

# FINDING TRUE NORTH

PORT  NELSON

## Welcome to Port Nelson's 2022 annual review.

This year's annual review theme is 'finding true north'. The Port's response to a year of significant challenge was to engage closely with stakeholders, to gain a stronger sense of our purpose 'to facilitate regional prosperity' – our true north. The stories in this annual review are based on the outcomes of the Port's 2022FY objectives. This review is our commitment to you, our stakeholders, to provide transparent and open communications on the Port's outcomes for the year and our future objectives.



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## Annual Report – Financial Statements and Disclosures

Available at [portnelson.co.nz](https://portnelson.co.nz)





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# 2022

## Performance

	2022	2021	2020	2019	2018
<b>Operations</b>					
Cargo volume (million cargo revenue tonnes)	3.2	3.3	3.3	3.9	3.6
Container throughput (thousand TEUs – twenty-foot equivalent units)	103.2	103.0	116.2	119.1	121.5
Shipping tonnes (million GRT – gross registered tonnes)	9.1	9.2	9.6	11.1	12.2
Vessel visits (greater than 100GRT)	767	781	760	804	887
Employees (FTEs – full time equivalents)	230	223	233	214	210
<b>Financial (millions)</b>					
Revenue	76.8	73.5	66.7	70.7	67.2
Underlying revenue*	72.7	69.6	66.4	68.1	65.0
Earnings before interest, taxation, depreciation, and amortisation (EBITDA)	28.0	28.6	20.9	30.5	27.1
Earnings before interest and taxation (EBIT)	18.3	19.3	12.9	22.9	20.1
Underlying earnings before interest and taxation (EBIT)*	14.1	15.4	12.6	20.3	18.0
Net interest expense	3.1	2.6	2.7	2.9	2.6
Taxation	3.1	3.7	2.0	4.8	4.0
Net profit after taxation (NPAT)	12.0	13.0	8.2	15.3	14.1
Underlying net profit after taxation (NPAT)*	7.9	9.1	7.9	12.7	11.9
Dividend declared	4.3	4.6	4.0	6.3	7.0
Dividend declared as a percentage of underlying net profit after taxation	54%	51%	51%	50%	59%
Capital expenditure	12.6	22	16.1	19.2	15.2
Term debt	76.7	75.7	70.5	61.9	55.6
Total non-current tangible assets	364.4	357.3	342.1	265.7	253.0
<b>Shareholder return metrics</b>					
Earnings per share (cents)	47.3	51.3	32.1	60.0	55.3
Dividend per share (cents)	17.9	15.7	18.9	21.6	21.6
Net assets per share (\$)	10.8	10.3	9.9	7.5	7.2
Equity as % of total assets	71.8%	70.5%	70.2%	68.5%	69.5%
Gearing	21.8%	22.3%	21.9%	24.4%	23.1%
Return on equity	4.5%	5.1%	3.7%	8.2%	7.8%
Return on average assets	3.2%	3.6%	2.6%	5.6%	5.4%

\*Underlying performance excludes revaluation of investment properties.



# 2022

Performance



3.2 million

Cargo Throughput – Revenue Tonnes

103.2K

Cargo Throughput – TEU

767

Vessel Visits



15%

Reduction in Scope 1 and 2 Emissions\*

87%

Reduction in Scope 3 Emissions\*

0

Significant Noise Events

\*Reduction cumulatively on our baseline year 2019FY.



**Our People***Ō tātou  
whānau***230**Full time Equivalent  
Employees**1.12**Lost Time Injury  
Frequency Rate**59**

ASPIRE Nominations

**1363**Completed Training  
Occurrences**50**

Critical Risk Reviews

**Our Community***Tō tātou  
hapori***\$4.3m**Dividends Declared  
to Shareholders**\$107K**

Sponsorship Funds Paid

**Our Shareholders***Ō tātou  
kaiwhaipānga***\$12m**

Net Profit after Tax

**4.5%**

Return on Equity

**71.8%**

Shareholder Equity





# → Chair & CEO Report







**Paul Zealand**

Chair



**Hugh Morrison**

CEO

*Tēnā koutou katoa. Greetings to all.  
E Papaki kau ana ngā tai o mihi ki  
a koutou!* The ceaseless tides of  
acknowledgements to you all!

We are delighted to share with you the journey of the Port over the 2022FY and look forward to the new year.

*He moana pukepuke e ekengia e te waka.*  
A choppy sea can always be navigated.

When we quoted this phrase in last year's annual review, we forecast a bumpy 2022FY. What we experienced could better be described as 'stormy'. Omicron hit everyone hard and contributed to further shipping disruptions, and as we write this report, Te Taihū was hit by the unprecedented August storms.

It has been a challenging year for all our stakeholders, but through these challenges, we have again seen resilience, innovation, and caring that we can celebrate:

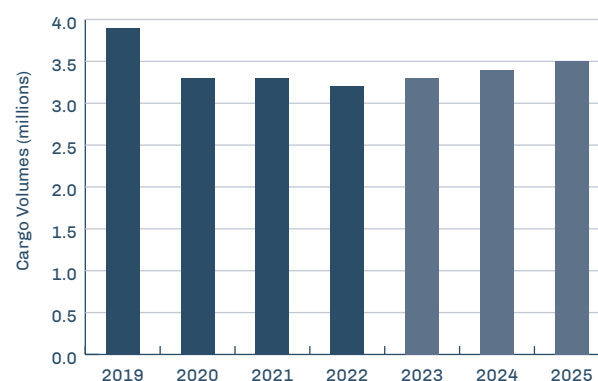
- The Port Nelson team successfully adapted to the challenges thrown their way during the year, including mandatory vaccinations at the border; mandatory testing; disrupted shipping schedules; and labour shortages.
- Our exporters and importers, while frustrated by logistic challenges, have managed to move a significant volume of goods through Port Nelson.
- The shipping lines, who have often had to bring bad news on delayed shipping, have nonetheless been fully engaged in seeking to support the region.
- Te Taihū community's connected response to supporting each other through the year's challenges, including another COVID lockdown and cleaning up post the August storms.

The Port's review of the 2022FY is provided below through five stakeholders that we use to guide our business:

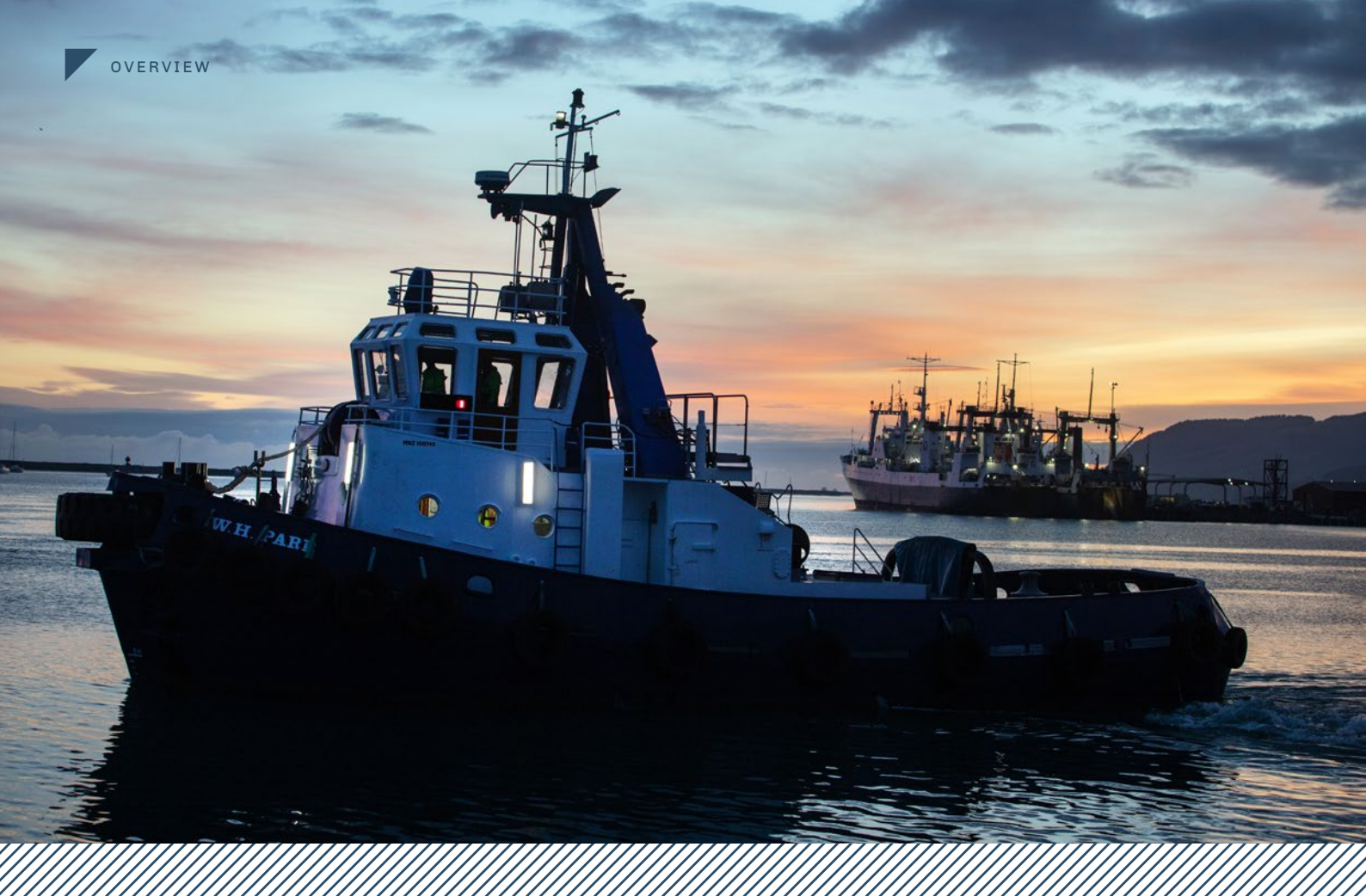
### Customers

Cargo across the wharves this year was 3.2 million tonnes. This was down 3% on the Statement of Corporate Intent (SoCI) target for the year and 3% down on last year. The graph below indicates the impact of COVID related issues over the previous three years compared to the strong cargo numbers in 2019.

### Cargo Volumes



Key contributors to the negative variance against the 2022FY SoCI targets were: petroleum – down 13%, reflective of the change in the importation of fuel following the closure of Marsden Point; apples – down 23%, a result of the shipping disruptions; logs – down 5% due to price volatility issues in China. Positive variance areas were sawn timber and MDF - supported by the stronger construction industry worldwide, as well as wine-related cargo - where we saw early inflows from the record Marlborough vintage.



We were delighted to see the support from central government for coastal shipping. Port Nelson and the region stand to benefit from at least three of the parties who received government support. We were also delighted with the commitment to Port Nelson by all of our current container lines, with each either committing to improved services or larger ships.

Our logistics facilitation business, QuayConnect, had another strong year as it worked with exporters and importers to find ways around shipping disruptions. QuayConnect's Port agnostic brief was evident this year as it moved cargo through many Ports in New Zealand.

## Environment

Following the setting of carbon reduction goals last year, much of the focus this year has been on a more detailed investigation of reduction options. These include future alternative fuels, reviewing biofuel options, engaging with hydrogen suppliers, exploring the capacity of electrical infrastructure to meet future needs, and scoping the viability of introducing a hydrogen truck into the QuayConnect fleet, moving cargo between Nelson and Marlborough.

The Port made further reductions in carbon during the year, mainly due to the change in shipping patterns. Carbon emissions are down 15% on 2019 levels.

We have strengthened our environment team, allowing us to examine in more detail areas of potential contamination and nuisance. Improved monitoring programmes are in place or being developed for: stormwater, noise, and dust. The Port successfully passed its ISO14001 (International Standards: Environmental Management System) audit receiving recognition for the improvements made and the direction the Port was taking.

## People

Mitigating the impact of COVID on our people while maintaining Port services has been a key focus in the year. We were successful in avoiding the spread of COVID within the business and were able to keep cargo moving throughout the year.

We would like to acknowledge the Port Team. Many were under mandatory vaccination orders, all had to undergo regular mandatory PCR testing, and teams constantly had to adapt to team members being away sick or isolating.

On top of the COVID challenge, labour shortages have impacted the Port as it has many businesses. Fortunately, due to the level of cross-training at Port Nelson and the quality of our operational managers and supervisors, these shortages did not materially

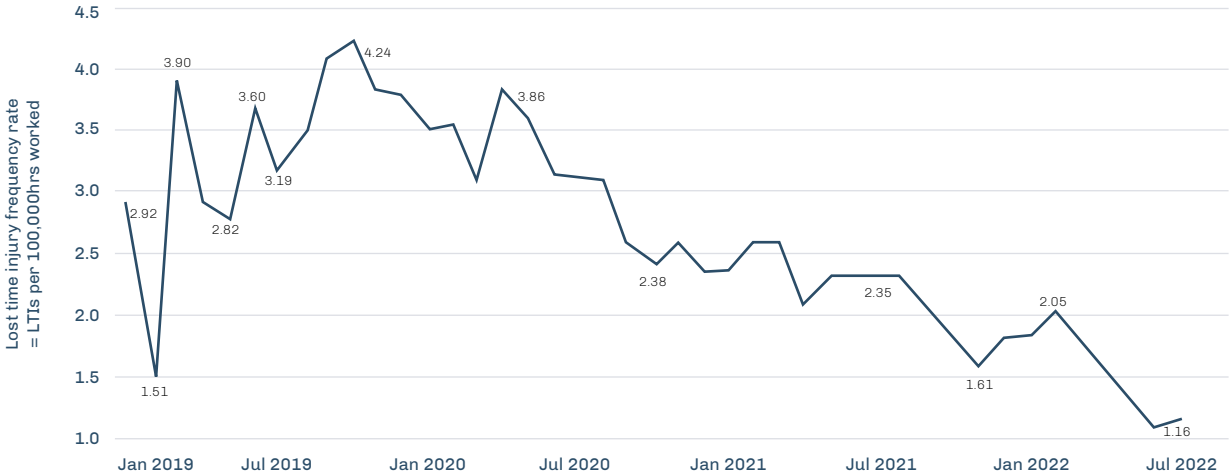


impact our ability to service vessels. Labour challenges, however, are likely to be an influencing factor into the future. The Port is reviewing its work structures to ensure that our roles have good work design and progression opportunities.

Particularly pleasing this year has been the improvement in our health and safety statistics. The drop in Lost Time Incident Frequency, as shown below, while a lag indicator, is a reflection of the strong safety culture at the Port and our hunger to improve.



Lost Time Injury Frequency Rate







Connection with iwi and establishing a respectful business environment, including the integration of a Te ao Māori (Māori world view) approach, remains a priority for the Port.

## Community

We were pleased to continue our sponsorship support to some of the outstanding local organisations that support Te Taihū's community and environment. This year we commenced a three-year programme supporting Cawthron's research into the regeneration of seagrasses in the Nelson Haven. What is also particularly pleasing with this sponsorship is to collaborate with OneFortyOne, who are one of the larger forest owners and operators in the region. The Port also commenced its support of Project Kōkōkaha, providing sailing education for lower decile schools in the Nelson region. In addition, we continued our long-standing support of the Tasman Mako, Sailability Nelson, Hearing Nelson's dangerous decibel workshops, Haulashore Island trapping project, and Nelson Tasman Chamber of Commerce - Port Nelson Export Hub.

Connection with iwi and establishing a respectful business environment, including the integration of a Te ao Māori (Māori world view) approach, remains a priority for the Port. 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.

Design work has continued with the Slipway redevelopment works. Construction is forecast to commence later in the 2023FY.

## Shareholders

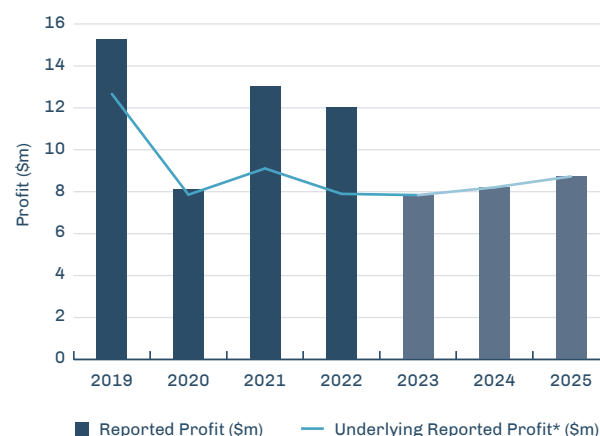
Dividends were declared to shareholders of \$4.3m for the 2022FY, this was as forecast.

Port Nelson reported a Net Profit After Tax result of \$12m. The result was ahead of expectations. A key driver of the result has been the performance of the Port's commercial property portfolio, with revaluations contributing \$4.1m.

Port Nelson's after-tax operational performance, excluding property revaluations, was \$7.9m, marginally below expectations. The Port's performance was impacted by volatile container shipping - including a number of vessel omissions, lower log volumes, higher payroll and fuel costs, constrained productivity due to stringent COVID protocols, and an additional \$600K of COVID-related costs required to ensure Port workers and Te Taihū were protected from COVID at the border.

The graph below provides context to the result

### Net Profit after Tax



\*Underlying profit excludes revaluation of investment properties



Capital investment in the 2022FY was \$12.6m. The key areas of investment were: upgrading of the log yard (pavement and lighting); strengthening of wharves (both below and above water); purchase of three properties (one to facilitate the Slipway project; one a requirement of the noise mitigation plan, and the other a building on land owned by the Port); and design works to support the Slipway and Science & Technology Precinct development.

The Science & Technology Precinct is designed to provide 10,000m<sup>2</sup> of modern office facilities targeted at science and technology tenants. The concept design for the precinct is complete, as is the preliminary design for Stage 1. Confirmation of our anchor tenant will trigger detailed design.

An important initiative pursued this year was progressing the opportunity to obtain lower borrowing rates for both Port Nelson and Nelson Airport through the establishment of a Holding Company. This initiative has the potential to provide finance cost savings of between \$1.0 – \$1.5m per annum for Port Nelson. The Holding Company was approved to proceed by shareholders in September 2022.

There have been changes to the membership of the board of directors during the year with Geoff Dangerfield and Bronwyn Monopoli both stepping down. Our thanks to Geoff for his leadership as chair and to Bronwyn for her many years of service to the Port. This year we were delighted to welcome two Nelsonians on to the board, Meg Mathews and Gerrard Wilson, who bring key skills and strong local insights and connections.

Port Nelson thanks the Council shareholders for their support this year and recognises in particular the strong support of the two Mayors, Rachel Reece and Tim King, as well as the departing Councillors. We look forward to working with the new Councils over the next three years.

## Looking Ahead to 2023

The Port's current SoCI (available through our website) describes the key goals and initiatives for the next three years with a focus on the 2023FY. Our objectives for the 2023FY are targeted to achieve our Stakeholder Goals: improve services to customers; minimise our environmental impact; support the wellbeing of our people; support the wellbeing of the community; and build sustained shareholder value.

Regrettably, shipping volatility will continue into the 2023FY with international services still being disrupted due to national and world-wide challenges. Positively, we expect coastal container shipping services to settle into a regular schedule. We also look forward to an increase in bulk coastal vessel movements.

Cargo-wise we have a strong wine harvest still to move and the overflow from last season's good apple harvest. The forecast for logs also remains strong. Cargo headwinds may be in the processed timber area as the pressure comes off the construction sector. Forecast cargo for the 2023FY is 3.3 million revenue tonnes, up 4% on 2022.

We close by thanking our customers and users of the Port. We appreciate your support and trust in us to move your goods.

To the Port Nelson Team, what a year! Thank you, and congratulations on finding a way to overcome the challenges.

*Mā te whakapono, mā te whakarongo,  
mā te mahi tahi, ka taea e mātou!*

By believing and trusting, by listening and hearing, by working and striving together, we will succeed!



# → Finding True North

*The value of focusing  
on stakeholders*







Port Nelson's purpose is 'to facilitate regional prosperity'. In response to a challenging few years, the Port has looked to deepen its understanding of its purpose by focusing on active engagement with stakeholders. A key word in our purpose is 'prosperity'. While traditionally seen from an economic perspective, the Port recognises that sustainable prosperity comes from addressing the needs of all its stakeholders.

The Port has consolidated its stakeholders into five groups: Customers, Environment, People, Community, and Shareholders. The Port's focus on its stakeholders has resulted in a commitment to report its results under each stakeholder through an integrated reporting framework.

The Port has also looked to define what success looks like from each stakeholder's perspective and has established long term goals that reflect that understanding. The simple days of 'or' – profit or environment; customer or community; profit or safety are gone. Businesses today must embrace the 'and'.

In addition, the Port has identified four strategies for our decision-making and growth: Port Excellence; Growth in Aligned Logistics Businesses; Optimised Property Portfolio; and Sustained Community Support. These objectives and strategies feed into the Port's long-term plan.

3.3  
million

revenue tonnes  
forecast for the  
2023FY

Transparency is a key part of integrated reporting. In this report, you will find an overview of the Port's 2022FY objectives and the Port's progress against these objectives, including if they have been achieved or not, and if not – why? We have also outlined what objectives are still a 'work in progress' as well as our key objectives for the next financial year, as outlined in our Statement of Corporate Intent. Our commitment to our stakeholders is to provide open, honest, and transparent communications.

Looking forward, the Port will continue to expand on its integrated framework by refreshing its vision and defining its long-term value outcomes through the completion of the Port's long-term plan in the 2023FY. The Port's long-term plan will include an Infrastructure and Property Masterplan, which will inform the Port and stakeholders of the future demands and requirements for its infrastructure over a 30-year horizon.

## Our Purpose

(Why are we doing this):

To facilitate  
regional prosperity

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



# Our Business

(How we operate):

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 260m in length to access the Port.

## Slipway Services

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

## Stevedoring

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

## 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.

## Workshop and Maintenance

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

## QuayConnect

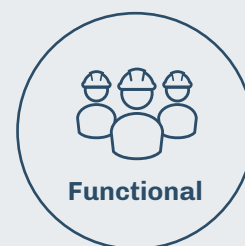
The logistics division of Port Nelson, QuayConnect efficiently connects products to market with supply chain solutions and transparent technology, minimising our collective impact on the environment and reducing costs.

## 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, cars, fertiliser, cement, methanol, and fuel.



In addition to its operational land, the Port has over 235,000m<sup>2</sup> of commercial land that it develops and leases to support the fishing, marine services, and other export-related industries.



People and Safety  
Environment  
Infrastructure  
Business Systems  
Finance  
Communications and Engagement



# Stakeholders and Goals

(What are we doing):



## Values

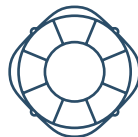
(How we behave):

Our values are traits that we believe we need to continually exhibit on a day-to-day basis to drive us to achieve our purpose:



### Accountability

To be accountable for our actions, our performance and the outcomes of these



### Safety

To act in a manner that prevents the risk of injury or danger



### Passion

To maintain a powerful and compelling enthusiasm about what we do at Port Nelson



### Integrity/Honesty

To be truthful, upright and act according to what is right



### Respect

To hold the people around us in high esteem and show consideration



### Excellence

To continually strive to be the best at what we do

# Strategies

(How we achieve our goals):



## 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.



## 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 Taihupo; 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.



## Growth in Aligned Logistics Businesses

Port Nelson will continue identifying opportunities to support exporters and importers by creating supply chain 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.



## 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.



# Our Customers

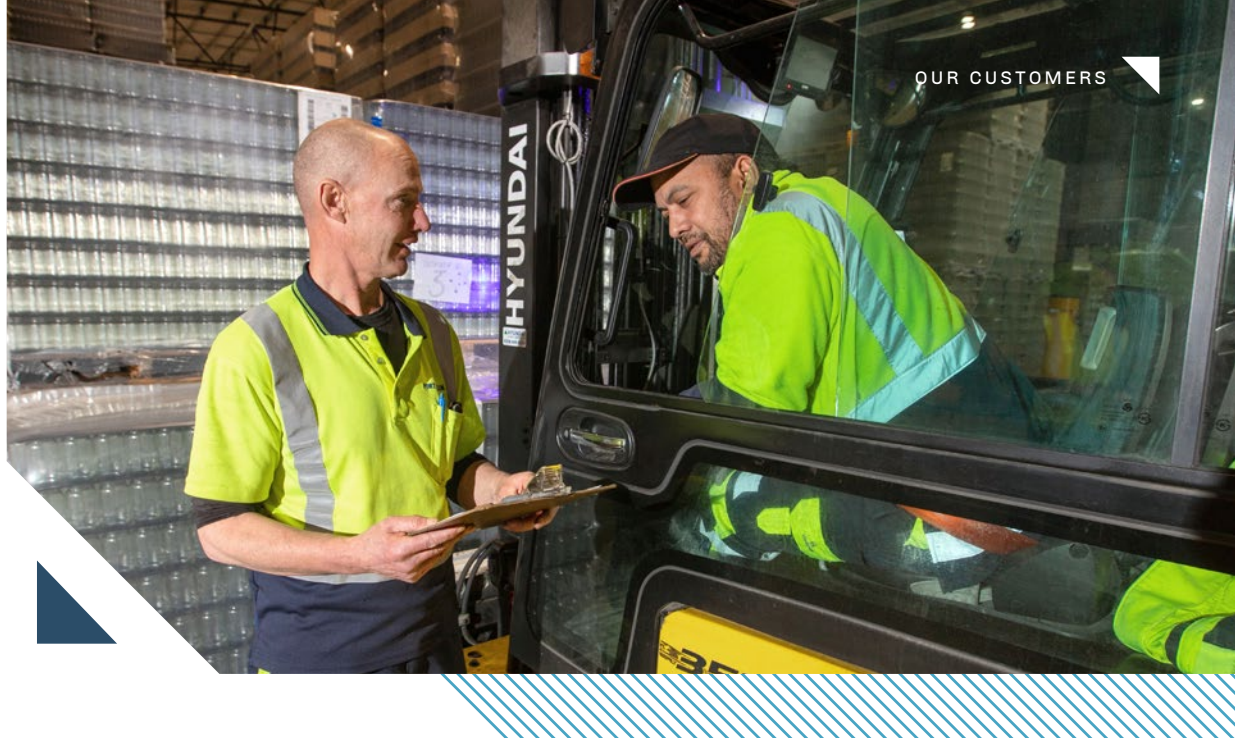
Ō tātou kiritaki



## 2022 Performance Results

Targets	Results	
Cargo Volumes of 3.3mil revenue tonnes	<input type="radio"/>	<b>3.2mil</b> Not Achieved
Container Throughput of 111K TEU	<input type="radio"/>	<b>103.2K</b> Not Achieved
Vessel Visits of 781	<input type="radio"/>	<b>767</b> Not Achieved
Average container crane rates exceed 20 moves per hour	<input type="radio"/>	<b>19</b> Not Achieved
Customer engagement survey exceeds 70% satisfaction score	<input checked="" type="radio"/>	<b>80%</b> Achieved





Cargo volumes were 3.2mil revenue tonnes, and container throughput was 103.2K TEU. Log exporters had a difficult year, with a softening in prices from China seeing a reduction in exports. The high price of shipping continues to reduce margins for exporters. Apple exports were lower than expected, with many exporters having to hold back some of the bumper harvests in cool stores due to a shortage of containers. A higher number of conventional reefer vessels than normal provided 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.

There were 767 vessel visits for the year, lower than expected due to the volatility of shipping with delayed and cancelled shipping movements. Looking forward, we are seeing improvement in vessel scheduling. Nelson is fortunate to have the world's three largest container lines calling at the Port with container movement supported by the coastal carrier, Pacifica. In addition, in 2023 the Port should benefit from cargo movements from parties who received financial support for coastal shipping initiatives from the Government.

Average container crane rates were also reduced to 19 per hour, not exceeding the years' objective of 20 moves per hour. This was a result of disrupted shipping schedules.

This financial year, Port Nelson actioned a customer and port user survey to receive feedback on how we can improve our services and add value to our customers. Overall, the Port achieved an 80% satisfaction rate from

### Customer Survey Feedback:

*"PNL appears to be challenging the "Norm" with clear intention to improve their ability to service the challenging global logistics market for all industries. This is a credit to the overall team and reflects an innovative management style."*

*"Port Nelson have always communicated clearly and professionally at all levels."*

*"All interactions with Port Nelson staff have been a positive experience, which is rare."*

*"Whenever I get the chance, I promote Port Nelson to customers as they are the greatest team to deal with in NZ."*

*"The team is always friendly and helpful. The sense is that the culture is great."*

customers and port users. Feedback highlighted the Port's clear communications and professionalism, as well as the Port's intention to continually improve its services. Key outcomes for improvement included a need to look for opportunities to improve efficiency and build on our proactive communication by increasing regularity of updates and incorporating a stronger forecasting focus. Both outcomes have been addressed in the Port's three-year objectives.



## New Zealand's Commitment to Coastal Shipping

Coastal shipping in New Zealand is highlighted as a key modal freight choice after the Government's announcement this year to invest in activities supporting coastal shipping, including enhancing domestic shipping services, reducing shipping emissions, improving efficiency, and upgrading maritime infrastructure.

Coastal Shipping is critical for New Zealand's freight system providing a safe and sustainable mode for transporting large, heavy cargo.

Coastal Shipping is critical for New Zealand's freight system providing a safe and sustainable mode for transporting large, heavy cargo.

Waka Kotahi worked with the wider freight industry and suppliers to launch four additional coastal shipping vessel services to improve the resilience of the freight supply chain. The Government is investing \$30 million through the National Land Transport Programme (NLTP). Aotearoa Shipping Alliance, Coastal Bulk Shipping, Move International and Swire Shipping are together investing over \$60 million to the project.

Matt McDonald, Port Nelson's General Manager Operations, said that since Waka Kotahi's announcement (on their coastal shipping fund) the Port has seen both new and existing coastal shipping operators looking to invest in new tonnage.

Following the announcement, a multi-million-dollar shipping route linking New Plymouth to Nelson was





# 2000

tonnes saving in  
carbon emissions  
per year.

announced. The route, which is set to open in 2023, will be a drive-on, drive-off truck service, saving around 2000 tonnes of carbon emissions a year. Matt McDonald said it was pleasing to see ongoing investment in coastal shipping options with this new route. "The idea of a link between Nelson and New Plymouth has been around for some time so it will be great to see this get across the line. For Port Nelson, it adds further diversity of revenue and return on our existing assets. We look forward to working with Move to bring the service into operation."

A new direct shipping service was also announced that will see Move operating the vessel *Atlas Wind* between Tasmania in Australia and a number of New Zealand Ports including Nelson. The new route provides a more efficient process, streamlining coastal freight links. The service was welcomed by customers of the aquaculture industry, enabling a direct delivery of fish feed from Tasmania, reducing costs for the industry.

In addition to the announcement from Move, Pacifica Shipping also announced a new 1300 TEU container vessel to complement the services provided by existing

container ship *Moana Chief*. This will enable Pacifica to resume its weekly service into Nelson. Maersk also announced its new coastal service 'Maersk Coastal Connect', which will see Maersk *Nansha* looping between Nelson, Tauranga, Timaru and Lyttleton. This will consolidate Maersk's fortnightly service into Nelson.

Te Taihu's importers and exporters will benefit from moving their goods around the world more efficiently with these additional services, especially after being hit hard in recent years by dramatic increases in freight costs, space availability on vessels, and delayed or cancelled vessels coming into Port.

Container shipping continues to be constrained by berthing delays and labour shortages at New Zealand ports. The pressures from the ad-hoc sliding of planned vessels continue to force freight costs to remain high. Although the recent easing in shipping spot rates is a promising trend, the planned increased capacity from the additional services calling into Te Taihu will contribute to improving reliability and hopefully reducing costs for our importers and exporters later in the 2023FY.



## Vision for a Marlborough Inland Port Becomes Reality

Port Nelson is collaborating to establish a consolidated hub to support logistics for primary industries in the Marlborough region. The announcement that QuayConnect will develop an Inland Port at Riverlands, south of Blenheim was welcome news for importers and exporters in the region. This further supports our stakeholder goal to provide leading logistics operations and drive supply chain innovation.

Jaron McLeod, General Manager of QuayConnect, says, "Marlborough importers and exporters will be better served with a facility on their doorstep offering container, product storage and warehousing connected to an established logistics service."

The Marlborough Inland Port will be located immediately adjacent to New Zealand's largest wine bottler, WineWorks Marlborough. This will enable the efficient transfer of stock to and from the bottling plant and the use of electric tugs to reduce emissions. The Inland Port will also have storage capacity for empty and full containers, and tanker and tank containers (ISOs). The facility will also include wash facilities and repairs for this equipment.

A key requirement in any logistics supply chain is to remove waste. The supply chain established by QuayConnect moves empty wine bottles in trucks from Port Nelson, after they have been devanned from containers, to Blenheim bottling facilities. The trucks then return with a full load of export wine. This system, established in 2017, saves approximately 1,600 tonnes of carbon a year from reduced truck movements.





In a similar fashion, QuayConnect established a bulk wine loop for a major Marlborough exporter that sees full ISO tank containers of wine exported from Marlborough through Port Nelson to Australia and then returned full with Australian wine for packaging in Marlborough. These supply chains are made more important due to quality issues moving empty wine bottles and bulk wine in containers on rail and historic resilience and reliability issues travelling north and south from Marlborough.

The Marlborough Inland Port, like the QuayConnect logistics chain, has only been possible due to collaboration within the industry.

Central Express Limited (CEL) is a key transport partner to both QuayConnect and the wider Marlborough wine industry and will be a tenant on the Inland Port facility.

Jason Millar, Managing Director of CEL, says, "In an ever-changing environment, we are excited about the opportunity of the Marlborough Inland Port. It will provide connectivity and add resilience to supply chains, giving confidence to exporters in the top of the south. It is another example of QuayConnect

and CEL's collaboration with the industry to provide solutions and confidence."

Proximity and partnership with WineWorks has been key as noted by CEO Peter Crowe: "The Marlborough Inland Port will be a real asset not only to the wine industry but also the wider Marlborough community. WineWorks is excited to further enhance our partnership with QuayConnect through the utilisation of the Inland Port, ensuring our clients resilient, sustainable and cost-effective options for getting wine to the world."

The initial phase of the Marlborough Inland Port is on a 1.4-hectare site with 2.6-hectares immediately adjacent reserved for future development. The Inland Port will contain 5,000m<sup>2</sup> of warehousing for storage and packing and a facility for container operations and storage. The facility is planned to be completed by March 2024.

For Port Nelson, this development is part of a wider supply chain strategy to further build efficiencies and responsiveness for Marlborough's importers and exporters so they can continue to be price competitive in the global market with their world-class products.



WineWorks  
image

"It's really important that we continue to look at how we can reduce our carbon footprint and provide a sustainable solution for the packaging and exporting of NZ wine to the world."

– Peter Crowe, CEO, WineWorks

year. This has helped in our goal of 30% reduction in our carbon footprint within 3 years." WineWorks is already Carbon Zero accredited, and the company is working its way towards carbon neutrality without offsetting.

Damien also explains their new leadership programme. "We've been working on the embedment of a leadership program within our business; the programme gives our existing and aspiring managers the leadership tools they need to create great teams and a vibrant culture here at WineWorks."

"The cool thing about the programme is that our WineWorks executive team gets to present each of the five leadership modules. We are all learning new skills and the content becomes part of our WineWorks DNA, embedded in our culture."

Looking forward, WineWorks will be navigating the New Zealand wine industry's demands and working with clients to meet their capacity requirements for the future. Another key focus is developing an integrated strategy to deliver a carbon-efficient logistics service with QuayConnect and CEL.

Peter Crowe, CEO, WineWorks, comments on the development of the strategy. "It's really important that we continue to look at how we can reduce our carbon footprint and provide a sustainable solution for the packaging and exporting of New Zealand wine to the world. The QuayConnect system has already dramatically improved the supply chain footprint; however, we believe there is always more that can be done."

"One of the key elements in creating a green pathway is to measure all parts of the supply chain involved from a carbon perspective. We're currently piecing all of this information together so we can work on ways to reduce/eliminate or offset the carbon produced."

Reflecting on WineWorks key partnership with QuayConnect, Damien closes, "we are very reliant on our partnership with QuayConnect. It has been a key building block for increasing the capacity of the Marlborough supply chain. The development of the new Marlborough Inland Port will continue to extend this capacity and offer a resilient and sustainable route to market for all of our clients."

## Customer Spotlight: WineWorks

WineWorks was formed in 1995 to provide key bottling infrastructure for wineries, handling highly specialised bottling, labelling, storage and distribution processes. WineWorks is a key partner of QuayConnect and has been since QuayConnect's formation in 2016 to develop efficient and sustainable warehousing and transport systems to meet the needs of the wine industry.

WineWorks has seen many successes in the past 12 months, including introducing product transfer solutions and implementing an internal leadership programme.

Damien Gillman, General Manager, WineWorks Marlborough, celebrates the success of its new product transfer system, an electric Tug and Trailer System, enabling the team to move products efficiently between their two sites in Marlborough, while reducing their carbon footprint. "This new system has given us the flexibility to move thousands of pallets every day."

"The tugs are fully electric, reducing our carbon footprint by approximately 5 tonnes of carbon per



## Our Customers

Ō tātou  
kiritaki

## 2023 Objectives

**Provide leading port and logistics operations and drive supply chain innovation:**

### Effective operational dashboards established

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.

### Marlborough Inland Port on programme

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

### Completed technology improvement projects: QuayPack/Container operations integration; Pelorus

Extending and improving the capability of our Pelorus software platform enables QuayConnect to grow without increasing headcount. Data exchange between QuayPack and Container operations is currently manual and can create errors. A project will commence to integrate a number of processes within QuayPack and Container operations.

### QuayConnect revenue growth

Continue to grow QuayConnect's revenue to \$25m or greater by 30 June 2025.





# Our Environment

*Tō tātou taiao*



## 2022 Performance Results

Targets	Results	
9% gross reduction cumulatively on FY19 Scope 1 and 2 carbon emissions	✓	<b>15%</b> <i>Achieved</i>
2% gross reduction cumulatively on FY19 levels in scope 3 carbon emissions (controlled by PNL)	✓	<b>87%</b> <i>Achieved</i>
Maintain Port Nelson's ISO 14001 Certification	✓	<i>Achieved</i>
No significant noise events (>85 dbA at boundary)	✓	<b>0</b> <i>Achieved</i>
Commence a Port Nelson sponsored initiative to halt the loss of biodiversity/prevent the extinction of threatened species	✓	<i>Achieved</i>
No uncontrolled discharges from the Port Nelson operational area to the Coastal Marine Area	✓	<b>0</b> <i>Achieved</i>
Compliance with regulatory requirements, compliance with NZ Maritime safety standards	✓	<i>Achieved</i>



# 15%

reduction in  
Scope 1 and 2  
emissions

Scope 1 and 2 emissions were 15% down cumulatively on our baseline year, the 2019FY, 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. We have replaced some vehicles and plant with more carbon efficient alternatives, and we look forward to initiating more proactive strategies in the 2023FY.

The Port's environmental 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.

The Port developed a new partnership with Cawthron Institute to support research into seagrass restoration in the Nelson Haven. Historically seagrasses grew on much of the estuary flats in our region, these have been lost largely due to the impact of human population growth. Seagrasses have the potential to play an important part in carbon capture.

A strengthened environmental team allowed a deeper assessment of contamination issues and risks. While there were no significant inorganic spills to the harbour, we continued to have discoloured stormwater from the log yard entering the harbour. Stormwater interceptor pits have been introduced which have helped, however further actions are required to address this matter in the 2023FY.

Noise management remains an area of focus for the Port. During the year, we had no 'significant noise events', which is a credit to our Stevedoring team. There was a review of noise contours which saw a minor increase in properties covered by the highest noise contours (>65 dBA). Our focus is now on driving down the next level of noise events. Noise from the generators of one container vessel was an issue during the year. Port Nelson worked closely with the shipping line and ports around New Zealand to address this noise issue. Compliance with regulatory requirements for NZ Maritime safety standards was achieved in the 2022FY.

# Environment Strategy

This year, the Port continued to build on its 5 year (2022-2026FY) environmental and sustainability strategy. This strategy reflects an objectives-based approach focusing on 4 strategic commitments. As part of the Port's commitment to integrated reporting, the following pages outline the Port's medium-term goals for 'reducing the Port's environmental impacts and pushing towards a sustainable future', and further details the Port's 2022FY outcomes and work on's for the future.

## Objective 1



**Port Nelson will minimise its impacts on the physical environment.**

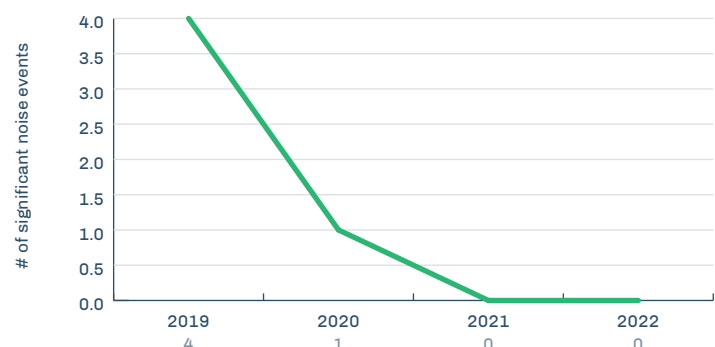
PNL will reduce operational impacts on the physical environment through proactive management of its 'damaging' activities: dredging, dust, stormwater, noise, spills and traffic congestion.

### Activities

- The Port had 52 environmental incidents in 2022FY compared to 77 in 2021FY. None of these caused any significant harm to the environment.
- 15 incidents were associated with discharges of coloured stormwater from our log yard due to bark, dust and tannins entering the stormwater. The stormwater interceptor pits installed last year, helped minimise discharges from the logyard. To prevent discharges to the marine environment, the Port introduced a regular clean up routine, strict spill clean-up procedures and ensured dust was kept to a minimum by utilising the Port's water truck.
- 37 incidents related to minor spills associated with machinery breakdowns. All of the Port's operators receive regular spill prevention and response training and all the spills are contained and cleaned up before they enter stormwater or the coastal marine environment. All the Port's surfaces are sealed to prevent any hazardous substances from these spills from contaminating the soil.
- The Port worked with visiting vessels to ensure they understand the Port's environmental commitments and regulatory environment.
- New representatives were elected for the Port Nelson Noise Liaison Committee (PNLC). The Port continues to work with the PNLC, and neighbours to reduce noise nuisance.
- The graph below shows the improvement in noise control at Port Nelson.

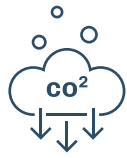
### Significant Noise Events

*Caused by Port operations 2019 – 2022*





## Objective 2



**42% gross reduction in scope 1 and 2 emissions and 30% gross reduction in PNL controlled scope 3 emissions by 2035.**

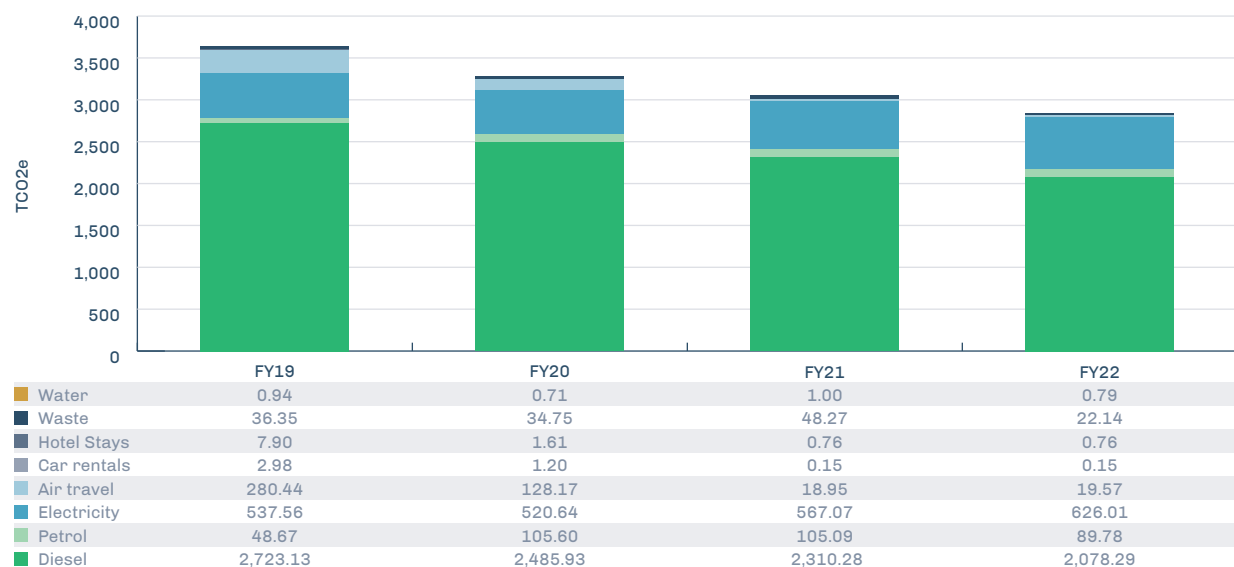
PNL are committed to minimising energy use and reducing carbon emissions without compromising the delivery of services to our customers or community.

### Activities

- Carbon emissions from Port operations continue to reduce. This is mostly a result of reduced cargo volumes. The Port is exploring reduction activities as it will be challenging to keep the downwards trend as cargo volumes return to normal.
- The Port is undertaking an alternative fuels study to see how the Port can reduce emissions from diesel, including:
  - Investing in more efficient vehicles
  - Checking with vehicle manufacturers to see how biofuel can be used
  - Collaborating with other large fleet operators to find a biofuels supplier for Te Taihu
  - Engaging with heavy machinery suppliers to understand their proposed roll-out of hydrogen or/and electric options
  - Collaborating with hydrogen suppliers to support future supply to Te Taihu
- The below graphs show a reduction of 15% on 2019FY for Scope 1&2 – fuel and electricity and an overall reduction of 87% for Scope 3 (travel, waste and water).

Carbon emissions from Port operations continue to reduce. This is mostly a result of reduced cargo volumes. The Port is looking at reduction activities as it will be challenging to keep the downwards trend as cargo volumes return to normal.

## Total Carbon





### Objective 3



**A leader in environmental management in the Nelson Tasman & Marlborough regions.**

PNL will be a leader in environmental management in Te Taihupo by implementing innovative solutions for managing our environmental aspects.

#### Activities

- The Port achieved the recertification of ISO 14001:2015 standard for its environmental management system without any non-conformances.
- A green procurement approach was embedded within the Port's strategic purchases related to infrastructure and plant. The Port continues to look for more efficient and sustainable options.
- Waste generation continues on the downward trend, as seen in the graph total TC02e graph. Although to an extent it is a reflection of reduced cargo volumes. The Port is planning a revision of our waste practices next year to ensure that the trend continues. Emissions from waste were reduced by 29% compared to the 2019FY.
- Supporting Friends of Haulashore Island in their predator control programme continues to be a priority for Port Nelson through its community sponsorship programme.
- The Port developed a new partnership with Cawthron Institute to support research into seagrass restoration in the Nelson Haven.

# 29%

reduction in  
emissions from  
waste

### Objective 4



**The team at PNL are our environmental champions.**

PNL will integrate environmental management into our daily operations, it will become part of what we do and be owned by everyone at PNL.

#### Activities

- Spill training is the most important environmental training: all training materials have been reviewed this year.
- 'Green ideas', a weekly sustainability section was introduced in our company Toolbox Notes, the Port's internal weekly newsletter.
- The Port participated in 'Love to Ride' - Aotearoa's bike challenge, encouraging our people to reduce emissions by riding their bikes to and from work.
- The Port encouraged our people to take part in Earth Hour, turning off lights for one hour to acknowledge the threat of climate change. The Port turned off all non-essential lights for the hour.

**Our  
Environment***Tō tātou  
taiao*

## 2023 Objectives

Reducing the Port's environmental impacts and pushing towards a sustainable future:

### **3-5 year action plans approved for environmental 4 core strategies**

Four strategies were approved for progressing our environmental goals. This year's focus is on providing further detail on those strategies. In addition, this 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.

### **Year 1 action plans for carbon reduction delivered**

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

### **Uncontrolled breaches below KPI targets**

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





# Our People

Ō tātou whānau

## 2022 Performance Results

Targets	Results	
Critical Risk Verification Reviews >50 per year		<b>50</b> <i>Achieved</i>
Lost Time Injury Frequency Rate <2		<b>1.12</b> <i>Achieved</i>
Lost Time Injuries greater than 5 days <=4		<b>3</b> <i>Achieved</i>
Employee engagement survey exceeds 70%		<b>Survey not undertaken</b> <i>Not Achieved</i>

The Port completed 50 critical risk reviews within Port operations. In last year's Annual Report, the Port reported a reduction to the Port's Lost Time Injury Frequency Rate from 5.13 to 2.59. The team reduced this rate further to 1.12 at the end of the 2022FY – a massive credit to teams across the Port.

The Port achieved its target of having less than 4 injury incidents causing team members to have more than 5 days off work; 3 incidents occurred in the 2022FY.

The Port's engagement survey was not completed due to the Port's focus on COVID-19 and was moved into the 2023FY.

The Port also worked with Nelson Regional Development Agency, to participate in the Fantastic Futures career expo, enabling employers around the region to connect with approximately 200 local students. Port Nelson showcased the various opportunities and career pathways at the Port, and the team enjoyed inspiring, what we hope will be, the next generation of Port Nelson team members.

### Refer a Friend

Another initiative introduced this financial year was 'Refer a Friend'. 'Refer a Friend' encourages our people at the Port to recommend Port Nelson as an employer within their own community, earning themselves \$1000, after the friend's 4 month work anniversary. The initiative has so far resulted in 8 appointments since May 2022.

### 7 Reasons to Work at Port Nelson

This year, Port Nelson launched its recruitment campaign: 7 reasons to work at Port Nelson. The campaign was created in response to the tight labour market, specifically attracting talent into Stevedoring. The Port identified three key persona types to attract into roles. With the campaign ongoing into the 2023FY, the Port will continue attracting talent, focusing on career pathways and encouraging women into Stevedoring.

## Highlighting a Strong Year in Recruitment

Port Nelson supports over 300 jobs directly at the Port. As the tight labour market continues to impact businesses across New Zealand, Port Nelson demonstrated strong recruitment practices throughout the year.

In the 2022FY, team member turnover was high due mainly to COVID related controls at the Port, as well as the wide variety of jobs that came onto the market. A number of recruitment strategies were created to highlight Port Nelson as an employer of choice within Te Taihū, resulting in 93 new team members welcomed to the Port.

### Career Pathways

Career pathways have continued to be developed within operational areas of the Port. The Port's Maintenance team introduced an apprenticeship programme in partnership with NMIT, which has seen 2 apprentices start, and another due to start in the 2023FY. Across the business, and particularly in the Stevedoring team, cross training was a focus. Some examples of successful cross-training have been Log Supervisors to Containers Supervisors, Deck Staff to Mafi Operators, Logs Digger Operators training as Containers Hatchpeople and Stevedoring Supervisor masterclasses for those that have leadership potential.







## Team Profile:

### QuayPack

The QuayPack team are responsible for integrated third-party logistics (3PL) solutions as well as scheduled trucking services for Port customers.

Warehousing services have been provided at Port Nelson for over 150 years evolving over time to better serve the changing needs of its customers.

QuayPack was established over 20 years ago to service the export needs of the forestry sector, primarily the storage and packing of MDF, LVL and sawn timber. In addition it became an accredited transitional facility which enabled the devanning of personal effects from import containers. Its service offering has grown over the years to include wine flexitank fittings, scheduled trucking services, 3PL storage solutions, and provides 40,000m<sup>2</sup> of warehousing and service space at the Port.

In the 2023FY, QuayPack achieved a 32% increase in revenue through the Patterson Logistics Centre. Steve Speight, QuayPack Operations Manager, comments on the team's achievement despite shipping and COVID challenges throughout the year. "It was a tough year for the QuayPack team, COVID protocols along with shipping irregularities created massive spikes in work volumes on a fortnightly basis. This placed the team under huge pressure every second week, essentially tasked with performing two weeks' worth of work in a singular week."

"The levels of adversity yet absolute determination to complete the work for our customers, was a true testament to the quality of work and levels of service offered by the QuayPack team."



"Port Nelson - what a great place to work! Teams are working well together, communicating proactively, and here comes summer providing us with warmer and longer days to enjoy the Nelson region."

Another achievement for the year was the reduction in the team's Lost Time Injury Frequency Rate (LTIFR), "Our LTIFR result went from being the worst within the Port, by a long way, to now being zero. This took a phenomenal effort by all to achieve this and was done by placing considerable focus on safely operating, and with greater awareness of injury prevention."

Looking forward, the key objectives for the team in the 2023FY are to focus on continuous learning across the QuayPack squad and maintain a high customer focus. Steve adds, "our team will continue to maintain high levels of communication to support our business relationships across Te Taihū. We will also focus on creating new opportunities and investing in technology to continually add to our service offering. One project the team will focus on is how data is exchanged between QuayPack and Container Operations, removing manual processes to work together more efficiently."



**Our  
People**  
*Ō tātou  
whānau*

## 2023 Objectives

**Build and keep safe an engaged and high-performing team:**

### **Engagement and safety culture survey completed and actioned**

The Port's engagement survey will provide a baseline to feel the pulse of 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.

### **People team service delivery model established**

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.

### **Safety KPIs achieved**

Improved safety performance • LTIFR < 1.0 • LTI's > than 5 days off <=1 • High risk incidents <=1

### **SafePlus audit completed and action plans completed**

This audit replaces the previous external health and safety audit and aligns Port Nelson with other ports (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.

### **Disaster recovery drills completed**






Port-wide emergency drill to be completed.

# Our Community

*Tō tātou hāpori*



## 2022 Performance Results

Targets	Results	
Dividends paid to the shareholders are not less than 50% of Net Profit after Tax.		<b>\$4.3mil</b> <i>Achieved</i>
Sponsorship >1.2% of NPAT (underlying)		<b>1.35% (\$107k)</b> <i>Achieved</i>
Iwi Engagement and Te ao Plan agreed		<b>In progress — Consultant support has been engaged</b> <i>Not Achieved</i>
Commence the Nelson Slipway redevelopment		<b>In Progress — Design is continuing</b> <i>Not Achieved</i>
Port Nelson will hold a public open day		<b>Deferred until 2023FY</b> <i>Not Achieved</i>

The Port contributed \$107,000 towards community sponsorship for the year. As forecast, Port Nelson has made a full-year dividend payment to shareholders of \$4.3m.

Design is underway for the slipway redevelopment project. The Nelson slipway will close for construction within the 2023FY. The new facility will facilitate vessels in the weight range from 50 to 2400 tonnes, create new finger wharves and a hardstand area which will allow a new marine travel lift to operate, having a capacity of approximately 400 tonnes.

Due to COVID-19 restrictions, the Port was unable to hold its public open day. This event has been moved into the 2023FY.

A Te ao Māori plan commenced at the end of the 2022FY; a Cultural Advisor will assist us in our journey. The Plan continues to be developed and will be finalised within the 2023FY, with a roll out planned over the next 3-5 years.

- » Cawthron Seagrass Regeneration
- » Cable Bay Community Snorkeling Event
- » Friends of Motu Manuka: Haulashore Island Predator Control Program
- » Port Nelson Fisherman's Association
- » Sealord Marine Rescue Centre
- » Port Nelson Charity Golf Tournament (LifeLine)
- » Nelson Triathlon & Multisport Club Inc (PNL SEA SWIMS)
- » CACTUS - Combine Adolescent Challenge Training Unit and Support / NMIT
- » Sailability Nelson Trust
- » Hearing Nelson – dangerous decibel workshops
- » TS Talisman
- » Special Olympics
- » Te Ramaroa – Light Nelson
- » Nelson Tasman Aviation Anniversary
- » Brook Sanctuary
- » Autism NZ – Annual Nelson region children's party
- » NZ family and foster care fun day

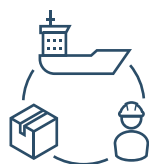
## Sponsorship at Port Nelson

In the 2022FY, the Port continued its support of the Te Taihu region by contributing \$107,000 to various community organisations and initiatives. The Port's areas of sponsorship and recipients are as follows:



### Improving our environment and community

- PNL has a responsibility to care for the safety of the sea as it connects to the Nelson community and for the community as it connects to the sea. This responsibility translates to supporting environment and community activities related to the sea
- Support community events and charities that strongly reflect the Port's key platforms, reach a wide audience and have effective profile for PNL



### Driving innovation and efficiency through the supply chain

- Promote connection of businesses and communities that support a top of the South Island, Te Taihu association
- Encourage business innovation and excellence particularly in the export sector
- Support industries that align with PNL's business growth initiatives
- » Top of the South Forestry Awards
- » Tasman Rugby Union – Mako and rippa rugby school tournaments
- » Nelson Tasman Chamber of Commerce – Port Nelson Export Hub
- » Marlborough Wine Show



### Building and keeping safe a high performing team

- Support PNL staff to sustain their wellbeing
- » Port Nelson staff sponsorship fund





## Sponsorship Highlight:

# Project Kōkōkaha

Project Kōkōkaha offers sailing experiences for low-decile schools in Nelson. Port Nelson came on board to sponsor the project for 3 years starting in the 2022FY.

Kōkōkaha is an integrated unit of work available to schools and kura throughout New Zealand designed by Yachting New Zealand (YNZ). The classroom-based learning experiences can be added to with a practical sailing experience, and Nelson Yacht Club is a YNZ-approved provider. The club has been running school sailing activities for many years, with an extensive fleet of training yachts and a fantastic team of experienced instructors.

Through YNZ's Kōkōkaha initiative, students explore what it means to be powered by the wind in the classroom, and then put it into action on the water at the club.

Club Manager, Tim Fraser-Harris, comments on the programme's success for the first season despite the challenges of Covid restrictions, "although absences from school meant that we didn't have quite as many students per day as were booked and staffed for, an awesome total of 346 tamariki were able to have an experience of sailing thanks to Port Nelson."

"Many of them had not even had an opportunity to get on the water in a boat before. We were fortunate to have fantastic gentle sailing conditions for almost

"Dear Port Nelson,  
Thank you for sponsoring  
our epic sailing experience at  
Nelson Yacht Club. It was really  
cool to try something new.  
We learned loads of stuff about  
the parts of the boat and how  
to sail and wow we did lots!  
So thank for supporting us to  
be there. It was really fun."

– from Amy, Charlie  
and Orakei

every session." Port Nelson Chief Executive Hugh Morrison says, "As a Port we are proud to align our focus to support community activities relating to the sea, enabling young people in our region to have the opportunity to try sailing and learn about being safe on the water."

Yachting New Zealand are looking to build on the success of the Kōkōkaha schools engagement framework and roll out two further modules over the next few years. Nelson Yacht Club will be partnering with YNZ as one of 4 RŪNĀ 'hubs' around the country (and the only one in the South Island). These modules will be called Kōrinorino and Moanamana and focus on local cultural histories and environmental sustainability, respectively.





**Our  
Community**  
*Tō tātou  
hāpori*

## 2023 Objectives

Support the improvement of wellbeing in our community:

### **Te ao Māori plan developed and supported by iwi**

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

### **Slipway Project construction 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.

### **Effective sponsorship spend**

Continue the Port's support of community organisations and initiatives with an effective sponsorship spend of >1.2% NPAT (ex one-offs).



# Our Shareholders

Ō tātou kaiwhapānga



## 2022 Performance Results

Targets	Results	
Revenue of \$72mil	✓	<b>\$76.8mil</b> Achieved
Earnings before interest and taxation (EBIT) of \$13.4mil	✓	<b>\$18.3mil</b> Achieved
Net Profit after Tax (NPAT) of \$8.6mil	✓	<b>\$12mil</b> Achieved
Underlying Net Profit after Tax (NPAT) of \$8.6mil	○	<b>\$7.9mil</b> Not Achieved
Return on Equity of 3.3%	✓	<b>4.5%</b> Achieved
Gearing <45%	✓	<b>22%</b> Achieved
Return on Assets of 2.3% (NPAT/Total Assets)	✓	<b>3%</b> Achieved





The Port's Net Profit after Tax was \$12m. The result was ahead of expectations; a key driver of the result has been the performance of the Port's commercial property portfolio, with revaluations contributing \$4.1m. The performance of the commercial property portfolio belies what has been a challenging trading year for the Port's operations.

Port Nelson's after-tax operational performance, excluding property revaluations, was \$7.9m, marginally below expectations. The Port's performance was impacted by volatile container shipping - including a number of vessel omissions, lower log volumes, higher payroll and fuel costs, constrained productivity due to stringent COVID protocols, and an additional \$600,000 of COVID-related costs required to ensure Port workers and Te Taihū were protected from COVID at the border.

**\$12**  
million  
Net Profit  
after Tax

In spite of the lower cargo volumes across the wharf, revenue remained strong for the year at \$76.8m. This was due to the strong performance of QuayConnect facilitating the movement of cargo outside Nelson in response to exporters exploring options to move cargo. In addition, property revaluations were stronger than expected.

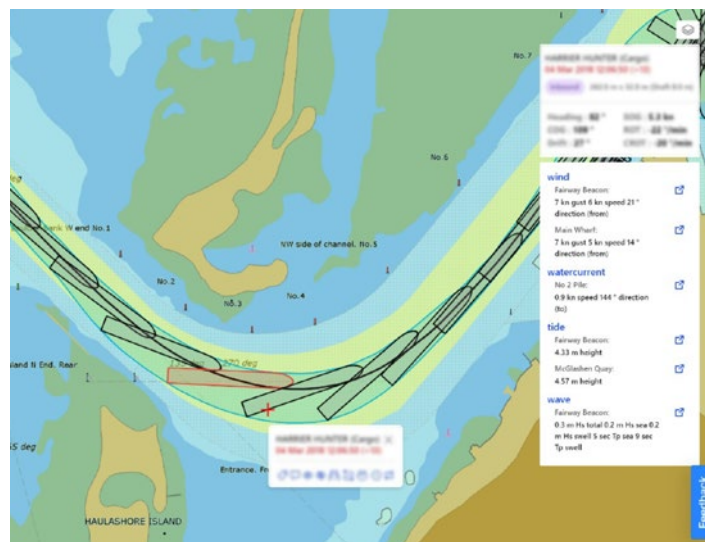


## Port Nelson Invests in Technology to Enable Bigger Ships to Visit Te Taihu

The trend towards the use of larger vessels continues to grow. Port Nelson is currently open to receiving vessels under 265m in length. For vessels between 250-265m, specialised assistance is required from the marine team and restricted operational conditions apply. A key project for the Port is to look at how we facilitate larger vessels to ensure we are able to continue our services to export and import goods optimally and efficiently.

As part of our commitment to Te Taihu, and ensuring we sustain our community's support for our licence to operate, we also need to consider how we can safely handle these vessels, whilst reducing our impacts on the environment by prioritising areas for capital dredging. One solution is investing in new technology to track and analyse vessel passages in and out of the Port.

TransitAnalyst is an online analytical tool that enables our marine team to analyse shipping movements in real time and maps out how a larger vessel can enter the Port within the current dredged environment. The image below shows how a vessel is tracked through 'the cut' and the subsequent data that is retrieved.



This technology will provide Port Nelson with an evidence-based understanding of risk in pilotage operations for larger vessels and gives the Port data for prioritisation for capital dredging, as well as evidence-based feasibility studies for larger vessels. In addition, this tool also allows for continuous improvement of marine operational procedures, pilot training, and professional development.





## Science and Technology Precinct Enters the Design Phase

Port Nelson's Science and Technology Precinct has entered the design phase, bringing to life the company's vision for a sustainable campus-style precinct that will be an accelerant for economic growth in the region.

Port Nelson awarded the project's design to Irving Smith Architects, a Nelson-based Architectural practice, and Auckland-based practice RTA Studio. The formed partnership will deliver the design of the project.

The 10,000m<sup>2</sup> building design will incorporate an iwi perspective with Māori design elements along with several green building initiatives. With innovation as a key theme, the space will accommodate collaborative workspaces and shared amenities such as food and beverage outlets, open spaces and provide a park-like environment.

Port Nelson is engaging with local iwi on the scope and design of the project. With the project having strong connections to culturally significant sites, including the Nelson Haven, Maitai River, and Auckland Point,

Port Nelson will collaborate with iwi to ensure that the local history of Māori and Te Taihū iwi is represented in the project.

Mark Washington, Port Nelson's Infrastructure Manager says the design will present positively to visitors and the public. "The design will reflect the key themes of Nelson as "The Smart Little City", the narrative of iwi, and the wider environmental beauty. The design will also consider the abundance and sustainability of the region, as well as the Port location."

The precinct will be located on a critical entry point to Nelson City and Tasman. The building will further augment Nelson's leading position as a location for value-added companies.

Hugh Morrison, Port Nelson's CEO, says the precinct aims to attract companies from the science and technology sectors. "The Port's vision for this precinct is to have tenants who will work together to provide solutions to some of our most pressing challenges in science and research, information technology, software development, health, agritech, and aquatech."

To ensure the vision of the project and brief are achieved, a project advisory group was formed. Hugh comments on the importance of collaboration for key development projects within the Te Taihū region, "the advisory group includes stakeholders across the region including Port Nelson, Cawthron, Nelson City Council, Nelson Regional Development Agency, iwi, and potential tenants. As the project progresses, the advisory group will be integral, advising on design, communications, and tenancies."





## Port Nelson's Log Yard Improves Operational Efficiencies

A key infrastructure project for Port Nelson that reduces environmental impacts and creates efficiencies was completed in the 2022FY.

The Port Nelson Log Yard project was a significant aspect of Port Nelson's programme to rationalise and intensify land use. The project included the consolidation of the Port's four disjointed log yards into a single area close to the wharf and within the Port secure area.

Infrastructure Manager, Mark Washington, celebrates the project completion, "the completion of the project this year allows our log cargo to be consolidated into a centralised precinct which has boosted capacity by around 30%."

In addition to improved operational efficiencies, there are positive environmental outcomes including reduced

The completion of the project this year allows our log cargo to be consolidated into a centralised precinct which has boosted capacity by around 30%

dust, making for better working conditions for staff, and reduced wear and tear on plant and equipment. Sediment and stormwater control improvements will be improved through the installation of a high-performance vortex stormwater treatment system designed to capture and filter out the particulate matter. However further improvement is required and will be addressed in the 2023FY.

"The system sees an improved recovery of sediment from the log yard stormwater discharge, and further reduces the discharge of debris into the harbour. This system will be rolled out throughout the log yard if the trial demonstrates the system proves to be beneficial," explains Mark.

Part of the project also included three new lighting towers, 30 meters in height, around the yard which have had an impact on night-time operations. The light towers have dimmable LED lights fitted and provides improved energy efficiency.

## Our Shareholders

Ō tātou  
kaiwhaipānga

## 2023 Objectives

Deliver strong and sustained returns to our shareholders:

### Exceed Net Profit after Tax budget

The Port will look to lift revenue with initiatives such as an optimised property portfolio and growing QuayConnect.

### Complete Long Term Strategic Plan; Infrastructure/Property Masterplan and Economic Improvement Plan (> 4% ROA)

The Port will complete a long-term strategic plan, including refreshing our vision. We will also 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 for both projects.

### Science & Technology Precinct: Building 1 detailed design approved

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

### Simplification and resilience of core business platforms

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



## Governance

### Director Changes

Geoff Dangerfield resigned as chair on October 26, 2021.

Paul Zealand was appointed chair on October 26, 2021.

Bronwyn Monopoli retired as a director on October 26, 2021, the date of the Annual General Meeting.

Gerrard Wilson was appointed as a director on October 19 2021, for a three year term.

Meg Matthews was appointed as a director on December 1 2021, for a three year term.

Meeting Attendance	Board	Finance & Risk	Remuneration & Appointments
Meetings held	11	4	2
Bronwyn Monopoli	4		
Tony Reynish	10	1	2
Kim Wallace	10	4	
Geoff Dangerfield	4		
Jon Safey	10		2
Paul Zealand	11	3	
Meg Matthews	6		1
Gerrard Wilson	8	3	



## Directors



### Paul Zealand - Chair

Paul Zealand joined the board on 1 July 2020 and is currently a director of Genesis Energy and Channel Infrastructure in New Zealand and Lochard Energy in Australia. Paul's prior executive experience includes Country Chairman for Shell in New Zealand and Upstream CEO for Origin Energy. Paul brings nearly 50 years of global experience in managing complex and hazardous operations and had been a professional director since 2016. Paul currently serves as chair of the Port Nelson board.



### Jon Safey

Jon Safey is a Nelson based Professional director and Consultant. Jon also currently serves as an advisor to Nippon Suisan Kaisha, a 50% shareholder in the Sealord Group. Jon has had an extensive career in the export of primary products from New Zealand, starting in the dairy sector and to date in the fishing industry. Jon currently serves as chair of the Remuneration and Appointments Committee as part of the Port Nelson board.



### Kim Wallace

Kim Wallace is a Christchurch-based professional director and consultant. She was appointed to the Port Nelson board in 2017. Additionally, Kim serves on the boards of Origin Capital Partners, AgResearch and Overseer plus Chair of the Christchurch City Council Assurance and Risk committee and an advisory committee member of O'Connor Partners. Previously Kim held senior executive roles in the global dairy industry working in New Zealand, Australia, Germany and the USA. Kim is chair of Port Nelson's Finance and Risk Committee.



### Gerrard Wilson

With a background in commercial property, Gerrard is a Nelson-based property consultant and company director. Previously within the corporate sector, Gerrard now consults independently to public and private sector clients. He holds a number of volunteer and professional trustee and directorships including with Nelson Building Society and the commercial arm of local iwi Ngāti Apa ki te Rā Tō.



### Tony Reynish

Tony is a former senior executive of the Port of Tauranga with 35 years' experience in port developments, property, and commercial contracts. He currently holds a number of directorships in port related companies. Tony was appointed to the board in November 2014.



### Meg Matthews

Meg Matthews joined the board on 1 December 2021. Meg brings a background across finance, marketing, and HR with significant experience within the tourism sector. Meg has an in-depth understanding of the Nelson Tasman regional economy through her role as chair at Nelson Regional Development Agency (NRDA) and is also chair of Cawthron Institute.



Our Senior Management Team left to right: Daryl, Lenore, Hugh, Matt, Erin, Jaron, Allanagh (absent).

## Directory

### Board of Directors

Paul Zealand (Chair)  
Tony Reynish  
Kim Wallace  
Jon Safey  
Meg Mathews  
Gerrard Wilson

### Secretary

Daryl Wehner

### Senior Management

Hugh Morrison  
*Chief Executive Officer*  
Daryl Wehner  
*Chief Financial Officer*  
Matt McDonald  
*General Manager Operations*  
Lenore Richter  
*General Manager People & Safety*  
Allanagh Rivers  
*General Manager Environment and Infrastructure*  
Jaron McLeod  
*General Manager QuayConnect*  
Erin King  
*Executive Assistant*

### Registered Office

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info@portnelson.co.nz  
www.portnelson.co.nz

### Auditor

Ernst & Young  
(on behalf of the Auditor-General)

### Solicitors

Pitt & Moore,  
Barristers and Solicitors  
PO Box 42, Nelson 7040  
Simpson Grierson,  
Barristers and Solicitors  
PO Box 2402, Wellington 6140

### Bankers

Westpac Banking Corporation  
PO Box 643, Nelson 7040





