

E aronui ana ki ō tātou tāngata kei te manawa pātuki o Whakatū, me mihi ka tika hoki. Mai i ngā pae maunga ki Tangaroa takapou whāriki, Papatūānuku e hora ake nei. Ko tā tātou i Te Tauihu, he tautoko i ngā wawata, he hāpai anō hoki i te oranga o te hapori. E kōkiri whakamua ana te kounga hei painga mā ō tātou kiritaki. E aronui ana ki te taiao, kia tū, kia oho, kia mataara ki te anamata. E kaha whakaputa mai ana i ngā hua mā te hunga whaipānga.

We acknowledge our people, who are at the heart of Port Nelson.

We honour the mountains, the sea and the land under, in, and upon which we operate.

We recognise our role within Te Tauihu and support the aspirations and wellbeing of our community.

Driving excellence across the supply chain for our customers.

Respecting the environment in which we operate and pushing towards a sustainable future.

Delivering strong and sustained returns for our shareholders.
Working and striving together 'to facilitate regional prosperity'.

E mahi ngātahi ana, e aro ngātahi ana 'ki te hāpai i te puawaitanga ā-rohe'.

Mā te tika, mā te pono, me te māramatanga, ka tutuki pai ai te kaupapa.

Through following a sound process, through determination and clarity of thought, anything is possible



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# **→** Introduction





Port Nelson is pleased to present our 2024-2026 Statement of Corporate Intent (SoCI). The SoCI describes how we intend to advance our purpose "to facilitate regional prosperity/kia āhei ki te kōkiri whakamua ki te taumata ā-rohe".

This SoCI is provided in accordance with the Port Company Act 1988. Further, the SoCI addresses the relevant requirements in the 'letter of expectation', sent by council shareholders to Infrastructure Holdings Limited (IHL) on 22 December 2022.

 $\frac{122}{\text{Years}}$ 

Since the formation of the Port Nelson Harbour Board





## Nature and Scope of Activities

Port Nelson is the maritime gateway for Te Tauihu – a vital hub for economic activity and a key facilitator of our region's continued growth and prosperity.

Port Nelson is an international port located in the city of Nelson and is owned by Infrastructure Holdings Ltd which is in turn equally owned by both Nelson City Council and Tasman District Council. The rich history of Port Nelson has helped shape the vibrant 'gateway to the world'. Early accounts of Wakatū (Nelson) - means a 'standing place or shelter for canoes'- described the area's rich history for Māori trading fish and produce. Since the establishment of the Port Nelson Harbour Board in 1901, Port Nelson has welcomed visitors and commercial traders to Te Tauihu and, to this day, continues to respond to its customers' and community's needs. The Port handles a wide variety of cargo, including containerised cargo and bulk cargo.

Approximately 67% of Port Nelson's volumes are exported and 33% are imported. Major export commodities include forestry products (logs, sawn and processed timber), seafood, pip fruit and wine. Port Nelson is the largest seafood processing port in Australasia, supporting and catering to the needs of some of New Zealand's main seafood companies and associated fishing fleets. The Port also houses one of New Zealand's largest marine service sectors. Nelson/ Tasman is the second-largest apple growing region in the country, with approximately 28% of the total apple crop being grown here and exported around the world. Approximately 70% of New Zealand's wine is produced in Marlborough, making Port Nelson a vital link in the wine industry's supply chain. The main import commodities to Port Nelson are fuel and vehicles, both second-hand and new.

Since the Port has been established, it has undergone significant expansions and upgrades to accommodate the growing demand for its services. In recent years, Port Nelson has been investing in infrastructure and plant to improve efficiency and capacity.



The Port has also focused on diversifying its services, including offering warehousing and logistics services.

Port Nelson creates value for its customers by providing a suite of marine, cargo handling, warehousing, logistic, slipway, and property portfolio services. 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. Cargo handling services include the unloading, temporary storage, and loading of many forms of cargo including containers, logs, cars, fertiliser, cement, methanol, and fuel.

Logistics and warehousing services are provided through our QuayConnect and QuayPack businesses. QuayConnect works with on-site 3PL partner QuayPack to offer integrated transport and third-party logistics (3PL) storage solutions to our customers. The Port utilises 23,000m² of British Retail Consortium accredited storage facilities, at the Patterson Logistics Centre, New Zealand's largest on-port storage facility, and has a dedicated and scheduled trucking service. QuayConnect enables the efficient connection of products to market.

Port Nelson's scope of services also includes slipway services for vessels up to 2,400t. This facility supports one of New Zealand's strongest marine engineering clusters. In addition, the Port has over 235,000 m2 of commercial land that it develops and leases to support the fishing, marine services, and other export-related industries.



Over 122 years since the formation of the Port Nelson Harbour Board



230 FTE Employees



\$381m 2022 Asset Value



6th Largest Port for Tonnage and Container Numbers



31.27 Hectares of Total Operational Land



22.81 Hectares Commercial Land (Land for Lease)



4 Mobile Harbour Cranes



4 Visiting Container Lines



9 Wharves



3 Tugs



5,000m2 Marlborough Warehousing



23,000m2 On- Port Warehousing



14 Heavy Container Handling Machines



2 Slipways





Purpose

# To facilitate regional prosperity

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





### Stakeholders and Goals

Port Nelson's purpose is 'to facilitate regional prosperity/kia āhei ki te kōkiri whakamua ki te taumata ā-rohe'

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 multiple stakeholders has resulted in a commitment to report its results under each stakeholder through its integrated reporting framework.

The Port also defines 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'.



Provide leading port logistics operations and drive supply chain innovation

Reduce our environmental impacts and push towards a sustainable future

Build and keep safe an engaged and highperforming team Support the improvement of wellbeing in our community

Deliver strong and sustained returns to our shareholders

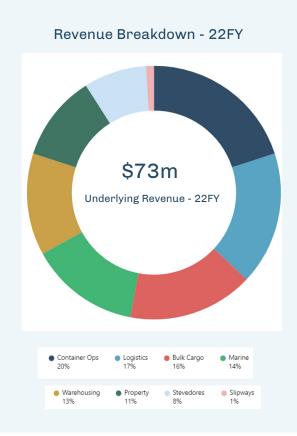


Providing leading port operations and driving supply chain innovation is integral to ensure the Port can continue to generate a successful operation and in turn deliver strong financial returns.

Port Nelson has two types of customers: those that contract directly with the Port and those that export or import through the Port via contracts with third parties.

The cargo across Port Nelson reflects the activities of Te Tauihu. 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, the graphs below describe the make up of our cargo, including the recent history of activity and three year forecast.



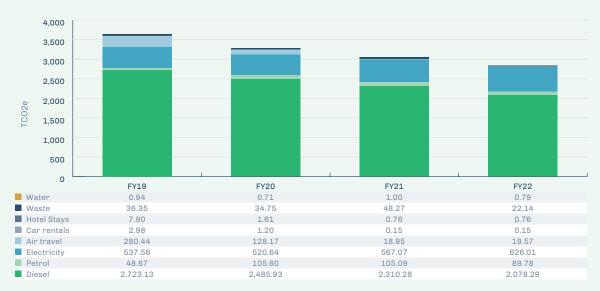




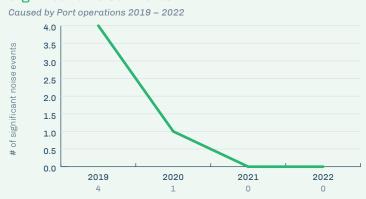
The Port aims to be a leader in sustainable environmental management in the New Zealand port industry by reducing our environmental impacts and pushing towards a sustainable future.

The Port is committed to continual improvement in its environmental performance. 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 in the form of noise, dust, stormwater runoff, and the potential for spillage. Reducing these impacts are a priority fpr the Port.

### Total Carbon - 2022FY



### Significant Noise Events





Port Nelson is proud of its workforce and is committed to building and keeping safe an engaged highperforming team.

Port Nelson aims to attract and retain a diverse, and motivated workforce supported by a highly capable and trained leadership team. Port Nelson invests significantly in training, health and safety and wellbeing. Our people are critical to running a successful business and our objectives are to retain talent and cultivate a progressive workplace.

Over 300 people are employed in the Port team. As Port Nelson is a 24/7 business, the working pattern is primarily driven by the tidal nature of the Port and the intermittent movements of international vessels. This means that a number of our workers are casual workers, making the full-time equivalent (FTE) count approximately 230.

Port Nelson has a strong emphasis on health, safety and wellbeing and continues to invest significant resources in this area. 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.

### **Critical Risks**

(Operational risks that can result in a fatality or permanent disability)



### **Traffic**

Light Vehicle impact between object or pedestrian



## Heavy Mobile Plant & Equipment

Heavy plant impact between object or pedestrians



### **Working at Heights**

Falling from height resulting in a hard surface impact



### **Stored Energy**

Uncontrolled release of an object or energy



### Working on or Near Water

Risk of drowning, crush, hypothermia, or injury



## Unsafe Atmosphere or Substance

Oxygen deficient or hazardous atmosphere/environment



### **Electrical**

Exposure to unsafe electrical installations



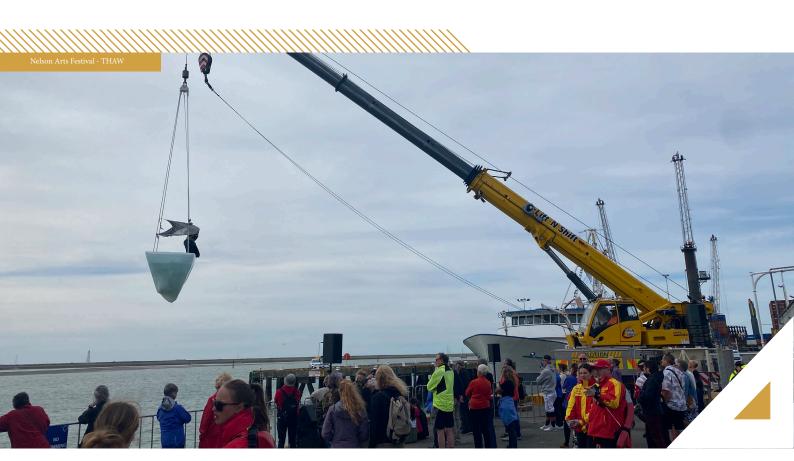
The Port recognises that it is at the economic heart of the Nelson community and is vital to the ongoing economic and social wellbeing of the whole Te Tauihu region.

Tō tātou hapori

The Port is aware of its obligations to the community in which it operates. Additionally, Port Nelson strives to play its role as a good corporate citizen by contributing to the vibrancy of life in Te Tauihu.

As part of our contributuion, the Port commits more than \$100,000 of sponsorship funds towards activities related to the protection of the land/sea interface and supporting the community's wellbeing.

Relationships with iwi have long been important to the Port, however in recent years, we have sought to establish a stronger partnership. With the support of a Māori Partnerships Manager, the Port is actioning an iwi and Māori Partnership Plan over the next 3-5 years.





Commercial success is critically important to the Port as it provides a return for our shareholders investment and delivers a strong dividend to our community.

The Port's current level of economic performance, measured by return on assets and return on equity, does not give shareholders a fair return on their investment. To sustain strong dividends to our community and investment in infrastructure into the future, the level of economic performance needs to improve. To this end, work is underway to review the Port's economic model.

The Port looks to sustain and modernise its infrastructure by completing an Infrastructure Masterplan to ensure optimal investment and resilience for the Port's infrastructure and assets into 2050.

The Port also continues to build on its Asset
Management approach by ensuring it has systematic
processes for developing, operating, maintaining,
upgrading, and disposing of assets in the most costeffective manner.

Technology is a key factor in the success and efficiency of Port Nelson, as it helps to streamline processes, improve communication and coordination, enhance safety and security, and provide real-time data analysis for better decision-making. By leveraging technology, Port Nelson optimises its operations and improves its competitiveness, leading to a more efficient, safe, and secure port environment. Technology also enables the integration of various systems and the sharing of information across the supply chain, resulting in increased visibility and efficiency. The adoption of technology at Port Nelson helps to keep the port improving its operations and ensuring its continued success.

The graph below shows Port Nelson's profitability historically and forecasts until the 2026 financial year.



\*Underlying profit excludes revaluation of investment properties.





## 2030 Strategic Plan

The Port is in the process of completing its 2030 strategic plan. The draft plan is shown below:











#### **Our Customers**

### Always better

Strive to demonstrably improve operational performance through a combination of continuous improvement and targeted investment.

### The preferred Te Tauihu cargo pathway

Championing the needs of Nelson/Tasman exporters and importers and growing the Marlborough cargo through our high service model.

#### **Our Environment**

## Reduce our impact

Reduce our physical and carbon impact on the environment

## Leadership in sustainability

Engage in sustainability and climate change adaptation that also supports our people and community

### Our People

### "I see you"

Build on our strong culture and systems to create an environment where each team member is and feels recognised, appreciated and respected.

## One team for health, safety and wellbeing

Continue to build an environment and culture where every member of the Port team, and others who work in our spaces, are fully engaged and united in the continuous pursuit of improved health, safety and wellbeing.

### **Our Community**

## A trusted partner for our community

Support our social licence to operate with open and transparent engagements and impactful contributions to the community's wellbeing

## A trusted partner for iwi and Māori

Strengthen our relationship with iwi and Māori through ongoing commitment to support and contribute to Māori aspirations in Te Tauihu

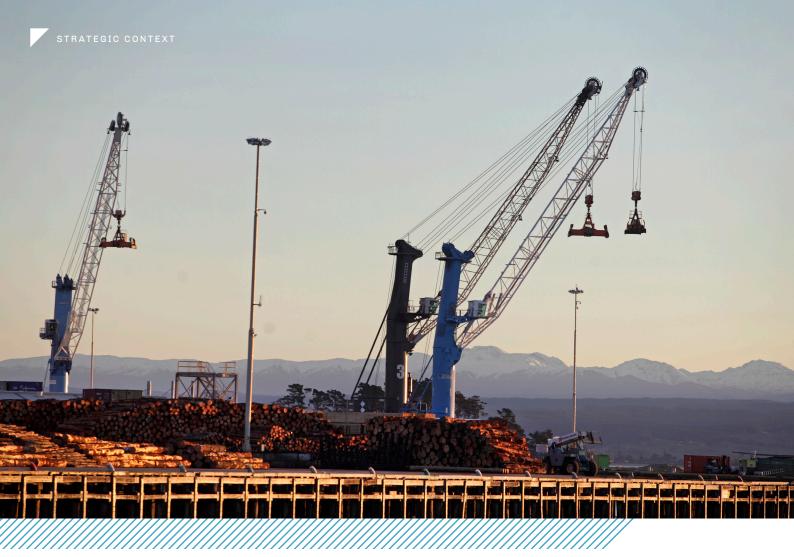
### **Our Shareholders**

## A fair and sustained return

Lift our economic profit to provide a fair return to shareholders and build resilient infrastructure

## Diversified income

Strengthen
returns from our
property portfolio
and leverage
our expertise
in logistics for
growth





### 2024 Strategic Initiatives

Aligned with the 2030 plan. The Port will pursue 13 strategic initiatives in 2024FY.

### **Our Customers:**

## Establish dashboards and a continuous improvement framework:

Complete and embed dashboards across the business and develop continuous improvement initiatives to improve performance and push towards aspirational benchmarks.

### Establish the Marlborough Inland Port:

Establish the Marlborough Inland Port and build the business to maximise the benefit of the facility.

## Establish the Pelorus portal as a key platform for logistics in Te Tauihu:

Following customer feedback, develop the existing software to meet the needs of customers and embed the software into QuayConnnect operations.

### Crane 2 replacement:

Sustaining resilience of our cranes requires a replacement for an older crane. The opportunity to procure an electric crane and establish the necessary

infrastructure, provides sustainability benefits to the Port

### Stevedoring roster:

Establishment of the roster provides a more sustainable and wellbeing-based environment for our stevedoring team.

### **Our Environment:**

## Build our foundations for progressing environmental impact reduction and adaptation to climate risk:

Actions will include improved monitoring of physical impacts, certification through Toitu, commitment to Climate Leaders Coalition's updated statement of ambition, commence reporting against climate related disclosures, and raise awareness of environmental management within the team.



### Our People:

### Strengthen the Port's safety foundation:

Strengthen culture around: clarity, compliance and consistency. Strengthen systems; digital user interfaces; and worker engagement.

### Strengthen the Port User Management System:

Establish increased clarity, compliance and consistency around: port users, contractors and visitors.

## Strengthen the Emergency Response Plan and progress port wide readiness:

Conclude update of procedures, clarify consequences of events and commence scenario testing (particularly of large seismic events).

### **Our Community**

### Commence the implementation of the iwi & Māori Partnership Plan:

The initial year of the plan focuses on education, raised awareness and connection.

### Our Shareholders:

### Implement the Economic Profitability Plan:

Move forward on revenue improvement initiatives in conjunction with strong customer communications, as well as pursue identified cost savings and areas of continuous improvement that lift profit.

### Complete the slipway redevelopment:

Complete the slipway redevelopment to budget and programme, as well as establish operational systems that are safe, customer facing and efficient.

## Communicate the Masterplan and scope initial positioning projects:

Ensure our team and stakeholders are engaged in final consultation on the plan and the early actions are effectively planned.





### Performance Measures

The below details how the Port will measure its performance to deliver our strategic intent in the 2024 financial year.

The outcomes of these measures will be reported on in the Port's Annual Report.

### Our Customers

Ō tātou kiritaki

Provide leading port logistics operations and drive supply chain innovation

	2021/22 ACTUAL	2022/23 TARGET	2022/23 FORECAST	2023/24 TARGET
Cargo volumes (000)	3,156	3,308	3,245	3,349
Container throughput (TEU - twenty-foot equivalent units - thousands)	103	114	105	113
Vessel visits	767	781	769	776
Revenue growth QuayConnect (\$m)	2.4	1.5	5.7	1
Average container crane rate per hour	19	>20	18.9	>20
Improved cont. truck waiting time (mins)	14.9	<15	14.7	<15

### Our Environment

Tō tātou taiao

Reduce our environmental impacts and push towards a sustainable future

	2021/22 ACTUAL	2022/23 TARGET	2022/23 FORECAST	2023/24 TARGET
Gross reduction on FY19 scope 1 and 2 carbon emissions (cumulative)	15%	15%	16.2%	18%
Gross reduction on FY19 levels in scope 3 carbon emissions (PNL originated)	87%	80%	85%	85%
Port's significant noise event & events >85dbH (at monitor)	086	0 & 5	0 & 15	0 & 8
Dust events external complaint	0	0	0	0
Port substance Spills >10L reach harbour	0	0	0	0



## **Our People** *Ō tātou*

whānau

Build and keep safe an engaged and high-

performing team

	2021/22 ACTUAL	2022/23 TARGET	2022/23 FORECAST	2023/24 TARGET
High risk events	0	<=2	1	<= 2
Lost time injuries (LTI) greater than 5 days off work	3	<=2	16	<= 2
Lost time injury frequency rate (LTIFR)	1.12	<=1.3	2.94	<= 1.3
Critical risk verification reviews	50	44	44	44
Visible safety leadership events	166	400	404	400

## Our Community Tō tātou hapori

Support the improvement of wellbeing in our community

	2021/22	2022/23	2022/23	2023/24
	ACTUAL	TARGET	FORECAST	TARGET
Utilisation of slipway -	85% or 312	85% or 312	84%	85% or 310
(Calwell)	days	days		days
Sponsorship as a percentage of NPAT	1.12%	>1.2%	\$110,000	>1.2%
Dividend \$ (% (NPAT) ex. prop. reval.)	4.3m (52%)	4.0 (51%)	4.0m (58%)	4.5m (50%)

## Our Shareholders Ō tātou kaiwhaipānga

Deliver strong and sustained returns to our shareholders

	2021/22 ACTUAL	2022/23 TARGET	2022/23 FORECAST <sup>+</sup>	2023/24 TARGET
Underlying* revenue	\$72.7m	\$76m	\$81.8m	\$86.1m
Underlying earnings before interest and taxes	\$14.1m	\$14m	\$14m	\$16.3m
Underlying net profit after tax	\$7.9m	\$7.8m	\$7.2m	\$9.1m
Underlying return on assets	2.2%	2.0%	2.0%	2.3%
Underlying return on equity	3.1%	2.9%	2.4%	3.2%
Gearing (debt/equity)	22.0%	21.9%	20%	21%

+ Financial results for 22/23FY are based on March 23 results and are unaudited \*Underlying financial performance excludes recognition of investment property revaluation

# **Financial** Performance EURU 186415 2 EURU 176784 6 © eurotainer @ eurotainer QUAYCONNECT EURU 186281 7 EURU 186284 3 QUAYCONNECT EURU 186278 2 EURU 186285 9 (C) curotainer © curotainer TERBERG



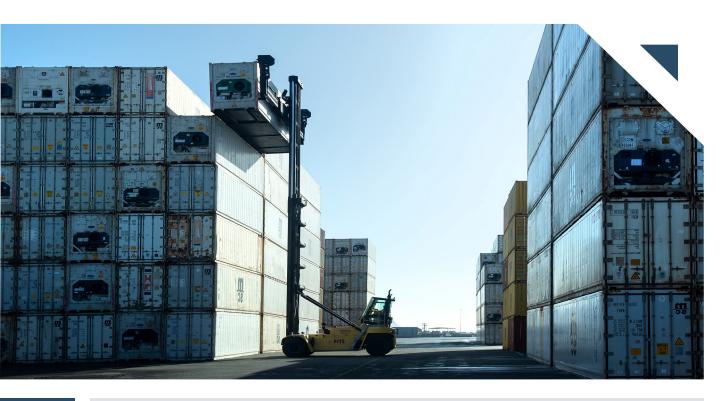
### **Prospective Summary Financial Statements**

For the three year period July 2023 to June 2026

### Statement of Comprehensive Income

	2024	2025 +	2026
	\$000	\$000	\$000
Revenue			
Port Operations	79,180	85,480	86,900
Property	6,950	6,870	6,870
TOTAL REVENUE	86,130	92,350	93,770
Expenses			
Employee Benefit Expenses	25,560	26,290	26,390
Other Operational and Property Expenses	33,040	33,650	33,725
Earnings before Interest, Tax, Depreciation and Amortisation	27,530	32,410	33,655
Depreciation and Amortisation	11,240	11,630	11,290
Earnings before Interest and Tax	16,290	20,780	22,365
Net Financing Costs	3,640	3,940	4,180
NET PROFIT BEFORE INCOME TAX	12,650	16,840	18,185
Income Tax	3,540	4,640	5,015
NET PROFIT AFTER INCOME TAX	9,110	12,200	13,170

<sup>+</sup> Financial performance for 2025 and 2026 financial years are presented in 2024 dollars.



### **Balance Sheet**

	2024	2025 <sup>+</sup>	2026 <sup>+</sup>
	\$000	\$000	\$000
Current assets			
Cash and Cash Equivalents	250	160	190
Trade and Other Receivables	12,810	13,490	13,550
Inventories	830	830	830
Prepayments and Accruals	250	250	250
TOTAL CURRENT ASSETS	14,140	14,730	14,820
Non-current assets			
Property, Plant and Equipment	342,350	353,840	353,030
Intangible Assets	3,110	2,780	2,440
Investment Properties	35,290	35,290	35,290
Investment in Associates	3,800	3,800	3,800
Derivatives	3,500	3,500	3,500
TOTAL NON-CURRENT ASSETS	388,050	399,210	398,060
TOTAL ASSETS	402,190	413,940	412,880
Current liabilities			
Trade and Other Payables	10,580	16,440	7,140
Employee Benefit Entitlements	2,330	3,030	2,640
Tax Payable	2,160	2,490	2,540
Dividend Payable	3,000	4,400	5,000
Noise Mitigation	100	100	100
TOTAL CURRENT LIABILITIES	18,170	26,460	17,420
Less non-current liabilities			
Employee Benefit Entitlements	260	260	260
Deferred Tax Liability	18,390	18,390	18,390
Term Loan	77,180	73,800	75,570
Noise Mitigation	270	230	200
Right of Use Assets	300	150	0
TOTAL NON-CURRENT LIABILITIES	96,400	92,830	94,420
TOTAL LIABILITIES	114,570	119,290	111,840
Shareholders' funds			
Issued Capital	6,050	6,050	6,050
Retained Earnings	97,710	103,740	110,130
Asset Revaluation Reserve	174,280	174,280	174,280
Hedging Reserve	3,530	3,530	3,530
Investment in Associates	6,050	7,050	7,050
TOTAL SHAREHOLDERS' FUNDS	287,270	293,320	298,830
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES	402,190	413,940	412,880

### **Statement of Cash Flows**

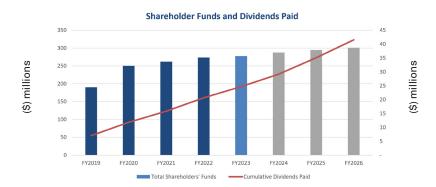
	2024	2025 <sup>+</sup>	2026
	\$000	\$000	\$000
Cash flows from operating activites			
Cash was provided from:			
Receipts from customers	78,450	84,890	86,860
Rent received	6,950	6,870	6,870
	85,400	91,760	93,730
Cash was applied to:			
Payments to suppliers and employees	57,730	58,460	58,240
Interest paid	3,660	3,960	4,170
Taxes paid	3,650	5,820	6,250
Net GST paid	(490)	(710)	1,220
	64,550	67,530	69,880
Net operating cash inflows	20,850	24,230	23,850
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	23,460	16,820	19,690
Purchase of intangibles	710	130	10
	24,170	16,950	19,700
Net investing cash inflows/(outflows)	(24,170)	(16,450)	(19,700)
Cash flows from financing activities			
Cash was provided from:			
Loans borrowed	25,190	14,770	19.900
	25,190	14,770	19,900
Cash was applied to:			
Loans repaid	17,960	18,150	18,130
Dividend paid	4,000	4,500	5,900
	21,960	22,650	24,030
Net investing cash inflows/(outflows)	3,230	(7,880)	(4,130)
Net increase/(decrease) in cash held	(90)	(100)	20
Cash and cash equivalents at 1 July	340	260	170
CASH AT 30 JUNE	250	160	190

<sup>+</sup> Financial performance for 2025 and 2026 financial years are presented in 2024 dollars.



## **Commercial Valuation**

The directors assessment of the value of the shareholders investment in the company is \$287.3m. The value is the prospective value of total shareholders' funds as at June 30, 2024.







# Procedure for Acquisition of Other Interests

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.



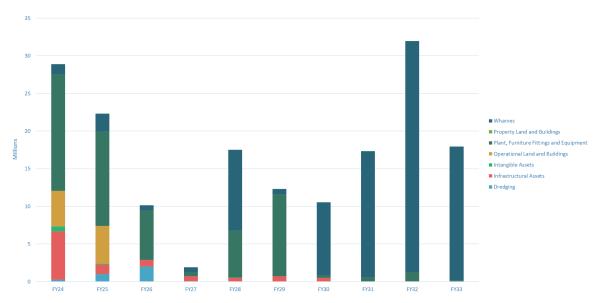


# Ten-Year Projected Capital Expenditure Programme

Total capital expenditure over ten years is \$185 million. Key components of this expenditure include the Port Nelson Slipway development in the financial years 2024 and 2025, an investment programme for wharf replacements over the periods 2030 through 2033, and replacement to cranes and the pilot vessel over the years 2024 to 2029.

The following graph shows an annualised breakdown of expected capital expenditure for ten years across the Group, including the Port Nelson Slipways.

**Ten - Year Capex Profile** 



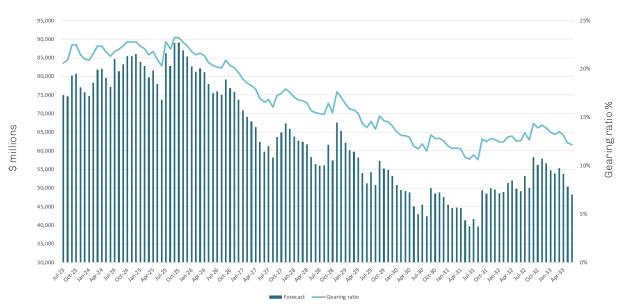


## Ten-Year Projected Debt Profile

The debt profile closely mirrors the annualised breakdown of expected capital expenditure for ten years.

The following graph shows an annualised breakdown of expected debt levels for ten years across the Group, including the Port Nelson Slipways.

### **Ten-Year Debt Profile**





## **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/



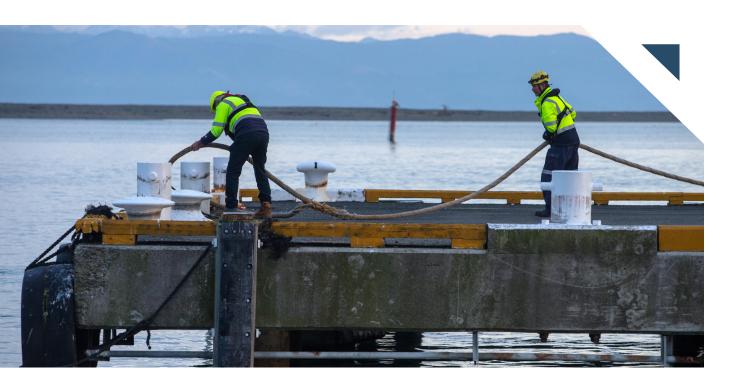


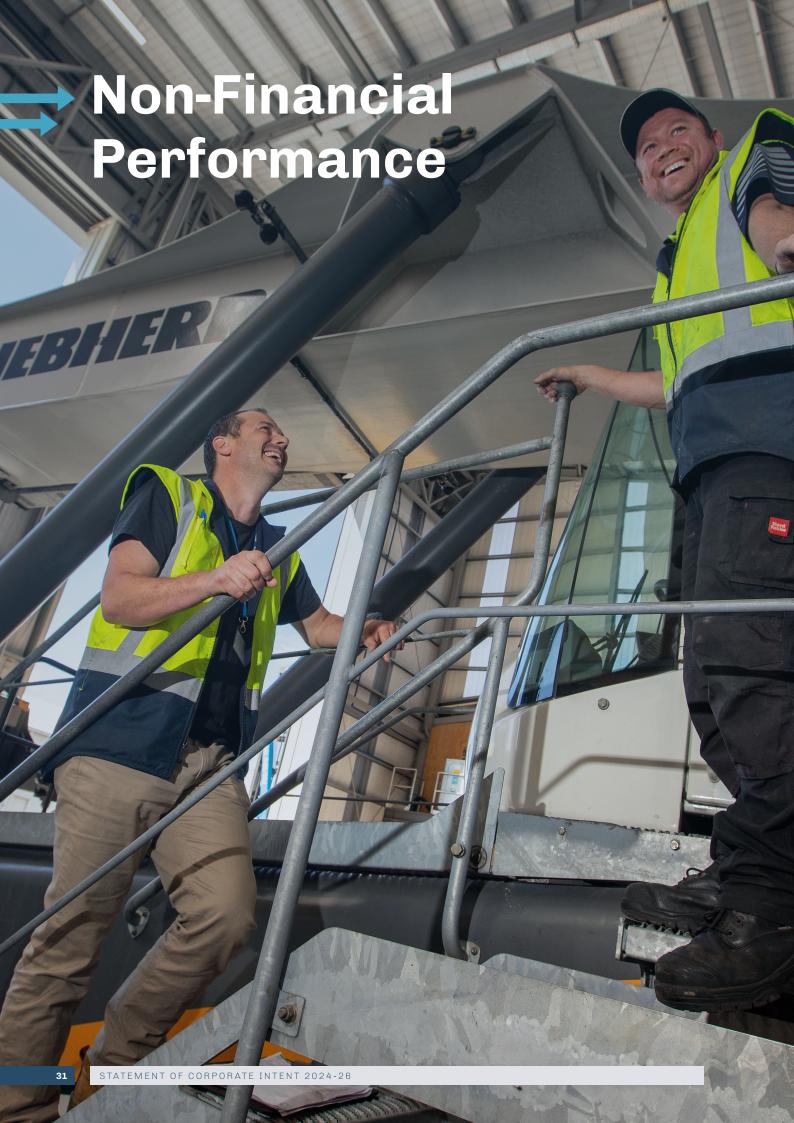
## **Dividend Policy**

The Port Nelson board will use its best endeavours to accommodate the shareholder's 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 (excluding non-cash adjustments such as property revaluations). 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 \$4.5m for the year ended June 2024, \$5.9m for 2025 and \$6.5m for 2026.







## Risk Management

Risk management forms a part of every aspect of the Port's operations. This ranges from daily toolbox sessions, to job specific assessments, through to capital funding requests and ultimately our long term strategic plan.

Formal company wide risk reviews are undertaken quarterly. These reviews are discussed at board meetings, with a focus on the top 20 risks. In addition, detailed reviews of individual top risks are also covered at Board meetings.

The Finance and Risk Committee takes responsibility for ensuring that the risk management process is appropriate, providing an oversight of financial risks and ensuring risk reporting up to the full Board is effective. A recently completed external review has provided a path for further improvements of risk management and internal auditing.

In addition to operational and strategic risks, the company wide risks include natural hazards, such as earthquakes, tsunami and storms, as well as climate change risk.

The Port is not required to report under the Climate-related disclosures and Other Matters Amendment Bill. However, it is the intention of the Port to commence reporting against the climate-related disclosures standard in 2024FY, with full compliance in 2026FY.





# Sustainability and Climate Change

The Port is committed to reducing its impact on the environment, including its contribution to climate change, as well as providing transparency to the Community on the potential impacts of climate change on Port operations.

#### Carbon reduction:

The Port has established two key targets for carbon reduction:

- 67% reduction of gross carbon emissions from 2019FY to 2035FY, and;
- · Net zero carbon emissions by 2050

The first target aligns with the Climate Leaders Coalition goal of contributing to holding global warming to 1.5 degrees. Independent verification of the Ports performance against this target will be provided by Toitu. Achieving this result for Scope 1 and 2 emissions requires the Port to transition to electric cranes and alternate fuels (e.g. hydrogen) for our heavy plant.

### Climate change:

A preliminary review of the impacts of climate change on the Port was undertaken in 2022 through the consultancy, Deloitte. This work built on a Port Resilience Review completed in 2021 that identified the physical risks to the Port from natural events and climate change related impacts. The Infrastructure Masterplan currently being completed will focus on the next 30 years and will identify adaptation works that will need to be provided over this period.

### Waste minimisation:

With a strengthened environmental team in 2024, the Port will focus on diverting waste from landfill through reducing waste and increasing recycling, this being pursued as part of an initiative to engage more deeply with the wider Port team to establish environmental champions and raise the priority of environmental management matters.

### Climate related disclosures:

Consistent with the requirements of Council Shareholders and Infrastructure Holding Limited (IHL), the Port will commence reporting against the climate-related Disclosures (NZ CS 1) standard in 2024. The reporting will be matured through three phases: scoping, qualitative and quantitative compliance over three years, with full compliance in 2026FY.

2024FY projects underway to recognise and address climate change:

- Replacement of diesel cranes with electric cranes:
   The Port will scope in 2024 for its next replacement
   crane to be an electric diesel / hybrid. This move will
   require an upgrade to the electrical infrastructure on
   the site. The new crane will be the first electric port
   mobile crane in NZ.
- Hydrogen injection into heavy container mover plant: A trial injecting hydrogen into one of our container movers will be commenced in 2024. An expected reduction in fuel burn of 15% is targeted.
- Speed reduction in the operational Port areas:
   Operational speeds have been reduced in the Port
   Operational area from 25 kmph to 20 kmph. This has the benefit of safety improvements and fuel reduction.
- Plant utilisation and optimised operator performance: Installation of monitors into moving heavy plant will take place in 2024FY to inform on areas for fuel conservation.
- Independent verification of carbon reporting: Through Toitu, the Port will establish independent verification of its carbon emissions, as well as certification of its carbon reduction plans and projections.
- Reduction on waste: A waste audit will be undertaken in 2024 and initiatives commenced to reduce waste going to landfill.
- Infrastructure Masterplan to address climate change adaptation: An Infrastructure Masterplan will be completed in early FY2024, this will provide a framework for the Port's physical response to climate change
- Sea-grass regeneration: The Port will continue to sponsor research by Cawthron into sea-grass regeneration, recognizing the blue carbon benefits of sea-grass.



## Health and Safety

Port Nelson has a responsibility to manage health, safety and wellbeing risks and provide a safe and healthy work environment for every person coming onto a port site.

Port Nelson operates under a health and safety management plan which provides the Port with systems and processes that form the foundation to ensure we have a safe work environment. A key part of this plan is to enable our systems and processes to be improved through active engagement.

Every position at Port Nelson has a responsibility for health and safety. The Port also has a responsibility to ensure every worker has a clear understanding of risks associated with their work as well as the associated controls. A structured network of work group meetings ensures engagement, continued focus, and access to data and training.

Port Nelson, through consultation with our people, has identified 7 critical risks that have the potential to cause fatalities, this translates to 42 risk events where a critical risk is being managed. Critical Risk Reviews, an improvement review process, ensures the controls the Port has in place are working, and if not, improve and add new ones.

Port Nelson's board is engaged in setting policies and ensuring compliance through the health and safety sub-committee. External audits are used to challenge current operations. The Port developed a plan based on the outcomes from the 2023 financial year SafePlus external audit. The Port is currently aligning its systems to ISO 45001, an international standard for health and safety at work developed by national and international standards committees independent of government.





## Relationships

Port Nelson recognises the importance of relationships and engagement with stakeholders as part of our purpose "to facilitate regional prosperity – Kia āhei ki te kōkiri whakamua ki te taumata ā-rohe".

Port Nelson provides information to shareholding local authorities through an agreed reporting structure. There is also 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.

With the transfer of Port ownership from council shareholders to Infrastructure Holdings Limited from 1 July 2023, open communications and a 'no surprises' approach will be maintained with council shareholders.

As part of the Port's social licence to operate, the Port continues to build and maintain positive relationships with the community through a multi-faceted approach. This includes a Port Noise Liaison Committee, Environmental Management Committee and active sponsorship. Members of the community are also provided with the opportunity to be informed about Port activities through the Port Nelson website, contact forms, social media, and our twice-yearly newsletter: RE:PORT.

To continue to build positive relationships with iwi, the Port will implement its 3-5 year Māori Strategy and Action Plan. The Māori Strategy and Action Plan focuses on the important work of improving and strengthening our relationships with tangata whenua and mana whenua. This includes engaging in regular consultation, collaborating with iwi and incorporating their perspectives and concerns into planning and operations.



# Governance Performance



# Approach to Governance

Port Nelson recognises the importance of strong corporate governance for 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 three standing committees: the Finance and Risk Committee, the Health and Safety Governance 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, excluding asset valuations. 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 \$4.0m for the year ended June 2023, \$4.5m for 2024FY, \$5.9m for 2025FY, and \$6.5m for 2026FY.

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### Information to be Provided to Shareholders

Port Nelson commits to 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 no 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.





Port Nelson Nelson 7010, New Zealand