministers.



ONS-S pedestrian bridge lift over rail corridor

The following diagram is reproduced from the risk management standards and provides a general overview of the risk management methodology for ANI.





7

Corporate Social Responsibility

First Nations artwork specifically designed for the ONS has now been applied to all firewater tanks in the precinct

Human resources practices and initiatives

ANI currently has a workforce of 46 direct employees, and six specialist contract personnel. ANI fosters a climate of respect, equality and diversity through an inclusive workplace culture which values the contribution of individuals and provides an environment in which they can thrive. This is reinforced by the values adopted by the Company, as described in Section 2.

Employment opportunities for new industry participants

ANI has taken an active role in creating opportunities for undergraduates and graduates to obtain valuable work experience to give them a start in industry working on significant projects, alongside experienced personnel who are able to mentor them and aid their development. This has included providing vacation employment to assist students in meeting the industry placement requirements for their chosen qualification, and in many instances providing ongoing employment on either a casual, part-time or full-time basis.

In FY22/23, ANI took on three undergraduates (in engineering and construction management) for industry placements, one of whom is continuing on with ANI in full-time employment while completing his studies, with the other two having gained positions elsewhere. During the past year, ANI was pleased to welcome back a former graduate engineer who was keen to return to ANI after gaining some experience elsewhere.

Flexible working arrangements

ANI has continued with its approach to accommodate flexible working arrangements to suit the individual needs of employees where business needs can still be met.

Commencing in March 2023, ANI undertook a 12-week trial of compressed hours working arrangements for full-time staff and has now formally adopted compressed hours in the form of a 9-day fortnight. Approximately half of the employees have a rostered day off (RDO) in one week, with the remainder having an RDO in the opposite week, to ensure continuity of business operations and responsiveness to stakeholder needs. These initiatives assist employees in managing work/life balance whilst maintaining productivity, and better

position ANI as an employer of choice. ANI also has several employees who work part-time to fit in with their study commitments, family responsibilities or lifestyle preferences.

In addition, ANI has formalised its working from home policy, allowing people to work up to two days per week from home for positions which can be performed away from the office.

These contemporary work practices are critical to ANI being able to compete for talent in a tight labour market and to retain the quality people already employed.

Diversity

ANI's relatively small workforce comprises a diverse range of people across age, gender, cultural backgrounds and life experiences. Gender diversity is strong having regard to the nature of construction and defence industries which tend to be male dominated, with females representing 40% of ANI's executive team and 35% in total.

Stakeholder engagement

ANI's approach to the engagement of stakeholders is to inform, consult and collaborate in a manner that is open and timely. Stakeholder groups include ANI's tenants, local community and businesses, the local council, state government authorities, and the general public.

ANI embody a 'no surprises' approach where possible, keeping stakeholders updated and informed well ahead of planned construction or operational activities to provide ample time for feedback or questions.

Much of ANI's engagement activity is undertaken face to face, with ANI's Community and Stakeholder Relations Manager (CSR) meeting regularly with representatives from local community groups, businesses, tenants, and local and state governments, empowering them to disseminate information to relevant parties without the need to chase information.

This approach has been well received with minimal complaints received during the past five years of expansion and modernisation activities across the shipyard.

Other means of engagement implemented include:



The Morse is distributed in print form to approximately 2,000 adjacent residents, businesses and tenants, and in digital form via ANI's website which can be downloaded or subscribed to receive via email.



Project specific notices are distributed to tenants, residents and businesses when required to advise of upcoming construction or shipyard activities that may impact them or their workforces.



ANI actively participates in local, industry and stakeholder presentations and forums on request, including organisations such as the North West Business Alliance which represents 85 businesses in the north-west region of Adelaide, residential and environment forums, and industry events.



ANI's website is an integral communication platform for ANI and the ONS, providing direct links to tenant and Defence websites, news and social media channels, and sharing information about shipbuilding programs and ANI's ONS facilities, operations and infrastructure projects. Information is also available via ANI's social media channels, including LinkedIn and Facebook.



Precinct tours by school groups are undertaken in collaboration with ONS tenants, Navy personnel, and infrastructure contractors, providing opportunity for students to learn about career opportunities across several industries during one site visit. Area tours are provided by ANI's CSR to business and local community groups to inform members on current and future activities of the shipyard.

Consultation and collaboration with relevant local, stakeholder and industry advisory groups is also undertaken to inform and seek input into decision making processes, where relevant. This includes:

- **Local community and business groups**
Regular updates are provided to community and business groups to provide information and seek feedback on ONS projects, local impacts from ONS activities, and any potential opportunities for positive contribution to community initiatives.
- **Local council and regulatory authorities**
ANI meets with local council and regulatory authorities early in the planning and development phases of projects to inform and seek input, particularly in relation to environmental protection measures, and to ensure alignment in messaging on cross-entity activities.
This approach ensures ANI has a thorough understanding of potential impacts and mitigation measures for consideration in the development of construction methodologies, and that relevant requirements are addressed before the submission of development approvals and other required documentation, which assists in expediting evaluation and approval processes.
- **Tenants and adjacent businesses**
ANI's CSR meets regularly with tenant working groups and adjacent businesses. This involves monthly meetings with tenants' WHS, sustainability and communications groups to maintain good relations and to ensure information sharing on activities that may impact workers or to provide opportunities for collaboration between organisations.

With the recent AUKUS announcement, planning is now underway for an engagement strategy that builds on current practices to ensure residents, businesses, local and state governments, and the general public remain abreast of development activities in relation to the NPS construction yard. Activities being considered include:

- Live and online construction industry briefings in collaboration with the Industry Capability Network
- Regular stakeholder briefings and workshops to inform and align messaging
- Structured engagement programs with First Nations, local residents, and community groups involving regular drop-ins, pop-up booths, town halls and small group briefings, and

- Presentations via online forums and at industry and local events.

Environmentally sustainable practices

Sustainability in Projects and Operations

Operationally, ANI is accredited to ISO 14001:2015 – Environment Management Systems and continues to implement environmentally sustainable practices in the operation and maintenance of the ONS.

ANI aims to reduce adverse whole-of-life social, environmental and economic impacts of its activities. Examples include:

- Installation of solar panels has commenced on four buildings at ONS-S.
- The plantings of flora native to the Lefevre Peninsula continues with more than 5,000 individual plantings to date. Planning is currently underway for the landscaping of the new western carpark and along the verges of the recently upgraded Veitch Road, continuing the use of plants initially selected in consultation with local environmental groups.
- Meetings are held with environmental authorities such as the Environmental Protection Authority, the State Commission Assessment Panel and local dolphin experts during the planning stage of projects, to seek advice on environmental protection measures for proposed works so that ANI has a complete understanding of how to approach a project or guide a contractor once project delivery commences.

Local environmental projects

ANI's approach to ensuring authentic corporate socially responsible practices involves the proactive participation in select activities and projects around the Lefevre Peninsula. Examples include:

Mutton Cove

Mutton Cove is a natural space of 43 hectares located to the north adjacent the ONS. It houses some of the last remaining vestiges of Samphire bush and mangroves in the area. It also forms part of the dolphin sanctuary and was home to many migratory birds from the international bird sanctuary across the river.

In 2016, the levee surrounding the Mutton Cove space was breached during a king tide and since that time further breaches have occurred, with the subsequent inundation of water causing the area to be overrun and resulting in further degradation of the mangrove and Samphire bush.

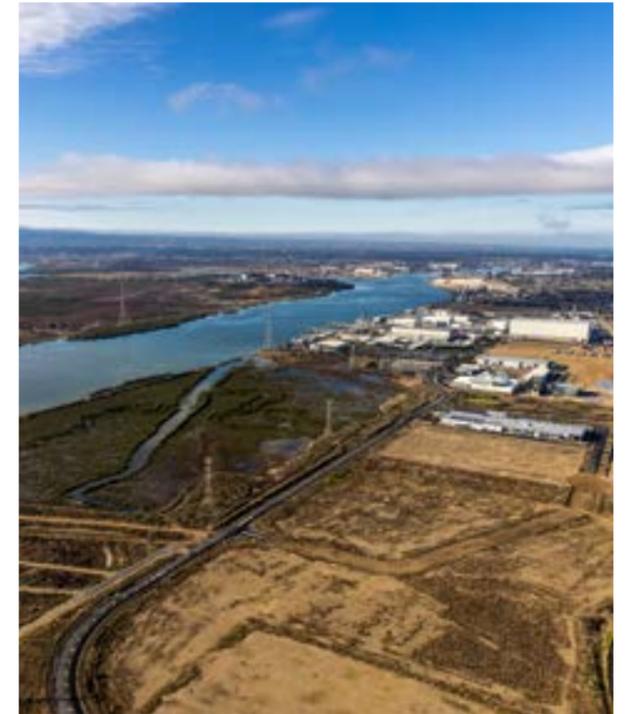
ANI has been championing the revitalisation of Mutton Cove in collaboration with local and state authorities and nearby industry for almost five years. A risk assessment and concept plan were developed during that time and a brief was prepared to secure funds and approvals from the State Government to rebuild the levee and remediate the area. The team is currently awaiting a response to that submission.

Clean Up Australia Event

As part of the company's strategy to build relationships across the precinct, ANI worked with ASC and BAE in the organisation of a registered Clean Up Australia event. Held in April 2023, workers from each organisation collected rubbish from three locations surrounding the ONS – Mutton Cove, Falie Reserve and Biodiversity Park.

Largs Bay RSL provided sausages, muffins and drinks to the volunteers, with funds raised supporting the Defence Community Dogs program which provides highly trained Assistance Dogs to serving and ex-serving Australian Defence Force members who need physical and emotional support to deal with injuries and illnesses including post-traumatic stress disorder.

The collaborative effort resulted in several tonnes of rubbish and recyclables being collected.



Mutton Cove sits adjacent the ONS



Rubbish was collected from locations surrounding the ONS

Disaster Risk Reduction (DRR) Flood Mapping and Impact Assessment for Port Adelaide and Surrounds

ANI supported the application by the South Australian Department of Environment and Water (DEW) for a DRR grant to undertake sea flood mapping and impact assessment for Port Adelaide surrounds by contributing resources to assist the project.

The Port Adelaide area is experiencing substantial growth and is the location of defence, energy and freight assets of national and state significance. The area is subject to regular flooding and 2005 studies support an increased risk of flooding on account of rising sea levels.

Since 2005, there has been significant refinement in systems modelling, improved land elevation data, and updated climate scenario assessments.

This project seeks to update the evidence base by undertaking modernised flood and risk modelling across the Port Adelaide area, including Osborne, for a 1% Annual Exceedance Probability storm event with a range of sea level rise scenarios.

DEW were successful in securing the grant to undertake these works, and ANI is a member of the steering committee for these activities. The project is a collaborative effort by the Coast Protection Board, City of Port Adelaide Enfield Council, University of Adelaide, ANI and Flinders Port Holdings.

Outputs from this study will be available through an online interactive Coastal Flood Mapping Viewer.

Cultural awareness and recognition

ANI has adopted an approach of incorporating artwork designed specifically for the ONS by First Nations artists across all new and modernised facilities as part of its acknowledgement of the traditional custodians of the land upon which the ONS resides.

Tangible opportunities for supplier diversity through fair and equitable procurement practices is also implemented by ANI, which has seen the engagement of several First Nation-owned businesses in the provision of operational and project-based services at the ONS.

ANI introduced a precinct-wide initiative that saw organisations across the shipyard collaborating to implement collective participation in activities for NAIDOC week in July 2022. These involved workshops run by First Nations individuals and businesses such as a tea making using native foods and a club making workshop, which were attended by workers from each organisation. These workshops assisted in raising cultural awareness and in strengthening relationships across the ONS community.

ANI worked with Ochre Dawn Creative Industries, a 100% First Nations owned business, to develop ANI's Reflect Reconciliation Action Plan (RAP), which was launched in June 2023.

A relatively young company on the cusp of a significant growth period, ANI saw an opportunity to have a positive impact by integrating reconciliation into ANI's business planning processes with the four core objectives of:

- strengthening relationships with local First Nations communities
- learning, understanding, and assisting in preserving the cultural stories and histories of this place and its peoples
- educating and raising awareness and understanding within our workplace, and positively influencing other key areas within our sphere of influence

- offering opportunities for the advancement of equity for First Nations peoples by:
 - having a culturally safe workplace with the systems, processes and culture that embrace, accept, and support diversity
 - maintaining procurement practices that remove barriers and support First Nations businesses
 - encouraging and supporting our contractors' and service providers' reconciliation commitments and objectives.

ANI's Reflect RAP is the foundation for ANI's reconciliation journey.

The RAP is championed by ANI's MD & CEO and ANI's RAP Working Group will drive the achievement of actions incorporated into the RAP.



Warndu native foods tea making workshop



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