

NOTICE OF MEETING

Joint Shareholders Committee

Komiti Joint Shareholders

Date: Tuesday 29 November 2022

Time: 11.00am

Venue: Council Chambers
Nelson City Council
Trafalgar Street
Nelson

Zoom link: <https://us02web.zoom.us/j/81448928778?>

Meeting ID: 814 4892 8778

Passcode: 373105

MEMBERSHIP

Members

Tasman District Council
Mayor T King
Deputy Mayor S Bryant
Cr B Dowler
Cr K Maling
Cr C Mackenzie
Cr C Hill

Nelson City Council
Mayor N Smith
Deputy Mayor R O'Neill-Stevens
Cr M Courtney
Cr M Bengé
Cr K Paki Paki
Cr R Sanson

(Quorum 6 members)

Contact Telephone: 03 543 8512
Email: robyn.scherer@tasman.govt.nz
Website: www.tasman.govt.nz

AGENDA

1 OPENING, WELCOME, KARAKIA

2 APOLOGIES AND LEAVE OF ABSENCE

Recommendation

That apologies be accepted.

3 DECLARATIONS OF INTEREST

4 CONFIRMATION OF MINUTES

Nil

5 PRESENTATIONS

Nil

6 REPORTS

6.1 Port Nelson Limited - Final Statement of Corporate Intent 2022-2025..... 6

7 CONFIDENTIAL SESSION

Nil

6 CLOSING KARAKIA

6 REPORTS

6.1 PORT NELSON LIMITED - FINAL STATEMENT OF CORPORATE INTENT 2022-2025

Report To:	Joint Shareholders Committee
Meeting Date:	29 November 2022
Report Author:	Mike Drummond, Group Manager - Finance
Report Number:	RJSC22-11-1

1 Purpose of Report

- 1.1 The purpose of this report is to formally acknowledge receipt and agree to the Port Nelson Limited Statement of Corporate Intent 2022 to 2025.

2 Report Summary

- 2.1 The Joint Shareholders' Committee has responsibility for jointly owned Council Controlled Trading Organisations (CCTO) and Council Controlled Organisations (CCO) including delegations to approve Statements of Corporate Intent.
- 2.2 The Port had until 1 October 2022 to deliver the Final Statement of Corporate Intent to the Shareholders for 2022/2025. This requirement has been met.
- 2.3 The Port's Final Statement of Corporate Intent is publicly available on their website in accordance with the requirements of the Port Companies Act.
- 2.4 The draft Statement of Corporate Intent was considered by the Joint Shareholders' Committee on 23 August 2022.
- 2.5 The board has addressed the matters raised at the Joint Shareholders' Committee on 23 August 2022 and amendments are included in the final Statement of Corporate Intent.
- 2.6 The Board will update the councils on company performance and related matters at the Joint Committee Meeting on 29 November 2022. That presentation provides the opportunity for councillors to ask any questions or provide feedback on the final Statement of Corporate Intent.

3 Recommendation

That the Joint Shareholders Committee

1. **receives the Port Nelson Limited - Final Statement of Corporate Intent 2022-2025 report; and**
2. **notes the delivery of the Port Nelson Ltd Final Statement of Corporate Intent 2022-2025; and**
3. **agrees to the Port Nelson Ltd Final Statement of Corporate Intent 2022-2025 (Attachment 1).**

4 Background and Discussion

- 4.1 Under the Port Companies Act, Port Nelson Limited is required to complete a Statement of Corporate Intent (SOCI) on an annual basis no later than 1 August each year. This requirement has been met. Shareholders had until 1 September 2022 to consider the SOCI and provide comments to the Company.
- 4.2 The Company had until 1 October 2022 to deliver the final SOCI to the Shareholders. This requirement has been met.
- 4.3 The timeline for the Port is different to other Council Controlled Organisations, which are covered by the Local Government Act. The minimum contents of the SOCI, as required by the Port Companies Act 1988, are a subset of those required under the Local Government Act 2002.
- 4.4 The Company must make the Final Statement of Corporate Intent available to the public within one month of delivery to shareholders. This requirement has been met and the final SOCI is available on the Port Nelson Ltd website.
- 4.5 The Final SOCI is included as **Attachment 1**.
- 4.6 The SOCI has been checked for compliance with the statutory requirements and there are no matters to bring to the attention of the Committee. In addition, the SOCI has been considered in light of the feedback provided by this Committee on the draft SOCI as set out in 4.6.1–4.6.3 below.
 - 4.6.1 requests the Port in the Statement of Corporate Intent gives consideration on how the social license impacts on their goals/pillars; and
 - 4.6.2 considers how the flow and readability of the Statement of Corporate Intent could be improved; and
 - 4.6.3 within the risk assessments consider the risks associated with their technological platform in light of the experience at Ports of Auckland.
- 4.7 The three areas brought to the attention of the Company by the Committee in considering the Draft Statement of Corporate Intent have been addressed as follows:
 - 4.7.1 *requests the Port in the Statement of Corporate Intent gives consideration on how the social license impacts on their goals/pillars* - added commentary to the community stakeholder pillar.
 - 4.7.2 *considers how the flow and readability of the Statement of Corporate Intent could be improved* - re-ordered structure, moved three-year objectives and performance targets into a newly named 'Our 2023-25 Plan' section
 - 4.7.3 *within the risk assessments consider the risks associated with their technological platform in light of the experience at Ports of Auckland* - the risk of failure of technological innovations is addressed in Port Nelson Limited's Risk Management matrix. Learnings from Ports of Auckland automation project have been and are still being obtained by the company. Councillors should keep in mind the technology comment made in the Port's earlier presentation was referencing technologies nowhere near the scale of those at Ports of Auckland.

5 Options

Option 1: (recommended) agree to the final SOCI	
Advantages	<ul style="list-style-type: none"> This is a routine matter. The port company has considered the feedback from the committee on the draft SOCI. The Joint Committee will be considering the contents of the annual Statements of Expectations. That process is an opportunity to highlight further matters the committee wished the company to cover in the next SOCI.
Risks and Disadvantages	<ul style="list-style-type: none"> There are no risks identified in this approach.
Option 2: Not to agree to the final SOCI	
Advantages	<ul style="list-style-type: none"> May result in changes to the published SOCI.
Risks and Disadvantages	<ul style="list-style-type: none"> The SOCI has been in effect for circa six months. The company has addressed the matters raised in reviewing the draft SOCI. Not agreeing to the Final SOCI would signal a breakdown in the relationship between the shareholders and the company board.

Considerations for Decision Making
<p>1. Fit with Purpose of Local Government</p> <p>A port company must have a SOCI under Section 8 of the Port Companies Act 1988 so this is a legal requirement, not a Council Policy.</p>
<p>2. Consistency with Community Outcomes and Council Policy/Legal requirements</p> <p>2.1 The recommendation supports the Community Outcome that “we will be a transparent and respectful part of our community, strengthening its wellbeing”.</p> <p>2.2 As a port company under the Port Companies Act 1988 the Company is not a CCO as defined under the Local government Act.2002. The LGA 2002 provisions in relation to CCO’s therefore do not apply to the Port.</p> <p>2.3 The SOCI is covered under the Port Companies Act 1988 as below –</p> <p><i>Completion of Statement of Corporate Intent.</i></p> <ul style="list-style-type: none"> <i>The directorate shall consider any comments on the draft statement of corporate intent that are made to it within 2 months of the commencement of the financial year by the shareholders or any of them and shall deliver the completed statement of corporate intent to the shareholders within three months of the commencement of the financial year.</i>

<p>3. Strategy and Risks</p> <p>3.1 This is a routine decision and there are no strategic matters or risks that the Joint Shareholders' Committee needs to consider in making this decision.</p>
<p>4. Financial impact/Budgetary implications</p> <p>4.1 There are no financial or budgetary implications arising from this decision</p>
<p>5. Degree of significance and level of engagement</p> <p>5.1 This matter is of low significance because it is a routine decision that does not impact levels of service or community outcomes. Therefore, no engagement has occurred.</p>
<p>6. Climate Impact</p> <p>6.1 This decision has no climate impact.</p>
<p>7. Inclusion of Māori in the decision making process</p> <p>7.1 No engagement with Māori has been undertaken in preparing this report</p>
<p>The Joint Shareholders' Committee has the responsibility for considering the Port Nelson Limited's SOCI. It also has the power to decide or to make a recommendation to the councils on this matter.</p> <p>This is provided for in their delegations which state:</p> <p>Areas of Responsibility:</p> <ul style="list-style-type: none">• All matters relating to jointly owned Council Controlled Organisations and Council Controlled Trading Organisations, including statements of intent, statements of corporate intent, half yearly reports, and the appointment of directors and setting of director fees. <p>Powers to Decide:</p> <ul style="list-style-type: none">• All matters relating to jointly owned Council Controlled Organisations and Council Controlled Trading organisations, including statements of intent, statements of corporate intent, half yearly reports, and the appointment of directors and setting of director fees. power to decide this matter/power or to make a recommendation to the Councils on this matter.

6 Conclusion and Next Steps

- 6.1 The Committee's decision will be communicated to the Company.

7 Attachments

1. Port Nelson Limited Final Statement of Corporate Intent 2022-2025 10



Statement of Corporate Intent

For the period from 1 July 2022 to 30 June 2025



This Statement of Corporate Intent sets out the key activities Port Nelson will undertake for the next three years.





Contents

- ➔ **Our Context**

 - Purpose, Stakeholders, and Goals5
 - Strategic Context6

- ➔ **Our Business and 2022 Performance**

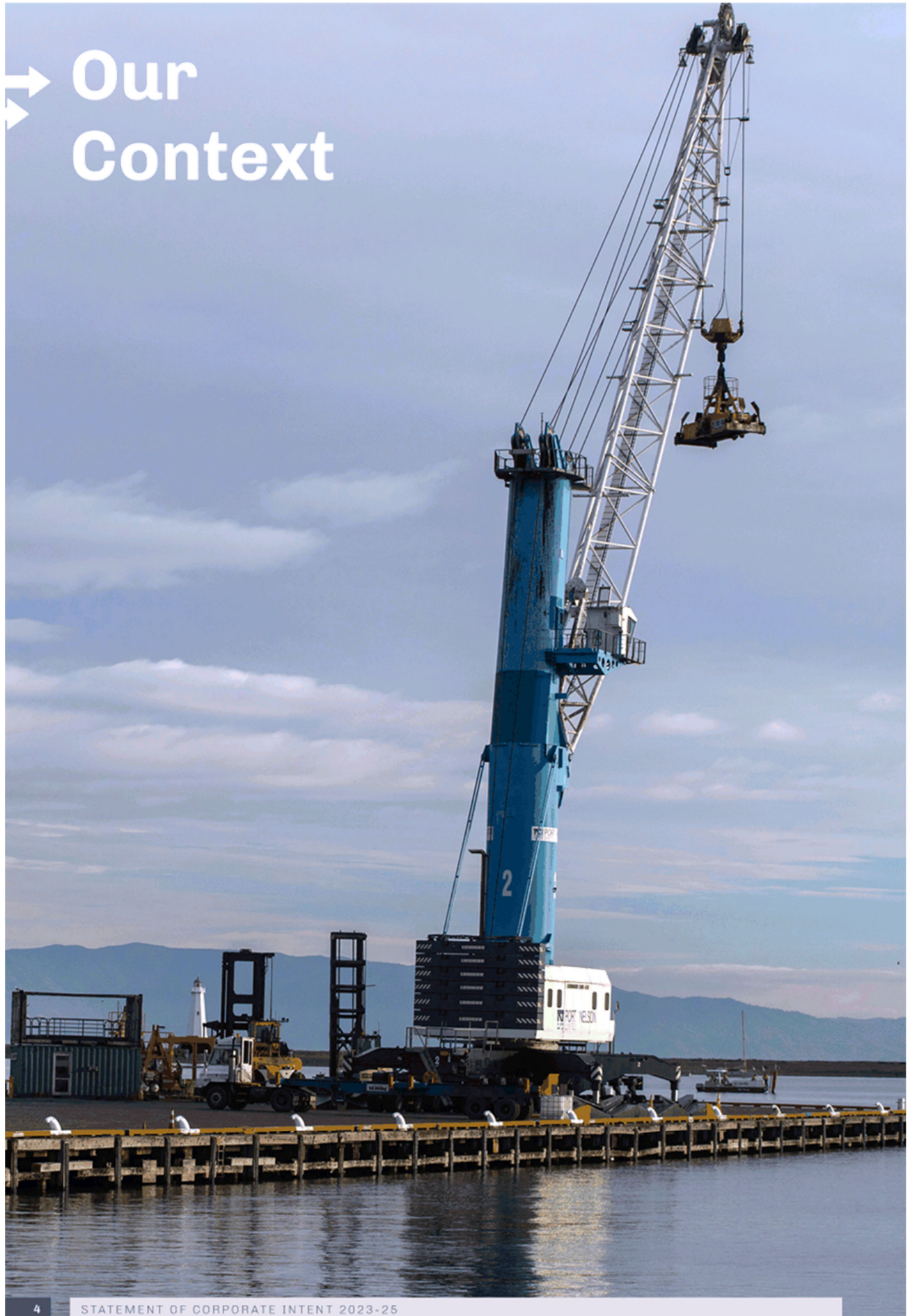
 - Scope of Services.....9
 - Our Customers** 10
 - Our Environment**..... 12
 - Our People**..... 14
 - Our Community**..... 16
 - Our Shareholders 18

- ➔ **Our 2023-25 Plan**

 - 2023-25 Objectives 21
 - 2023 Plan..... 22
 - 2023 Objectives 23
 - Strategic Initiatives 24
 - Performance Targets..... 26

- ➔ **Financials and Governance**

 - Statement of Comprehensive Income 29
 - Balance Sheet 30
 - Cash Flow Statement 31
 - Accounting Policies 32
 - Governance 33
 - Stakeholders 34



Our Context



➔ Purpose, Stakeholders, and Goals

Our Purpose:

To facilitate regional prosperity

Kia āhei ki te kōkiri whakamua ki te taumata ā-rohe

Our Stakeholders and Goals:





➔ Strategic Context

Port Nelson is enabled under the Port Companies Act 1988. The Act requires that: "The principal objective of every port company shall be to operate as a successful business."

While Port Nelson is committed to delivering favourable economic outcomes, it also believes that broader perspectives result in a successful business. The Port defines "success" under five stakeholders: Customers, Environment, People, Community, and Shareholders.

The main exports from the Te Taihū region include world-class products such as wine, pip fruit, seafood, and forestry products. The bulky nature of these products and the logistics constraints for the region in terms of rail and effective alternative international Port options underline the critical importance of Port Nelson to the region.

Research by consultancy firm Berl, identified that approximately 30% of employment and 25% of GDP in Te Taihū rely on Port Nelson's existence, effectiveness and efficiency.

To continue to meet the needs of our region, the Port pursues four strategies for our decision-making and growth:

PORT EXCELLENCE

Port Nelson seeks to continually demonstrate excellence across all areas of its core Port business, including operational efficiency, customer relations, health and safety, team engagement, minimisation of environmental impacts, community engagement, and profitability. Excellence in these areas requires a rigorous approach to continuous improvement, team empowerment, and effective use of technology.

SUSTAIN COMMUNITY SUPPORT FOR OUR LICENCE TO OPERATE

Port Nelson recognises that our community has increasing environmental, social, and governance expectations. These include the need for the Port to reduce carbon emissions, authentically engage with iwi and Māori, and be open and transparent in all its dealings.

GROWTH IN ALIGNED LOGISTICS BUSINESSES

Port Nelson will continue identifying opportunities to support exporters and importers by creating logistic path efficiencies. These business opportunities will be pursued where they are profitable, leverage core business skills, and provide financial diversification. QuayConnect is an example of such a strategy.

OPTIMISED PROPERTY PORTFOLIO

The Port's property portfolio has three key purposes. Firstly, to enable the Port's infrastructure to respond to future import and export requirements of Te Taihū; secondly, to support a cluster of businesses who need proximity to the Port; and thirdly, to support consistency of dividends to our council shareholders and counter the volatility of primary product exports.



In the 2023 financial year, the Port will develop a long-term strategic plan to expand on these broad strategies.

In addition, an Infrastructure and Property Masterplan will be completed, informing the Port and Shareholders of the likely future demands and requirements for its infrastructure.

One of the dominant influences for Port Nelson’s business over the last few years and at least the medium term is the challenge of matching cost increases with increased revenue and cost reduction initiatives.

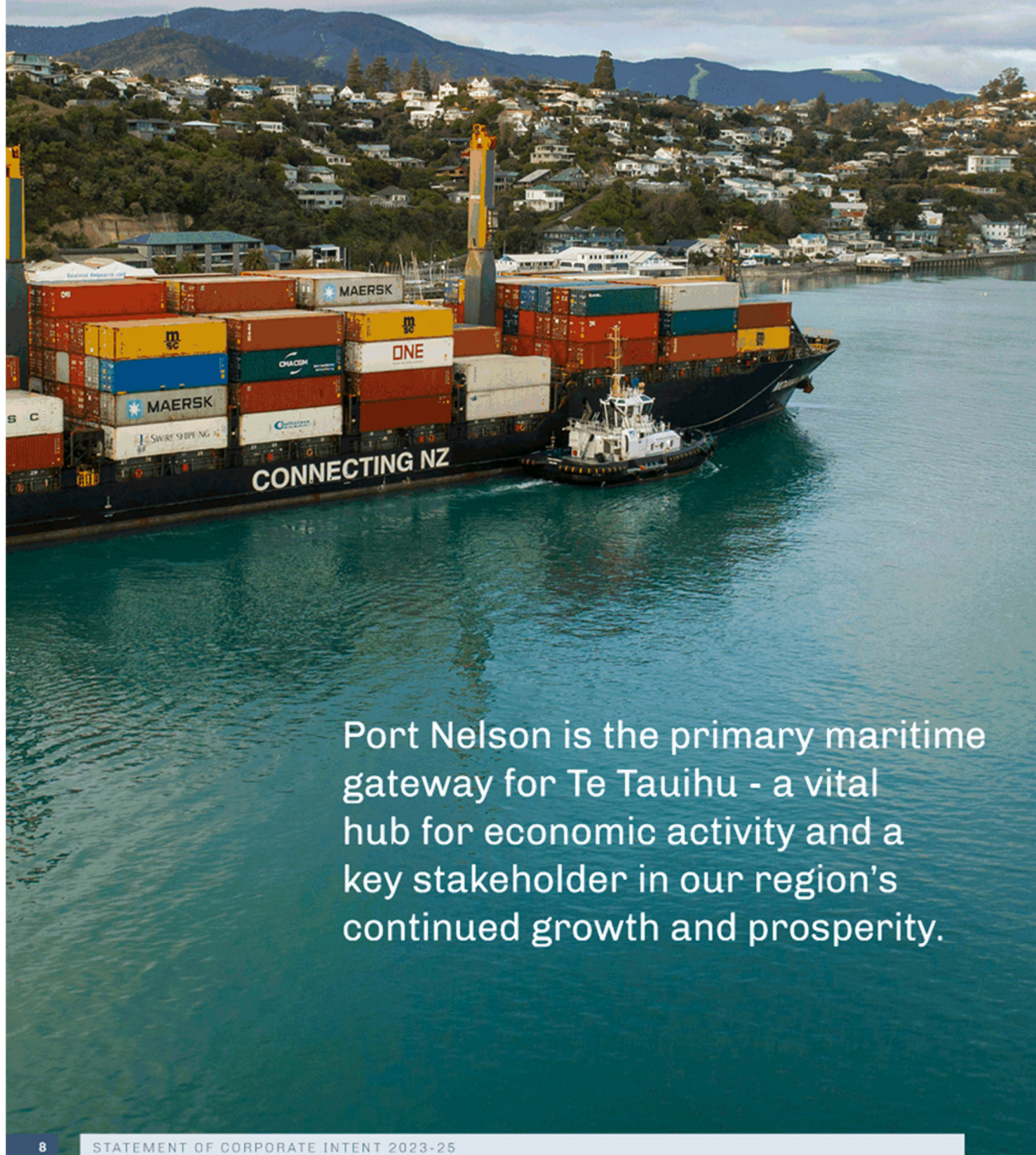
Drivers of cost increases include:

- The increasing cost of labour and reducing flexibility.
- Current volatility of shipping schedules.
- The increasing need for improvement and of compliance requirements related to health and safety, environment, social, and governance factors.
- General cost increases in what is currently an inflationary climate.
- The need to address ageing infrastructure and plant where replacement costs have escalated.

The challenge of increasing revenue to match the cost pressure is constrained by a number of factors, including:

- The impacts of weather on the region’s primary product exports.
- The competitive environment for Ports.
- The nature of the Port’s multi-year contracts with international shipping lines and freight forwarders.
- Awareness of the competitive environment in which Te Taihū exporters operate.

→ Our Business and 2022 Performance



Port Nelson is the primary maritime gateway for Te Taihū - a vital hub for economic activity and a key stakeholder in our region's continued growth and prosperity.

→ Scope of Services

A broad range of activities are involved in the operation of the Port, these are provided through the following business units:



Marine

Marine services include— pilotage, towage, navigation aids, and the berthing, and departure of vessels. The Port operates three tugs and maintains a dredged channel to allow vessels up to 265m in length to access the Port.



Stevedoring

Operating in Nelson and Picton, Stevedoring handles the container exchange of major liner services in the Port as well as log loading solutions.



Workshop & Maintenance

The team supports Port operations with onsite repairs, maintenance and management of the Port's plant and equipment.



Container Operations

Manages the exchange of containers, the terminal offers cargo handling services including the unloading, temporary storage, and loading of many forms of cargo including containers, logs, cars, fertiliser, cement, methanol, and fuel.



QuayPack

QuayPack offers integrated transport and third-party logistics (3PL) storage solutions to customers utilising New Zealand's largest on-port storage facility and dedicated and scheduled trucking services.



Property

The Port has over 235,000m² of commercial land that it develops and leases to support the fishing, marine services, and other export-related industries.



QuayConnect

The logistics division of Port Nelson, QuayConnect efficiently connects products to market with supply chain solutions and transparent technology, minimising our collective impact on the environment and reducing costs.



Corporate

The Port's corporate team supports the wider Port operations and consists of people and safety, environment, infrastructure, business systems, finance, and communications.



Slipway Services

This facility supports one of New Zealand's strongest marine engineering clusters and currently provides services for vessels up to 2,400t.



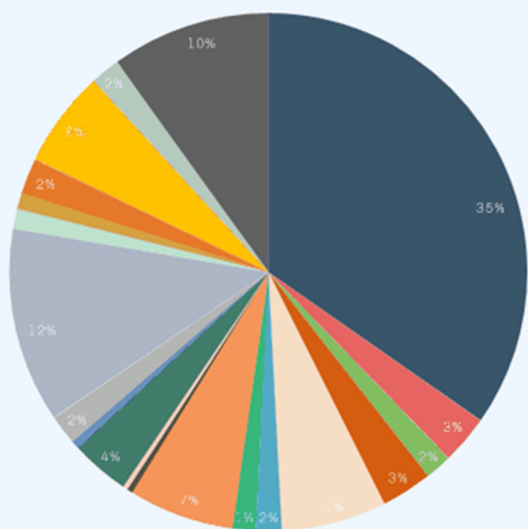


➔ Ō tātou kiritaki
Our Customers

The cargo across Port Nelson reflects the activities of Te Taihū. Export crops dominate this cargo, including: logs, fruit, wine, processed timber, and seafood.

Typical of a regional Port in New Zealand, exports dominate imports. From a cargo perspective, Port Nelson has two types of customers: those that contract directly with the Port, predominantly shipping lines, and those that either export or import through the Port and contract with third parties, e.g. apple growers and log exporters. The graphs below describe the make up of our cargo and the recent history of activity.

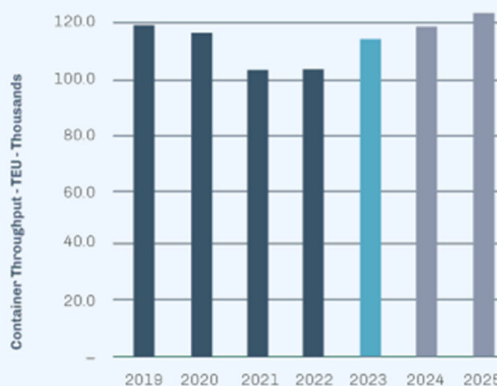
2022 Cargo Types - Revenue Tonnes



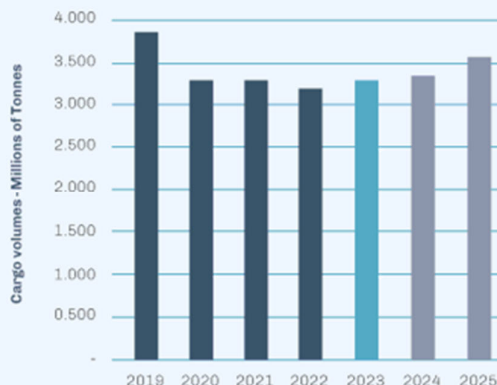
Follow the key left to right

- Logs - sawn/pulp
- Fish/export
- Fish/import
- Methanol
- Cement
- Bunkers
- Wine import
- Vehicles
- Apples
- MDF
- Sawn timber
- General/export
- Petroleum
- Kiwifruit/fruit
- General/import
- LVL
- Dairy
- Fertiliser
- Wine export

Container Throughput (000's)



Cargo Volumes





Revenue analysis

From a revenue growth perspective, Port Nelson is linked to the region’s primary produce results. In this regard, it benefits from strong harvests and suffers from poor harvests (eg hail storms and frosts). The lack of rail services limits the ability to grow cargo imports and exports.

However, Port Nelson is the only fully international Port within Te Taihū. The graph on the right shows recent historic revenue and forecasts for the next three years. The volatility reflects a number of one-off events. These include the impact of COVID in 2020, 2021, and 2022; weather impacts on harvest in 2021; the Nelson fire in 2019, (which saw an increase in log exports); and the uplift in cargo following the Kaikoura earthquake. Our QuayConnect business continues to grow and contribute to increased revenue but at lower EBIT margins than Port operations.

Underlying Revenue



2022 Performance

Log exporters had a difficult year, with softening prices in China seeing a reduction in exports – down 5% on budget. The high price of shipping continues to reduce margins for exporters.

Apple exports were lower than expected, with many exporters holding back some of the bumper harvests in cool stores due to shortages of containers. A higher number of conventional reefer vessels than normal provided good mitigation against the uncertainty in the availability of containers.

Wine exports were surprisingly strong given the poor harvest in 2021. This was largely due to the transfer of wine from bulk to bottled exports.

Processed timber and MDF exports were steady. However, high international demand for these products saw a missed opportunity as shipping capacity did not support the cargo available.

As the year finishes, we are seeing some improvement in vessel scheduling. Nelson is fortunate to have all four major container shipping lines committing additional capacity for 2023. In addition, the Port should benefit from cargo movements from parties who received financial support for coastal shipping initiatives from the Government.



Tō tātou taiao

Our Environment

The activities of a Port, by their nature, make a negative impact on the environment.

Fuel is consumed directly by tugs, cranes, material handling equipment, and port users: trucks and ships. This creates carbon emissions. In addition, the Port's activities create negative physical emissions from noise, dust, stormwater runoff, and the potential for spillage. Port Nelson is mindful of this negative consequence and is working to reduce its impact.



Environmental Strategies

The Port has four broad strategies in the environment area, as shown below:

Sustainability

Port Nelson sees sustainability as a broad challenge across our stakeholders and goals.

From an environmental perspective, the two dimensions we consider are the impact of climate change on the operations and existence of the Port, and the contribution of the Port to global warming and damage to the physical environment. The four environmental strategies address the latter dimension discussed earlier.

Work has commenced on understanding the impact of climate change on Port operations and its business. A resilience review commenced in 2020 and forms the basis of capital investments. The risk of sea level rise and storm events has been scoped and work is continuing on assessing mitigation actions.

1. Minimise physical impacts on the environment:

The Port will pursue actions to reduce the impact of noise, dust, stormwater, and uncontrolled substance release to the coastal marine area.

2. Reduce greenhouse gas emissions:

The Port is a member of the Climate Leaders Coalition and is committed to reducing its Scope 1, 2, and 3 emissions to support an increase of no more than 1.5 degrees in global temperatures.

3. Support leadership of environmental management in Te Taihuhu:

Through its environmental management systems, approach to procurement, waste management, and sponsorship, the Port will seek to provide a positive reference point to the community.

4. Ensure the Port Team are environmental champions:

By supporting our people with education and awareness, we will increase reporting of environmental events and activate more minds in the pursuit of impact reduction.



2022 Performance

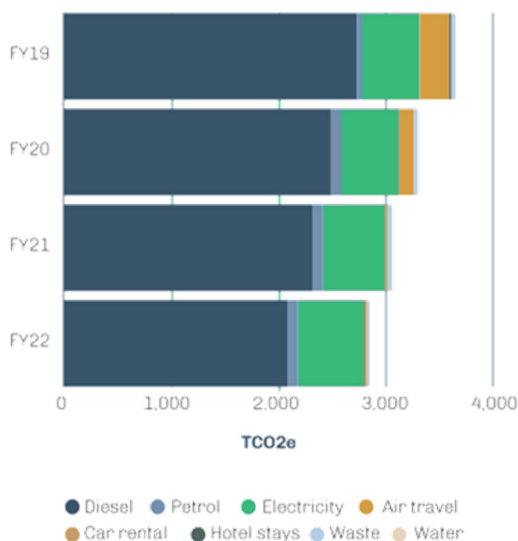
Reduction in Scope 1 and 2 emissions were 15% down cumulatively on our baseline year, FY2019, and 87% down for Scope 3 emissions (originated by PNL).

While this is a positive result, it reflects more on the impacts of Covid on shipping patterns (fewer vessels but more intensive work periods) and travel restrictions rather than initiatives launched by Port Nelson. Whilst we have replaced some vehicles and plant with more carbon efficient items, we look forward to initiating more proactive strategies in 2023FY.

A strengthened environmental team allowed a deeper assessment of contamination issues and risk. While there were no significant inorganic spills to the harbour, we continue to have stormwater with organic debris coming off the log wharf and entering the harbour, which is unsightly. We have a project underway to further address this matter in 2023.

Noise emissions remain an area of focus for the Port. During the year, we had no 'significant noise events', a credit to our Stevedore team. There was also a review of noise contours which saw a minor increase in residences covered by high noise contours. Our focus is now on driving down the next level of noise events. The recent move of shipping lines to bring in larger vessels has seen the arrival of a vessel with noisier generators and equipment. This is currently being addressed with the shipping companies.

Total carbon



The Port's environment management system was audited against ISO 14001 and received positive comments for the improvements made on previous years and the direction the company was taking.





→ Ō tātou whānau
Our People

Port Nelson is a 24/7 business. This working pattern is primarily driven by the tidal nature of the Port and the intermittent movements of international vessels.

Approximately 300 people are employed in the Port team. A number are casual workers, making the full-time equivalent (FTE) count approximately 230.

Health and safety is an area of critical focus for the Port. With large machines, work over water, stacked cargo, multiple traffic flows, and work in confined spaces, the risks in the work environment are real.

The Port is proud of the focus and commitment of the entire team to safety however, there is an ongoing drive for improvements. Key health and safety metrics are provided in the performance target table. The table below reflects the progress in reducing Lost Time Incidents at the Port.

Lost Time Injury Frequency Rate



COVID 19 Impact

Just under half of the Port team fell under the Government’s Border Order requiring mandatory vaccinations and testing. The Port’s risk assessment determined that making vaccines mandatory for all staff was not required, provided a mandatory testing structure using PCRs was established. Remote working with flexibility was also established where feasible.

Like most businesses the duration of COVID has impacted our people’s mental health and wellbeing. Providing support in this area remains a priority for the Port moving forward.

Health and Safety Governance

Every position at Port Nelson has a responsibility for health and safety. Port Nelson’s Board is engaged in setting policies and direction and approving the systems and improvement initiatives.

A structured network of work group meetings ensures engagement, continued focus, and access to data and training. The Port’s programme of annually reviewing its critical risks is a fundamental part of its’ safety management approach. External audits are used to challenge current operations. The Port is currently aligning its systems to ISO 45001.

2022 Performance

While COVID impacted our teams’ resourcing, the defensive approaches adopted by the Port, which included a regular PCR testing format rather than full mandating of vaccines, have served the team well.

The lengthy time spent in smaller work cells was again successful as a COVID strategy, however it did have a negative impact on the culture of the business in supporting ‘silo thinking’. This remains an issue to address in the new year.

Two fatalities rocked the New Zealand port sector in 2021/2022. Port Nelson had no injuries of a lasting nature during the year. Health and safety statistics are improved on 2021 and the safety culture remains positive. We were pleased to introduce a broad leadership approach to safety this year through our Rūnanga (gathering of all parties with Health and Safety responsibility). We have completed a review of all critical risks this year.

Our people have again shown a high level of ownership and professionalism in their roles. The disrupted shipping schedule and COVID environment have required continued changes to work patterns. However, the team has been resilient through these demands.





Tō tātou hapori

Our Community

The Port seeks to provide a transparent, open front to the community. This is shown through an upgrade to our website and increased communications to the community and our shareholders.

Sustaining a high level of communication with the community, particularly around potential areas of nuisance and public interest, remains a key focus.

The Port is aware that while it operates to facilitate growth for the region, it also operates within the Nelson city community; continually earning its social licence to operate is a priority for the Port.

The Port has an active sponsorship programme that is primarily directed to activities and the protection of the land/sea interface as well as supporting the community's wellbeing. A list of entities supported by our sponsorship programme is provided on the right.

Relationships with iwi have long been important to the Port, however in recent years, we have sought to deepen those relationships and have been fortunate to have the support of a Kaumātua and Cultural Advisor to guide our engagements.

Supporting

Haulashore Island Trapping Project

Cawthron Institute

Tasman Rugby Union

Nelson Fisherman's Association

Sealord Marine Rescue

Nelson Bays Youth Racing

Talisman Naval Cadets

Going Bananas

Marlborough Wine Show

Top of South Forestry awards

Chamber of Commerce (Port Nelson Export Hub)

In Kind Support:

Big Brothers Big Sisters

Nelson Arts Festival

Mission to Seafarers

Relationships

Relationships with shareholding local authorities are both formal – through an agreed reporting structure and informal – through direct contact at Mayor, CEO and Officer level.

The Port appreciates that councillors provide a strong connection to the community and welcome direct contact related to issues that may arise. Port team members are active in many groups and associations within the community, and we seek to build relationships with all parties as part of our purpose 'to facilitate regional prosperity'. With the support of a Cultural Advisor and the development of a Te ao Māori plan, the Port seeks to strengthen relationship with iwi and Māori.

2022 Performance

The engagement of a Cultural Advisor will enable the Port to gain a deeper understanding of Te ao Māori, continue to build positive partnerships with iwi and progress Te ao Māori initiatives.

Our sponsorship budget was fully spent. We also approved an exciting new sponsorship for a Cawthron research project into the regeneration of seagrass in the estuary areas of Nelson/Tasman. This project is another step forward in exploring 'Blue Carbon' as a carbon capture option.

Two major capital projects, valued at approximately \$100m, were progressed during the year: the Science & Technology Precinct and the Slipway Redevelopment. Both have significant community benefits.





Ō tātou kaiwhaipānga

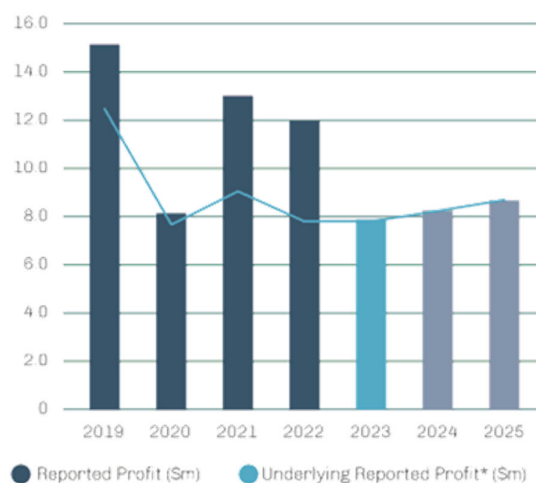
Our Shareholders

Profitability over the last few years largely reflects the impact of COVID, the volatility of cargo movements, and an increasing cost structure.

The cost increases largely come from four main areas: (i) the increasing ambitions and expectations related to health and safety, environment, community, and insurance; (ii) the sustained needs to repair and replace ageing port infrastructure; (iii) the expectations of our workers for better quality work patterns, and increased salary expectations in today's environment; (iv) and, disrupted and unplanned shipping schedules. A key offset to increasing costs has been the growth of property values. Our commercial properties have added good value in this regard, conversely however, the economic profitability of Port operations have been burdened by the increased land and building values. This is visible in the reducing profit to asset value ratio. The graph to the side shows Net profit after Tax for the last five years.

Communicating with Shareholders remains a key focus area, with the Port wishing to have a transparent and 'no surprises' relationship.

Net Profit After Tax



*Underlying profit excludes revaluation of investment properties

COVID 19 Economic Impact

As an essential service, the Port had minimal revenue reduction during lockdowns, with the exception of forestry cargo in 2020FY. However, the wider shipping disruption, which saw reduced ship visits and issues with the supply of containers, negatively impacted revenue. On the cost side, the expense of COVID protocols (testing, additional leave, PPE, and alteration to buildings to create space) also had a negative impact on profit. Looking forward, shipping disruptions will likely extend for much of the 2023 financial year but with a reducing impact.

Risk Management

The Port undertakes port-wide risk reviews quarterly. These are reported to and discussed with Port Nelson's Board. In addition, 'deep dive' reviews are undertaken at board meetings into higher-risk areas. Risk analysis also takes place on all significant projects. Health and Safety risk assessments are more frequent with 'Job Safety Analysis' and 'Take 5 Reviews', a regular part of our work pattern. An independent review of our risk culture is currently being undertaken.



2022 Performance

Underlying NPAT was \$7.9m, \$0.7m. below budget. This negative variance was from reduced revenue from log storage, stevedoring, container movements, and storage in our warehouses, partially offset by QuayConnect's (4PL) revenue. In addition, we faced increased costs due to higher payroll (arising from volatile working schedules), increased fuel costs, and COVID mitigations. As forecast, Port Nelson has made a full-year dividend

payment to shareholders of \$4.3m. Capital expenditure was \$12.6m. Key investments were: completion of Main Wharf North, including ground strengthening behind the wharf; completion of the logyard project; wharf pile repairs; repairs to an investment property (105 Akersten St); purchase of a residential house under noise provisions; and commencement of major projects: Slipway Development and Science & Technology Precinct.





Our 2023-25 Plan

The following plan is the board's overall intention and objectives for Port Nelson Limited for the year commencing 1 July 2022 and the following two financial years.

➔ 2023-25 Objectives (30 June 2025)



Stronger customer engagement:
 > 90% positive survey rating

Improved customer service metrics:

- Vessels moved as planned: 98%
- Container Crane rates (annual average): > 23 moves / hr
- Container Truck waiting times: < 14 mins

QuayConnect Growth:

- Marlborough Inland Port operational
- Revenue greater than \$25m



Reduced carbon emissions:
 Compliance with environmental plan (2023FY) reduction targets

Reduced uncontrolled discharges:
 No breaches to KPIs covering noise, stormwater, dust, and spillage

Demonstrable regional leadership:
 Champion a regionally significant sustainability project

Engaged port team:
 80% of Team basic trained and 10% trained as environmental champions

ISO 14001 accreditation: retained with no non-conformances



Increased team engagement:
 10% improvement on 2023FY survey

Progressive and improved safety culture:
 10% improvement on 2023FY survey

Improved Safety Performance:

- LTIFR < 1.0
- LTI's > than 5 days off <=1
- High risk incidents <=1

Conformity to ISO45001:
 H&S Management system audit ready

Emergency Response readiness:
 Port-wide emergency drill completed



Recognised by iwi as engaged:
 Te ao Māori plan agreed and actions current

Active supporter of community prosperity and wellbeing:
 Sustained sponsorship > 1.2% NPAT (ex one-offs)

Slipway redeveloped:
 Redevelopment complete and achieves increased visitation



A fair commercial return on assets and services:

- ROA >4.0%
- EBIT/Revenue >30%

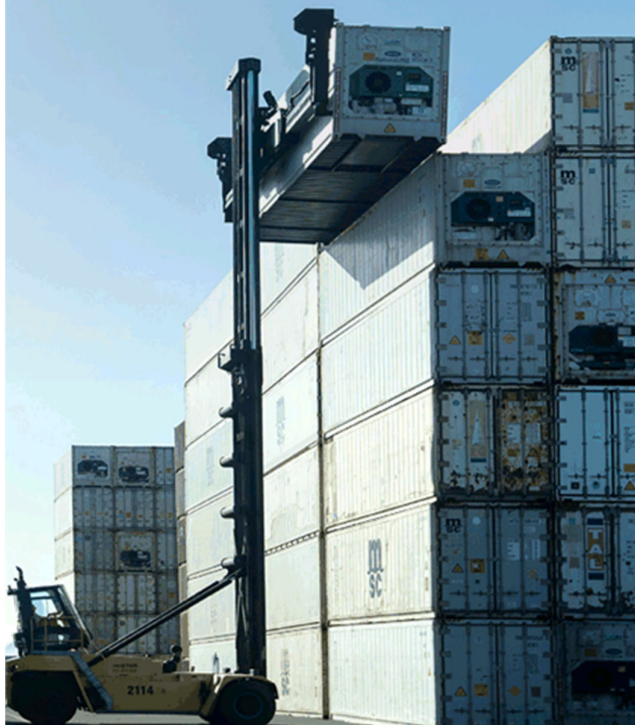
Dividends >50% NPAT

Key capital investments:
 return WACC & safety improvements

Long Term Strategic Plan and Infrastructure/Property Masterplan:
 Completed and actions current

Science & Technology Precinct:
 Building 1 built and tenanted and second tenant committed

→ 2023 Plan



Port Nelson's 2023 theme is "Connection/Whanaungatanga."

Connection between people, teams, companies, industries, and communities is always important, however recent years have put even more pressure on links between these parties. A look at the challenges facing Port Nelson in 2023 highlights the importance of 'Connection' as a key mitigation factor.

COVID has separated our teams and customers. Its impacts on logistics have created tensions with exporters, importers, transport providers, suppliers, ports, freight forwarders, and shipping lines. Communities are under financial and wellbeing pressure and growing suspicious of the motivation of corporates and government.

For Port Nelson, the areas of 'Connection/Whanaungatanga' that we are working on include:

OUR CUSTOMERS

The uncertainty of current logistic paths and new economic environments can only be navigated through connecting and sharing information and objectives. Increased emphasis on customer engagement is a key focus for the Port this year.

OUR ENVIRONMENT

The Port continues to strengthen its connection to its environment. The Port's focus for the year will be on pushing forward with its four environmental strategies, with particular focus on feasibility studies to scope the optimal path forward. The sponsorship of a research project into the regeneration of seagrass in the estuary areas of Nelson/Tasman with Cawthron, and of the Haulashore Island trapping project helping to restore and improve biodiversity on the island will help to strengthen the Port's connection to Te Taihū's wider environment.

OUR PEOPLE

The challenges of 2023 and beyond are best addressed by improved connection, which strengthens transparency and trust. Connection will also allow us to strengthen our culture, particularly the Port's critical value, RESPECT.

OUR COMMUNITY

The community has expectations of its larger companies, particularly those owned by councils. Our focus will be on transparent engagement and genuinely connecting on focus areas such as carbon reduction, impacts on the physical environment, equality, iwi and Māori engagement, and support for the community's wellbeing.

OUR SHAREHOLDERS

In a year that will see local government elections, there is a heightened need for the Port to connect with Council Shareholders to ensure effective information sharing, understanding, and to deliver the budgeted dividend.

➔ 2023 Objectives



- Effective operational dashboards established
- Marlborough Inland Port on programme
- Completed technology improvement projects: QuayPack/Container Operations integration; Pelorus
- QuayConnect revenue growth (>\$1.5m)



- 3-5 year action plans approved for environmental 4 core strategies
- Year 1 action plans for carbon reduction delivered
- Uncontrolled breaches below KPI targets
- Environment awareness training of team commences



- Engagement and safety culture survey completed and actioned
- People team service delivery model established
- Safety KPIs achieved
- SafePlus audit completed and action plan developed
- Disaster recovery drills completed



- Te ao Māori plan developed and supported by iwi
- Slipway Project construction commenced
- Effective sponsorship spend



- Net Profit After Tax budget exceeded
- Completed Long term Strategic Plan; Infrastructure/Property Masterplan and Economic Improvement Plan (> 4% ROA)
- Science & Technology Precinct: Building 1 detailed design approved
- Simplification and resilience of core business platforms



➔ Strategic Initiatives

Our Customers:

Marlborough Inland Port:

While development of the Inland Port rests with third parties, supporting these parties to remain focused on delivery and the required quality is key for Port Nelson. The strategic location provides efficiency benefits to customers and the environment.

Effective operational dashboards established and implemented:

There is a good collection of data at the Port, however this can be better distilled down to dashboards that directly inform our performance and can be benchmarked. This project develops dashboards that will become our teams' regular go-to reference.

Commercialise Pelorus:

Extending and improving the capability of our Pelorus software platform enables QuayConnect to grow without increasing headcount.

Container operations and QuayPack data integration:

Data exchange between QuayPack and Container operations is currently manual and can create errors. This project will also set up the basis to integrate a number of other processes within QuayPack and Container operations.

Our Environment:

Approved Action Plans for the Four Environmental Strategies:

Four strategies were approved for progressing our environmental goals. This year's focus is on providing further detail on those strategies. In addition, the year is seen as a foundation year with a number of feasibility reports looking at issues such as alternative fuel use and the capacity to increase the power feed to the Port.

Pathway to zero carbon for QuayConnect's Marlborough loop:

Our QuayConnect partners, WineWorks and CEL, share with us an urgent interest in developing an integrated strategy to deliver a carbon efficient logistics service.



Our People:

SafePlus review and actions:

This audit replaces the previous external health and safety audit and aligns Port Nelson with other ports (and a recommendation from the Minister of Transport). The audit will take place in February 2023 and will allow us to challenge our current approach to health and safety and drive future improvement initiatives. The safety culture survey planned for the end of 2022 (calendar year) will further inform the audit outcomes.

Team engagement survey:

It has been many years since Port Nelson had a full engagement survey, although the stevedore and marine teams participated in a safety culture survey in 2021. This survey will provide a baseline to feel the pulse on our culture and safety culture. The results will feed into our strategy on how we attract and retain our people and inform our wellbeing strategy.

Service Delivery Model:

The People and Safety team has been under increased workload pressures for a number of years. A move to a 'Service Delivery Model', where basic service requirements are met by systems or generalist support, will enable the team to work more efficiently.

Our Community:

Develop and agree Iwi Engagement & Te Ao Māori Plan:

This initiative provides for developing with iwi a framework for ongoing relationship building and a Te ao Māori plan.

Slipway Redevelopment Project commenced:

With the project's approval and funding, this year's initiative is to complete the design, procure the

equipment and commence construction. In addition, the activation of a marine services cluster will be progressed.

OUR SHAREHOLDERS:

Long Term Strategic Plan completed:

Completing a long-term strategic plan, including refreshing our Vision, with strong Port Team engagement.

Establish Economic Performance Improvement Plan:

Develop a plan to lift ROA to 4% and profitability (Earnings before interest and taxes (EBIT)/Revenue) to 30%.

Infrastructure and Property Masterplan completed:

Develop a plan for optimal infrastructure, asset, and property portfolio requirements for Port Nelson in 2050. This is to include a phased development programme. Broad engagement across the wider team is an essential requirement of the project.

Science & Technology Precinct:

For Stage 1, obtain tenant commitment, complete design, and commence contractor procurement. The development of a short list of additional tenants will be completed.

Asset Management:

Continue to build on the data capture foundation and complete the development of the full Asset Management Plan.

Data architecture review and simplification:

Focus on interfaces between operational systems to move to an updated general ledger system and reduce transactional costs.



➔ Performance Targets (2022-23FY)



Provide leading port logistics operations and drive supply chain innovation

	2019/20 ACTUAL	2020/21 ACTUAL	2021/22 ACTUAL	2022/23 TARGET
Revenue tonnes (000)	3,287	3,248	3,156	3,308
TEU (000)	116	103	103	114
Vessel visits	760	781	767	781
Revenue growth QuayConnect (\$m)	NA	4.6	2.4	1.5
Customer engagement survey	Not Done	Not Done	80%	Not Planned
Crane rates (moves/hr)	NA		19	>20
Improved Cont. truck waiting time (mins)	16.8	15.6	14.9	<15



Reduce our environmental impacts and push towards a sustainable future

	2019/20 ACTUAL	2020/21 ACTUAL	2021/22 ACTUAL	2022/23 TARGET
Scope 1 & 2 reductions from 2019 (cumulative)	6%	10%	15%	15%
Scope 3 reduction: from 2019 (PNL originated)	49%	79%	87%	80%
Port's significant noise event & events >85dBH (at monitor)	4 & New metric	0 & New metric	0 & 6	0 & 5
Dust events external complaint	New metric	0	0	0
Monitoring of stormwater discharges completed	New metric	NA	2	4
Port substance Spills >10L reach harbour	New metric	2	0	0
Team environmental awareness training complete	New metric	New metric	New metric	50%



Build and keep safe a high-performing team

	2019/20 ACTUAL	2020/21 ACTUAL	2021/22 ACTUAL	2022/23 TARGET
High risk events	2	3	0	<= 2
Injuries > 5 days off work	9	4	3	<= 2
LTIFR	3.58	2.4	1.12	<= 1.3
Critical risk reviews	NA	44	50	44
Visible safety leadership events	312	339	166	400



Support the improvement of wellbeing in our community

	2019/20 ACTUAL	2020/21 ACTUAL	2021/22 ACTUAL	2022/23 TARGET
Utilisation of slipway - (Calwell)	NA	94% or 345 days	85% or 312 days	85% or 310 days
Sponsorship % of (NPAT)	1.5%	0.8%	1.12%	>1.2%
Effective iwi engagement events	New metric	3	3	4
Dividend \$ (% (NPAT) ex. prop. reval.)	4.8m (66%)	4.5m (50%)	4.3m (52%)	4.0 (51%)



Deliver strong and sustained returns to our shareholders

	2019/20 ACTUAL	2020/21 ACTUAL	2021/22 ACTUAL	2022/23 TARGET
Revenue	\$66.7m	\$73.5m	\$76.8m	
Underlying* revenue	\$66.4m	\$69.6m	\$72.7m	\$76m
EBIT	\$12.9m	\$19.3	\$18.3m	
Underlying EBIT	\$12.6m	\$15.4m	\$14.1m	\$14m
NPAT	\$8.2m	\$13.0m	\$12m	
Underlying NPAT	\$7.9m	\$9.1m	\$7.9m	\$7.8m
Return on assets	2.6%	3.6%	3.3%	
Underlying return on assets	2.7%	2.5%	2.2%	2.0%
Return on equity	3.7%	5.1%	4.7%	
Underlying return on equity	3.9%	3.5%	3.1%	2.9%
Gearing (debt/equity)	21.9%	22.3%	22.0%	21.9%

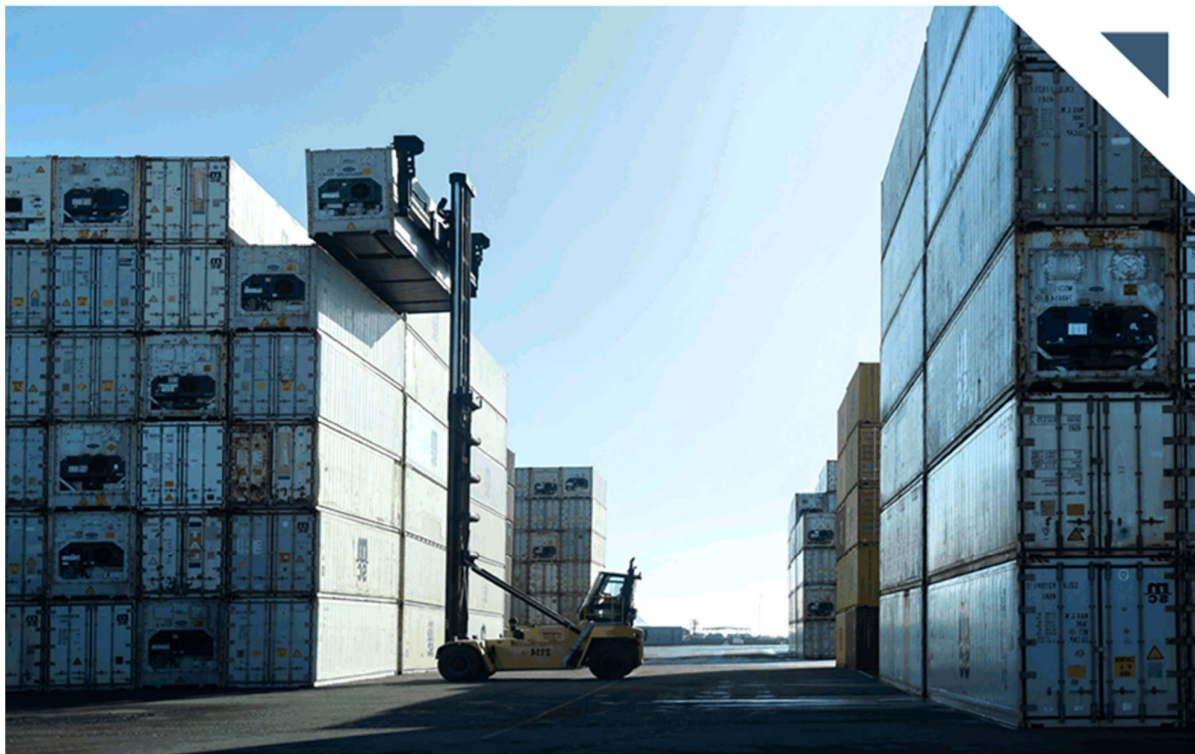
*Underlying financial performance excludes recognition of investment property revaluation



➔ Statement of Comprehensive Income

For the three year period July 2022 to June 2025

	(\$000)	2023	2024	2025
		\$000	\$000	\$000
Revenue				
Port Operations		70,450	71,870	74,210
Property		6,370	6,310	6,990
TOTAL REVENUE		76,820	78,180	81,200
Expenses				
Employee Benefit Expenses		23,470	23,530	24,080
Other Operational and Property Expenses		29,350	28,120	28,980
Earnings before Interest, Tax, Depreciation and Amortisation		24,000	26,530	28,140
Depreciation and Amortisation		10,190	11,170	11,210
Earnings before Interest and Tax		13,810	15,360	16,930
Net Financing Costs		2,960	4,120	4,990
NET PROFIT BEFORE INCOME TAX		10,850	11,240	11,940
Income Tax		3,040	3,080	3,270
NET PROFIT AFTER INCOME TAX		7,810	8,160	8,670



Balance Sheet

For the three year period July 2022 to June 2025

	(\$000)	2023	2024	2025
		\$000	\$000	\$000
Current assets				
Cash and Cash Equivalents		150	140	150
Trade and Other Receivables		11,100	11,870	12,330
Inventories		570	570	570
Prepayments and Accruals		350	350	350
TOTAL CURRENT ASSETS		12,170	12,930	13,400
Less current liabilities				
Trade and Other Payables		8,820	7,290	4,400
Employee Benefit Entitlements		2,080	1,640	1,480
Tax Payable		1,840	1,810	1,850
Dividend Payable		2,500	2,500	2,700
Noise Mitigation		30	30	30
TOTAL CURRENT LIABILITIES		13,270	13,270	10,460
WORKING CAPITAL		(1,100)	(340)	2,940
Non-current assets				
Property, Plant and Equipment		340,430	379,430	386,850
Intangible Assets		1,210	1,040	860
Investment Properties		29,410	29,410	29,410
Investment in Associates		5,330	26,060	36,510
Derivatives		1,120	1,120	1,120
TOTAL NON-CURRENT ASSETS		377,500	437,060	454,750
Less non-current liabilities				
Employee Benefit Entitlements		260	260	260
Deferred Tax Liability		18,390	18,390	18,390
Term Loan		78,140	112,170	118,680
Derivatives		690	890	890
Noise Mitigation		790	750	720
Right of Use Assets		450	300	150
TOTAL NON-CURRENT LIABILITIES		98,720	132,560	138,890
NET ASSETS		277,680	304,160	318,800
Shareholders' funds				
Issued Capital		6,050	6,050	6,050
Retained Earnings		90,570	94,480	98,870
Asset Revaluation Reserve		174,280	174,280	174,280
Hedging Reserve		40	40	40
Investment in Associates		6,740	29,310	39,760
TOTAL SHAREHOLDERS' FUNDS		277,680	304,160	318,800

➔ Cash Flow Statement

For the three year period July 2022 to June 2025

	(\$000)	2023	2024	2025
		\$000	\$000	\$000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		69,920	71,210	73,810
Rent received		7,070	7,020	7,710
		76,990	78,230	81,520
Cash was applied to:				
Payments to suppliers and employees		51,020	50,360	53,080
Interest paid		2,890	4,000	4,970
Taxes paid		3,170	4,460	4,520
Net GST paid		(330)	30	400
		56,750	58,850	62,970
Net operating cash inflows		20,240	19,380	18,550
Cash flows from investing activities				
Cash was provided from:				
Sale of property, plant and equipment		0	500	0
		0	500	0
Cash was applied to:				
Purchase of property, plant and equipment		14,090	49,600	20,940
Purchase of intangibles		730	310	110
		14,820	49,910	21,050
Net investing cash inflows/(outflows)		(14,820)	(49,410)	(21,050)
Cash flows from financing activities				
Cash was provided from:				
Loans borrowed		10,320	34,210	12,360
		10,320	34,210	12,360
Cash was applied to:				
Loans repaid		11,390	190	5,850
Dividend paid		4,300	4,000	4,000
		15,690	4,190	9,850
Net investing cash inflows/(outflows)		(5,370)	30,020	2,510
Net increase/(decrease) in cash held		50	(10)	10
Cash and cash equivalents at 1 July		100	150	140
CASH AT 30 JUNE		150	140	150



➔ Accounting Policies

Port Nelson Limited is a for-profit company incorporated under the Companies Act 1993 and created pursuant to the Port Companies Act 1988.

The accounting policies for Port Nelson are consistent with the legal requirements of the Companies Act 1993, the Financial Reporting Act 1993 and prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable reporting standards appropriate for profit-orientated entities.

Port Nelson's accounting policies are detailed in the most recent annual financial statements, which can be found using the following link:

<https://www.portnelson.co.nz/news-room/publications/>



→ Governance

Port Nelson recognises the importance of strong corporate governance to its ability to create value for its stakeholders. Accordingly, Port Nelson has a comprehensive set of governance structures and practices to promote best practice, high ethical standards and sound decision making in all areas of Governance activity.

Company

The company's principal objective is to operate as a successful business as defined by section 5 of the Port Companies Act 1988.

Corporate Code of Governance

The Board of Port Nelson operates within an agreed Corporate Code of Governance and Board Charter reviewed annually by the Board.

Board

The Shareholders appoint the Board. The Board is responsible for the governance, strategic direction and monitoring of the company's business to achieve its objective in accordance with Port Nelson's Corporate Code of Governance and Board Charter.

Board Committees

The Board uses committees to allow areas requiring detailed consideration to be dealt with separately by Directors with specialist knowledge and experience, thereby enhancing the effectiveness of the Board. Accordingly, the Board has constituted two standing committees: the Finance and Risk Committee and the Remuneration and Appointments Committee. In addition, it may form ad hoc committees to deal with specific issues.

Chairperson

The Board elects a Chairperson and may elect a deputy Chairperson or alternate. The Chairperson is to be responsible for the efficient functioning of the Board.

Chief Executive

The Board appoints a CEO. The CEO is responsible for leading and managing the company in accordance with the directions of the Board. The CEO may further delegate to other levels for day to day operational decisions of the company in accordance with delegated authorities as approved by the Board.



Health and Safety

Health and Safety governance is a priority for the Board. The Board will take a leading role in health and safety by reviewing and approving the safety management plan and understanding the effectiveness of the Company systems and performance. The Board supports the 'Good Governance Practice Guidelines for Managing Health and Safety Risks' produced by the Institute of Directors and the Ministry of Business, Innovation and Employment.

Dividends and Distribution

The Port Nelson Board will use its best endeavours to accommodate the Shareholders desire for dividend growth within the constraints imposed by the Directors' obligations to act in accordance with their statutory duties.

The Shareholders desire to receive dividends representing not less than 50% of net profit after tax. Similarly, the Port Nelson Board expectation is that not more than 75% of net profit after tax shall be distributed to the shareholders. This policy does not cover special dividends.

Proposed dividend distributions are expected to be \$4m for the year ended June 2023, \$4m for 2024 and \$4.2m for 2025.

→ Stakeholders

The Port has adopted the principle of transparency when it comes to reporting to its key stakeholders.

Over the period covered by this Statement of Corporate Intent, the Port will evolve an integrated reporting framework.

Annual Statement of Corporate Intent

The company will not later than one month after the commencement of each financial year provide the shareholder with an SCI as required by the Port Companies Act and any other information it considers appropriate. The SCI will be finalised within three months of the commencement of the new financial year.

Half Yearly Report

Within two months after the end of the first half of each financial year, the company will deliver to the Shareholders and the Minister of Transport its Half Yearly Report prepared in accordance with the NZ IFRS and the Financial Reporting Act 1993, including the unaudited consolidated financial statements and performance commentary, together with such other information as the Board consider appropriate. The report will include:

- Performance Commentary
- Statement of Comprehensive Income
- Balance Sheet
- Statement of Cash Flows
- Performance against the SCI Performance Targets and Other Measures

Annual Report

Within three months after the end of each financial year, and no less than ten working days from the date on which the shareholders meeting is to be held, the company will deliver to the Shareholders and the Minister of Transport its Annual Report prepared in accordance with the reporting requirements of the NZ IFRS and the Financial Reporting Act 1993 and will include the audited annual consolidated financial statements and performance commentary, together with such other information as the Board considers appropriate.

The report will include:

- Performance Commentary
- Statement of Comprehensive Income
- Balance Sheet
- Cash Flow Statement
- Statement of Changes in Equity
- Notes to the Financial Statements
- Performance against the SCI performance targets and other measures
- Auditor's Report

Quarterly Reporting

Within six weeks after the end of each financial year's September and March quarters, the company will deliver to the Shareholders a quarterly report on the preceding quarter. The company's quarterly report to Shareholders shall include a performance commentary, together with such other information as the Board consider appropriate.

Financial results for the December and June quarters will be incorporated in the Half Year Reports and Annual Reports to be delivered to Shareholders in accordance with the timetables of those stated above.

Any reports provided to the Shareholders may be released at their discretion.

General Disclosure

The company will provide information to the Shareholders on an ongoing but confidential basis to ensure that the Shareholders are informed promptly of significant events related to the company and which may affect the Shareholders.

Any reports, including the Company's Quarterly and Half Year reports provided to the Shareholders, may be released to the public at their discretion.

Communication of Information

For all formal reports and ad hoc business matters, the company's primary line of communication is direct to the Shareholders or their nominated representatives.

Procedure for Acquisition of Shares

The company's ability to subscribe for, purchase or otherwise acquire shares in any company or other organisation is governed by the Company's Constitution and the Companies Act 1993. Any major share investment (other than operational investment) inconsistent with the five-year strategic plan will be subject to Shareholder approval.

Compensatory Activities

The company will seek compensation for all non-commercial activities performed by it on behalf of local authorities.

Value of Shareholder's Investment

The Directors assessment of the value of the Shareholders investment in the company is \$277.7m. The value is the prospective value of Total Shareholders' Funds as at June 30, 2023.



PORT  NELSON

Port Nelson
Nelson 7010, New Zealand